HTSContinuingDisclosureServices
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated June 28, 2022

Ratings:
Fitch: "AA+"
S&P: "AA+"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein.

THE CERTIFICATES ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

CITY OF DENTON

$112,155,000
CITY OF DENTON, TEXAS
(Denton County)
CERTIFICATES OF OBLIGATION, SERIES 2022

Dated Date: June 15, 2022
Interest Accrues from Delivery Date

Due: February 15, as shown on page 2

PAYMENT TERMS . . . Interest on the $112,155,000 City of Denton, Texas Certificates of Obligation, Series 2022 (the "Certificates") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2023, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971), as amended, and Texas Government Code, Chapter 1371, as amended, and constitute direct obligations of the City of Denton, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues of the City's Utility System not in excess of $1,000, as provided in the Certificate Ordinance (defined herein) authorizing the Certificates (see "The Obligations - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (i) acquiring, constructing, installing and equipping fire stations; (ii) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management and parks and recreation departments; (iii) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing and flooring; (iv) acquisition and installation of electric generator equipment for municipal buildings; (v) acquiring, constructing and installing door security systems, including security system technology equipment and software, for municipal buildings; (vi) constructing, reconstructing, renovating, installing and equipping municipal parks; (vii) renovations to, expansion of, and equipping existing municipal vehicle maintenance facility; and (viii) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (ix) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (x) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and the Certificates (see "Plan of Financing").

MATURITY SCHEDULE

See page 2

SEPARATE ISSUES . . . The Certificates are being offered by the City concurrently with the "City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2022" (the "Bonds") under a common official statement, and the Certificates and Bonds are hereinafter sometimes referred to collectively as the "Obligations." The Certificates and Bonds are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on July 21, 2022.

MATURITY SCHEDULE **CUSIP Prefix: 248867** [(1)]

Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix [(1)]	Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix [(1)]
$ 3,270,000	2023	5.000%	1.600%	CC5	$ 4,665,000	2034	5.000%	3.340% [(2)]	CP6
3,800,000	2024	5.000%	1.940%	CD3	4,905,000	2035	5.000%	3.390% [(2)]	CQ4
3,985,000	2025	5.000%	2.220%	CE1	5,155,000	2036	5.000%	3.480% [(2)]	CR2
4,195,000	2026	5.000%	2.300%	CF8	5,420,000	2037	5.000%	3.520% [(2)]	CS0
4,410,000	2027	5.000%	2.370%	CG6	5,705,000	2038	5.000%	3.550% [(2)]	CT8
3,700,000	2028	5.000%	2.520%	CH4	5,995,000	2039	5.000%	3.590% [(2)]	CU5
3,890,000	2029	5.000%	2.670%	CJ0	6,265,000	2040	4.000%	4.000%	CV3
4,085,000	2030	5.000%	2.830%	CK7	6,525,000	2041	4.000%	4.050%	CW1
4,300,000	2031	5.000%	2.950%	CL5	6,795,000	2042	4.000%	4.060%	CX9
4,520,000	2032	5.000%	3.110% [(2)]	CM3	1,330,000	2043	4.000%	4.080%	CY7
4,435,000	2033	5.000%	3.230% [(2)]	CN1	1,385,000	2044	4.000%	4.100%	CZ4

$6,150,000 4.125% TERM CERTIFICATES DUE FEBRUARY 15, 2048 PRICED TO YIELD 4.200% – CUSIP #248867DD2[(1)]
$7,270,000 4.250% TERM CERTIFICATES DUE FEBRUARY 15, 2052 PRICED TO YIELD 4.300% – CUSIP #248867DH3[(1)]

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield shown is yield to first call date, February 15, 2031.

REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption"). In addition, the Certificates maturing February 15, 2048 and February 15, 2052 (the “Term Certificates”) are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see “The Obligations – Mandatory Redemption”).

HTS Continuing Disclosure Services
A Division of Hilltop Securities.

(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT

Dated June 28, 2022

Ratings:
Fitch: "AA+"
S&P: "AA+"
(See "Other Information - Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters".

THE BONDS ARE NOT DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$71,285,000
CITY OF DENTON, TEXAS
(Denton County)
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2022

Dated Date: June 15, 2022
Interest Accrues from Delivery Date

Due: February 15, as shown on page 4

PAYMENT TERMS . . . Interest on the $71,285,000 City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2022 (the "Bonds") will accrue from the delivery date (the "Delivery Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2023, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Obligations - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Obligations - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly Texas Government Code, Chapters 1207, 1371 and 1331, as amended, and are direct obligations of the City of Denton, Texas (the "City"), payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, as provided in the Bond Ordinance (defined herein) authorizing the Bonds (see "The Obligations - Authority for Issuance" and "The Obligations – Security and Source of Payment").

PURPOSE . . . Proceeds of the Bonds are expected to be used for (i) various street improvements, (ii) public safety facilities, (iii) the acquisition of park land, (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings , and (v) to pay the costs associated with the issuance of the Bonds (see "Plan of Financing").

MATURITY SCHEDULE

See page 4

SEPARATE ISSUES . . . The Bonds are being offered by the City concurrently with the "City of Denton, Texas Certificates of Obligation, Series 2022" (the "Certificates"), under a common Official Statement, and the Bonds and Certificates are hereinafter sometimes referred to collectively as the "Obligations." The Bonds and Certificates are separate and distinct securities offerings being issued and sold independently except for the common Official Statement, and, while the Obligations share certain common attributes, each issue is separate from the other and should be reviewed and analyzed independently, including the type of obligation being offered, its terms for payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and other features.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Forms of Bond Counsel's Opinions").

DELIVERY . . . It is expected that the Bonds will be available for delivery through The Depository Trust Company on July 21, 2022.

MATURITY SCHEDULE **CUSIP Prefix: 248867** [1]

Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix [1]	Principal Amount	15-Feb Maturity	Interest Rate	Yield	CUSIP Suffix [1]
$ 6,025,000	2023	5.000%	1.600%	DJ9	$ 2,760,000	2033	5.000%	3.230% [2]	DU4
4,530,000	2024	5.000%	1.940%	DK6	2,905,000	2034	5.000%	3.340% [2]	DV2
1,850,000	2025	5.000%	2.220%	DL4	3,055,000	2035	5.000%	3.390% [2]	DW0
1,945,000	2026	5.000%	2.330%	DM2	3,210,000	2036	5.000%	3.480% [2]	DX8
2,045,000	2027	5.000%	2.370%	DN0	3,375,000	2037	5.000%	3.520% [2]	DY6
4,085,000	2028	5.000%	2.520%	DP5	3,545,000	2038	5.000%	3.550% [2]	DZ3
4,305,000	2029	5.000%	2.670%	DQ3	3,705,000	2039	4.000%	4.000%	EA7
4,525,000	2030	5.000%	2.830%	DR1	3,860,000	2040	4.000%	4.020%	EB5
4,745,000	2031	5.000%	2.950%	DS9	4,015,000	2041	4.000%	4.050%	EC3
2,625,000	2032	5.000%	3.110% [2]	DT7	4,175,000	2042	4.000%	4.060%	ED1

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield shown is yield to first call date, February 15, 2031.

REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations – Optional Redemption").

This Official Statement, which includes the cover pages, the Schedule and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, broker, salesperson, or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the representation, promise, or guarantee of the Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "Other Information - Continuing Disclosure of Information" for a description of the City's undertaking to provide certain information on a continuing basis.

Neither the City nor its Financial Advisor make any representation as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

THE OBLIGATIONS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE OBLIGATIONS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE OBLIGATIONS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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The cover pages hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds and Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of Denton (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Denton County, Texas. The City covers approximately 97.411 square miles (see "Introduction - Description of the City").

THE BONDS .... The City's $71,285,000 General Obligation Refunding and Improvement Bonds, Series 2022 are to mature on February 15 in the years 2023 through 2042 (see "The Obligations - Description of the Obligations").

THE CERTIFICATES .... The City's $112,155,000 Certificates of Obligation, Series 2022 are to mature on February 15 in the years 2023 through 2044 and in part as Term Certificates maturing on February 15, 2048 and February 15, 2052 (see "The Obligations - Description of the Obligations" and " The Obligations – Mandatory Redemption").

PAYMENT OF INTEREST .... Interest on the Obligations accrues from the Delivery Date (defined herein) and is payable February 15, 2023 and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Obligations - Description of the Obligations", "The Obligations - Optional Redemption" and "The Obligations – Mandatory Redemption").

AUTHORITY FOR ISSUANCE........... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and an ordinance (the "Authorizing Certificate Ordinance") of the City in which the City Council delegated to each of the Deputy City Manager and the Chief Financial Officer authority to complete the sale of the Certificates. The terms of the sale are included in the "Pricing Certificate," which completed the sale of the Certificates (the Authorizing Certificate Ordinance and the Pricing Certificate for the Certificates are jointly referred to as the "Certificate Ordinance") (see "The Obligations - Authority for Issuance").

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapters 1207, 1371 and 1331, as amended, and an ordinance (the "Authorizing Bond Ordinance") of the City in which the City Council delegated to each Deputy City Manager and the Chief Financial Officer authority to complete the sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Bonds (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance") (see "The Obligations - Authority for Issuance").

SECURITY FOR THE CERTIFICATES................................ The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's Utility System (see "The Obligations - Security and Source of Payment").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City (see "The Obligations - Security and Source of Payment").

REDEMPTION .... The City reserves the right, at its option, to redeem Bonds and Certificates, as the case may be, having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Obligations - Optional Redemption"). In addition, the Certificates maturing February 15, 2048, and February 15, 2052 (the “Term Certificates”) are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see “The Obligations – Mandatory Redemption”).

TAX EXEMPTION............................. In the opinion of Bond Counsel, the interest on the Obligations will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "Tax Matters" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (i) acquiring, constructing, installing and equipping fire stations; (ii) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management and parks and recreation departments; (iii) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing and flooring; (iv) acquisition and installation of electric generator equipment for municipal buildings; (v) acquiring, constructing and installing door security systems, including security system technology equipment and software, for municipal buildings; (vi) constructing, reconstructing, renovating, installing and equipping municipal parks; (vii) renovations to, expansion of, and equipping existing municipal vehicle maintenance facility; and (viii) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (ix) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (x) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and the Certificates (see "Plan of Financing").

Proceeds of the Bonds are expected to be used for (i) various street improvements, (ii) public safety facilities, (iii) the acquisition of park land, (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings,, and (v) to pay the costs associated with the issuance of the Bonds (see "Plan of Financing").

RATINGS .... The Obligations and the presently outstanding general obligation debt of the City are rated "AA+" by Fitch Ratings ("Fitch") and "AA+" by S&P Global Ratings ("S&P"), a division of S&P Global Inc. See "Other Information – Ratings" herein.

BOOK-ENTRY-ONLY SYSTEM .... The definitive Obligations will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Obligations may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Obligations will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations (see "The Obligations - Book-Entry-Only System").

PAYMENT RECORD .... The City has never defaulted on the payment of its tax-supported indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population [1]	Net Taxable Assessed Valuation [2]	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Fiscal Year [8]	Per Capita Net Funded Tax Debt	Ratio Net Tax Debt to Net Taxable Assessed Valuation	% of Total Tax Collections
2018	132,595	$ 10,332,106,452 [3]	77,922	$ 208,847,936	1,575	2.02%	99.76%
2019	136,927	11,316,934,296 [4]	82,649	191,662,956	1,400	1.69%	99.72%
2020	140,956	12,620,560,528 [5]	89,535	249,482,532	1,770	1.98%	99.56%
2021	143,775	13,581,648,271 [6]	94,465	308,521,854	2,146	2.27%	99.47%
2022	146,950	14,403,105,063 [7]	98,014	314,574,118 [9]	2,141	2.18%	98.16% [10]

(1) Source: City Officials.
(2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of September 17, 2021.
(3) Includes tax incremental value of approximately $84,754,765 that is not available for the City's general obligations and debt of City.
(4) Includes tax incremental value of approximately $110,633,617 that is not available for the City's general obligations and debt of City.
(5) Includes tax incremental value of approximately $168,826,531 that is not available for the City's general obligations and debt of City.
(6) Includes tax incremental value of approximately $198,541,948 that is not available for the City's general obligations and debt of City.
(7) Includes tax incremental value of approximately $236,666,283 that is not available for the City's general obligations and debt of City.
(8) Excludes self-supported general obligation debt.
(9) Projected. Includes a portion of the Obligations. Excludes the Refunded Obligations.
(10) Collections for part year only, through April 1, 2022.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Term Expires
Gerard Hudspeth Mayor	May, 2024
Vicki Byrd Councilmember, District 1	May, 2023
Brian Beck Councilmember, District 2	May, 2023
Jesse L. Davis Mayor Pro Tem Councilmember, District 3	May, 2023
Alison Maguire Councilmember, District 4	May, 2023
Brandon Chase McGee Councilmember, At Large Place 5	May, 2024
Chris Watts Councilmember, At Large Place 6	May, 2024

SELECTED ADMINISTRATIVE STAFF

Name	Position
Sara Hensley	City Manager
David Gaines	Deputy City Manager
Frank Dixon	Assistant City Manager
Christine Taylor	Assistant City Manager
Cassandra Ogden	Chief Financial Officer
Nicholas Vincent	Assistant Director of Finance
Rosa Rios	City Secretary
Mack Reinwand	City Attorney

CONSULTANTS AND ADVISORS

Auditors .... Weaver and Tidwell, L.L.P.
Dallas, Texas

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor.......... Hilltop Securities Inc.
Fort Worth, Texas

For additional information regarding the City, please contact:

Cassandra Ogden-Chief Financial Officer Mack Reinwand-City Attorney City of Denton 215 E. McKinney Street Denton, Texas 76201 (940) 349-7195	or	Laura Alexander Hilltop Securities Inc. 777 Main Street, Suite 1525 Fort Worth, Texas 76102 (817) 332-9710

OFFICIAL STATEMENT

RELATING TO

CITY OF DENTON, TEXAS

$112,155,000 CERTIFICATES OF OBLIGATION, SERIES 2022	$71,285,000 GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of $112,155,000 City of Denton, Texas Certificates of Obligation, Series 2022 (the "Certificates") and $71,285,000 City of Denton, Texas General Obligation Refunding and Improvement Bonds, Series 2022 (the "Bonds"). The Bonds and the Certificates (collectively the "Obligations") are separate and distinct securities offerings being authorized for issuance under separate ordinances (the "Bond Ordinance" and the "Certificate Ordinance", respectively, each as defined below, and collectively the "Ordinances") adopted by the City Council of the City, but are being offered and sold pursuant to a common Official Statement, and while the Bonds and Certificates share certain common attributes, each issue is separate and apart from the other and should be reviewed and analyzed independently, including the kind and type of obligation being issued, its terms of payment, the security for its payment, the rights of the holders, the federal, state or local tax consequences of the purchase, ownership or disposition of the Obligations and the covenants and agreements made with respect thereto. The City Council adopted an ordinance on June 7, 2022 authorizing the issuance of the Bonds (the "Authorizing Bond Ordinance"). In the Authorizing Bond Ordinance, as permitted by the provisions of Chapter 1371, Texas Government Code, as amended, the City Council delegated the authority to each of the Deputy City Manager and the Chief Financial Officer to establish the terms and details of the Bonds and to effect the sale of the Bonds pursuant to a "Pricing Certificate" (the Authorizing Bond Ordinance and the Pricing Certificate for the Bonds are jointly referred to as the "Bond Ordinance"). The City Council adopted an ordinance on June 7, 2022 authorizing the issuance of the Certificates (the "Authorizing Certificate Ordinance"). In the Authorizing Certificate Ordinance, as permitted by the provisions of Chapters 1371, Texas Government Code, as amended, the City Council delegated the authority to each of the Deputy City Manager and the Chief Financial Officer to establish the terms and details of the Certificates and to effect the sale of the Certificates pursuant to the"Pricing Certificate" (the Authorizing Certificate Ordinance and the Pricing Certificate for the Certificates are jointly referred to as the "Certificate Ordinance"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in each respective Ordinance, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Obligations and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Fort Worth, Texas.

DESCRIPTION OF THE CITY . . . The City of Denton, Texas (the "City") is a political subdivision located in Denton County operating as a home-rule city under the laws of the State of Texas (the "State") and a charter approved by the voters in 1959. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered two-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. The City is approximately 97.411 square miles in area.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purchase, construction and acquisition of certain real and personal property, to wit: (i) acquiring, constructing, installing and equipping fire stations; (ii) acquisition of vehicles and equipment for the fire, police, building inspections, community improvement services, animal services, streets and traffic control, facilities management, airport, technology services, fleet management, warehouse management and parks and recreation departments; (iii) renovations to, and equipping of, existing municipal buildings, including the acquisition and installation of replacement heating, venting and air conditioning equipment, roofing and flooring; (iv) acquisition and installation of electric generator equipment for municipal buildings; (v) acquiring, constructing and installing door security systems, including security system technology equipment and software, for municipal buildings; (vi) constructing, reconstructing, renovating, installing and equipping municipal parks; (vii) renovations to, expansion of, and equipping existing municipal vehicle maintenance facility; and (viii) acquisition of vehicles and equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's solid waste disposal system; (ix) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's waterworks and wastewater system; and (x) acquisition of equipment for, and acquiring, constructing, installing and equipping additions, extensions, renovations and improvements to, the City's electric light and power system and also for the purpose of paying all or a portion of the City's contractual obligations for professional services, including engineers, architects, attorneys, map makers, auditors, and financial advisors, in connection with said projects and the Certificates (see "Plan of Financing").

Proceeds of the Bonds are expected to be used for (i) various street improvements (ii) public safety facilities, (iii) the acquisition of park land, (iv) refunding the obligations described in Schedule I – Schedule of Refunded Obligations (the "Refunded Obligations") for debt service savings, and (iv) to pay the costs associated with the issuance of the Bonds.

REFUNDED OBLIGATIONS . . . A description and identification of the Refunded Obligations appears on Schedule I attached hereto. The Refunded Obligations are being called for redemption on August 1, 2022 (the "Redemption Date"). The principal and interest due on the Refunded Obligations are to be paid from funds to be deposited with the paying agent/registrar for the Refunded Obligations (the "Refunded Obligations Paying Agent"). The Ordinance will provide that with respect to the Refunded Obligations, a portion of the proceeds from the sale of the Bonds, will be irrevocably deposited with the Refunded Obligations Paying Agent on the Redemption Date. The Bank of New York Mellon Trust Company, in its capacity as the Refunded Obligation Paying Agent, will certify as to the sufficiency of the amounts initially deposited with the Refunded Obligations Paying Agent to pay the principal of and interest on the Refunded Obligations when due at the Redemption Date of redemption. Such funds will be held uninvested by the Refunded Obligations Paying Agent in a trust clearing account pending their disbursement to redeem the Refunded Obligations on the Redemption Date. By the deposit with the Refunded Obligations Paying Agent in such trust clearing account, the City will have effected the defeasance of all the Refunded Obligations in accordance with the applicable law.

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THE OBLIGATIONS

DESCRIPTION OF THE OBLIGATIONS . . . The Obligations are dated June 15, 2022, and mature on February 15 in each of the years and in the amounts shown on page 2 and page 4 hereof. Interest will accrue from the date of initial delivery thereof (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2023 until maturity or prior redemption. The definitive Obligations will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Obligations will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Obligations will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Obligations. See "The Obligations - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Texas Government Code, Chapter 1371, as amended, and the Certificate Ordinance.

The Bonds are being issued pursuant to the Constitution and general laws of the State, particularly Chapters 1207, 1371 and 1331, Texas Government Code, as amended, and the Bond Ordinance.

SECURITY AND SOURCE OF PAYMENT . . .

The Certificates . . . The Certificates constitute direct obligations of the City, payable from a combination of (i) a direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge (not to exceed $1,000) of surplus net revenues of the City's Utility System (consisting of the electric system and the waterworks and sewer system).

The Bonds . . . The Bonds constitute direct obligations of the City and the principal thereof and interest thereon are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City, as provided in the Bond Ordinance.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt, including the Obligations, within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt, as calculated at the time of issuance and based on 90% tax collection factor.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Obligations having stated maturities on and after February 15, 2032 in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds or Certificates are to be redeemed, the City may select the maturities of Bonds or Certificates, as the case may be, to be redeemed. If less than all the Bonds or Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds or Certificates, as the case may be, are in Book-Entry-Only form) shall determine by lot the Bonds or Certificates, or portions thereof, within such maturity to be redeemed. If a Bond or Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond or Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

With respect to any optional redemption of the Bonds or Certificates, as the case may be, unless certain prerequisites to such redemption required by the respective Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds or Certificates, as the case may be, to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds or Certificates, as the case may be, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds or Certificates, as the case may be, have not been redeemed.

MANDATORY REDEMPTION . . . The Certificates maturing on February 15, 2048 and February 15, 2052 (the "Term Certificates"), are subject to mandatory redemption in part prior to their schedule maturities, and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follows:

Term Certificates Due February 15, 2048		Term Certificates Due February 15, 2052	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2045	$ 1,445,000	February 15, 2049	$ 1,705,000
February 15, 2046	1,505,000	February 15, 2050	1,775,000
February 15, 2047	1,565,000	February 15, 2051	1,855,000
February 15, 2048*	1,635,000	February 15, 2052*	1,935,000
	$ 6,150,000		$ 7,270,000

____
* Maturity.

The Term Certificates to be redeemed shall be selected by lot or other customary random method of the Paying Agent/Registrar (or by DTC in accordance with its procedures while the Certificates are in book-entry-only form). Any Term Certificates not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of the same maturity and like series which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Obligations, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Obligations to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. IF AN OBLIGATION (OR ANY PORTION OF ITS PRINCIPAL SUM) SHALL HAVE BEEN DULY CALLED FOR REDEMPTION AND NOTICE OF SUCH REDEMPTION DULY GIVEN, THEN UPON THE REDEMPTION DATE SUCH OBLIGATION (OR THE PORTION OF ITS PRINCIPAL SUM TO BE REDEEMED) SHALL BECOME DUE AND PAYABLE, AND, IF MONIES FOR THE PAYMENT OF THE REDEMPTION PRICE ARE HELD FOR THE PURPOSE OF SUCH PAYMENT BY THE PAYING AGENT/REGISTRAR AND ALL OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST SHALL CEASE TO ACCRUE AND BE PAYABLE FROM AND AFTER THE REDEMPTION DATE ON THE PRINCIPAL AMOUNT REDEEMED.

DEFEASANCE . . . The Ordinances provide that any Obligation and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Obligation") within the meaning of such Ordinance when payment of the principal of such Obligation, plus interest thereon to the due date either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Obligations shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Obligations. At such time as an Obligation shall be deemed to be a Defeased Obligation hereunder, as aforesaid, such Obligation and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Government Obligations.

Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which is not required for the payment of the Obligations and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing to the City. The Ordinances provide that "Government Obligations" means (a) direct, noncallable obligations of the United States of America including obligations that are unconditionally guaranteed by the United States of America and (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council approves such defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

Upon such deposit as described above, such Defeased Obligations shall no longer be regarded to be outstanding obligations payable from ad valorem taxes levied by the City or from the other revenues pledged to their payment in the Ordinances, but will be payable only from the funds and Government Obligations deposited in escrow and will not be considered debt of the City for any purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Obligations have been made as described above, all rights of the City to initiate proceedings to call the Obligations for redemption or take any other action amending the terms of the Obligations are extinguished; provided, however, that the right to call the Obligations for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Obligations for redemption; and (ii) gives notice of the reservation of that right to the owners of the Obligations immediately following the making of the firm banking and financial arrangements; (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Obligations is to be transferred and how the principal of, premium, if any, and interest on the Obligations are to be paid to and accredited by DTC while the Obligations are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Obligations, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Obligations), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Obligations. The Obligations will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Obligations in the aggregate principal amount thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Obligations under the DTC system must be made by or through Direct Participants, which will receive a credit for the Obligations on DTC's records. The ownership interest of each actual purchaser of each Obligation ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Obligations are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Obligations, except in the event that use of the book-entry system for the Obligations is discontinued.

To facilitate subsequent transfers, all Obligations deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Obligations; DTC's records reflect only the identity of the Direct Participant to whose account such Obligations are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Obligations may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Obligations, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Obligations may wish to ascertain that the nominee holding the Obligations for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Obligations within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Obligations unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Obligations are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Obligations will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Obligations at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Obligations will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the Obligations are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Obligations, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinances will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Initial Purchasers.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Obligations will be issued to the holders and the Obligations will be subject to transfer, exchange and registration provisions as set forth in the Ordinances and summarized under "The Obligations - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Bonds and the Certificates is BOKF, NA, Dallas, Texas. In the Ordinances, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds and Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds and Certificates. Upon any change in the Paying Agent/Registrar for the Bonds and Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds and Certificates, as applicable, by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the use of the Book-Entry-Only system is discontinued, principal of the Bonds and Certificates is payable to the registered holder appearing on the registration books of the Paying Agent/Registrar (the "Registered Owner") at the designated corporate trust office of the Paying Agent/Registrar upon surrender of the Bonds and Certificates for payment; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Obligations, all payments will be made as described under "The Obligations - Book-Entry-Only System" herein. Interest on the Bonds and Certificates is payable to the Register Owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar by check mailed, first class postage prepaid, to the Register Owner or by such other arrangement, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the Registered Owner. If the date for the payment of the principal of or interest on the Bonds and Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the

Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Transfer, Exchange and Registration . . . In the event the Book-Entry-Only System should be discontinued, printed Obligations will be delivered to the Registered Owners and thereafter the Obligations may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Obligations to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Obligations may be assigned by the execution of an assignment form on the Obligations or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Obligations will be delivered by the Paying Agent/Registrar, in lieu of the Obligations being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Registered Owner or his designee. To the extent possible, new Obligations issued in an exchange or transfer of Obligations will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three business days after the receipt of the Obligations to be canceled, and the written instrument of transfer or request for exchange duly executed by the Registered Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Obligations registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Obligations surrendered for exchange or transfer. See "The Obligations—Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Obligations. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Obligation called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the Registered Owner of the uncalled balance of an Obligation.

Record Date for Interest Payment . . . The record date ("Record Date") for the interest payable on the Bonds and Certificates on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond and Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Amendments . . . In each Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the respective Obligation for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

Each Ordinance further provides that the holders of the Bonds or Certificates, as applicable, aggregating in principal amount a majority of the outstanding Bonds or Certificates, as the case may be, shall have the right from time to time to approve any amendment not described above to the applicable Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds or Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds or Certificates; (ii) reducing the rate of interest borne by any of the outstanding Bonds or Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds or Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds or Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds or Certificates necessary for consent to such amendment. Reference is made to the Ordinances for further provisions relating to the amendment thereof.

Remedies . . . Each Ordinance establishes specific events of default with respect to the respective series of Obligations. If the City defaults in the payment of the principal of or interest on the Bonds or Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners thereof, including but not limited to, their prospect or ability to be repaid in accordance with the respective Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, each Ordinance provides that any registered owner of a respective Obligation is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the respective Obligations or Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Obligations in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinances do not provide for the appointment of a trustee to represent the interest of the owners of the respective Obligations upon any failure of the City to perform in accordance with the terms of the Ordinances, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia* 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality. In *Wasson Interests, Ltd., V. City of Jacksonville*, No. 489 S.W.3d 427 (Tex. 2016), ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to the breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the "will of the people" and protecting such municipalities "via the State's immunity is not an efficient way to ensure efficient allocation of State resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code. Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, owners of Obligations may not be able to bring such a suit against the City for breach of the Obligations or Ordinance covenants in the absence of City action. Chapter 1371, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the City, permits the City to waive sovereign immunity in the proceedings authorizing its debt, but in connection with the issuance of the Obligations, the City has not waived sovereign immunity. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the Registered Owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds or the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Obligationholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Obligations are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only Registered Owner of the Bonds and Certificates will be Cede & Co., as DTC's nominee. See "The Obligations - Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Bonds and Certificates.

TAX INFORMATION

AD VALOREM TAX LAW . . . The appraisal of property within the City is the responsibility of the Denton Central Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under V.T.C.A., Title I, Tax Code, as amended (the "Property Tax Code") to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount that would not exceed the lesser of (1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value in the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code, for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Property Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Under Article VIII and State law, the governing body of a county, municipality or junior college district may provide for a freeze on total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, the total amount of taxes imposed on such homestead cannot be increased except for improvements (other than maintenance, repairs or improvements required to comply with governmental requirements) and such freeze is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. Once established such freeze cannot be repealed or rescinded.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000, dependent upon the degree of disability or whether the exemption is applicable to a surviving spouse or children; provided, however, that beginning in the 2009 tax year, a disabled veteran who receives from the United States Department of Veterans Affairs or its successor 100 percent disability compensation due to a service-connected disability and a rating of 100 percent disabled or of individual unemployability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. In addition, effective January 1, 2012, and subject to certain conditions, surviving spouses of a deceased veteran who had received a disability rating of 100% will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Notwithstanding such exemption, counties, school districts, junior college districts and cities may tax such tangible personal property provided official action to tax the same was taken before April 1, 1990. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by Section 11.253 of the Property Tax Code, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Section 11.253 permits local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax "goods-in-transit" during the following tax year. After taking such official action, the goods-in-transit remain subject to taxation by the local governmental entity until the governing body of the governmental entity rescinds or repeals its previous actions to tax goods-in-transit. A taxpayer may only receive either the freeport exemption or the "goods-in-transit" exemption for items of personal property.

The City or Denton County may create one or more tax increment financing districts ("TIF") within the City or Denton County, as applicable, and freeze the taxable values of property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the "frozen values" to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the "frozen" value are not available for general city use but are restricted to paying or financing "project costs" within the TIF. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has active reinvestment zones for tax abatements and tax increment financing zones for tax increment financing purposes. See "Tax Information - Tax Incentive Policy, – Property Tax Abatement" and "- Tax Increment Financing and Public Improvement District" and "Table 1 - Valuation, Exemptions and General Obligation Debt".

The City is also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380"), to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds such as ad valorem taxes or sales taxes for economic development purposes, however no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City. The City has entered into several Chapter 380 Agreements. See "Tax Information - Chapter 380 Agreements".

NO-NEW-REVENUE TAX RATE AND VOTER-APPROVAL TAX RATE . . . The Following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" mean the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values for all property in the City to the City Council by August 1 of each year, or as soon as practicable thereafter.

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its "de minimis rate", an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has delivered notice to each taxpayer of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Obligations.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process that uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . . Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

Month	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur the penalty interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Tax Code . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $50,000. Disabled taxpayers also receive a $50,000 exemption.

The City grants an additional one-half of one percent, or a minimum of $5,000 exemption of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.
The City does not tax nonbusiness personal property.

Denton County began collecting taxes for the City during the fiscal year 2006-07.

The City does not allow split payments, and discounts are not allowed.

The City does not tax freeport property.

The City collects the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does tax "goods-in-transit".

The City has adopted the tax freeze (limitation) for citizens who are disabled or are 65 years of age or older.

The City has adopted a tax abatement policy.

The City participates in two tax increment reinvestment zones, which were created in 2010 and 2012.

Tax Increment Financing and Public Improvement District . . . The City participates in two tax increment reinvestment zones, which were created in 2010 and 2012. And the City created Rayzor Ranch Public Improvement District No. 1 (the "District") in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. Additional information on the tax increment reinvestment zones and the District can be found in the Annual Comprehensive Financial Report, Notes to Basic Financial Statements, IV. Detailed Notes on All Funds, B. Property Tax Revenue.

Tax Incentive Policy . . . The City enters into economic development incentive agreements consisting of property tax abatement agreements and Chapter 380 agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. A summary of newly initiated agreements and terminated agreements follows.

Property Tax Abatements . . . No new property tax abatements were approved, initiated, or terminated in 2022.

Chapter 380 Agreements . . . Two new Chapter 380 Agreements were approved in 2021 for DynaGrid Construction Group and Safran Electrical Components, while two are in the process of termination. From the Future will initiate in 2022. .. Payments continue to be made to Buc-ee’s Travel Center, Unicorn Lake, Rayzor Ranch Marketplace and Town Center, Golden Triangle Mall, and O’Reilly Hotel and Convention Center for sales tax, and Mayday Manufacturing, Westgate Business Park, WinCo Distribution Center, and O’Reilly Hotel and Convention Center for ad valorem rebates. O’Reilly Hotel and Convention Center also receives hotel occupancy tax payments.

Additional information on all of the tax abatement and Chapter 380 agreements may be found in Appendix B – Excerpts from the City of Denton, Texas Annual Comprehensive Financial Report, Notes to Basic Financial Statements, V. Other Information, F Tax Abatements.

RECENT FINANCIAL DEVELOPMENTS – INFECTIOUS DISEASE OUTBREAK – COVID-19 . . . The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor issued a number of executive orders relating to COVID-19 preparedness and mitigation, which restricted or halted business activity, restricted the number of people that can congregate in a public setting, and limited the movement of many citizens to only essential activities. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose new restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues, ad valorem tax revenues and other revenues within the City, including utility system revenues. See "TAX INFORMATION" and "FINANCIAL INFORMATION – Table 13 – Municipal Sates Tax History.". The Obligations are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in the receipt of such revenues or in the property values within the City may require an increase in the ad valorem tax rate required to pay the Obligations as well as the City's operations and maintenance expenses. See "TAX INFORMATION - No-New-Revenue Tax Rate and Voter Approval Tax Rate" and "THE OBLIGATIONS – Tax Rate Limitation." Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition. The City did not see a negative impact on property tax revenues in fiscal year 2020 or 2021. The City's certified values increased in each of the fiscal years 2020 or 2021 as compared to the respective prior year. See "TAX INFORMATION – Table 2 – Taxable Assessed Valuation by Category." Also, the City's sales tax revenue increased in each of fiscal years 2020 and 2021 as compared to the respective prior year. See "FINANCIAL INFORMATION – Table 13 – Municipal Sales Tax History.

RECENT EVENTS AFFECTING THE ELECTRIC INDUSTRY IN TEXAS AND THE CITY OF DENTON

General

The State experienced unprecedented freezing temperatures that put pressure on the availability of electric power within the State during the period beginning on Saturday, February 13, 2021 through Friday, February 19, 2021 (the "Weather Event"). On February 12, 2021, in anticipation of the winter weather event known as Winter Storm Uri, the Governor declared a state of disaster for all counties in Texas, including Denton County in which the City of Denton is located. On February 14, 2021, the President of the United States made an emergency declaration for the State of Texas, and on February 15, 2021, the Mayor of Denton made a declaration of emergency for the City of Denton. The President subsequently made a major disaster declaration for 126 of the 254 counties in Texas, including Denton County.

Due to the prolonged freezing temperatures, energy demand far exceeded the generation available across the State. Additionally, the cold weather also caused some of the electric producing facilities in the Electric Reliability Council of Texas ("ERCOT") service area, located entirely within Texas, to experience mechanical failures of the equipment needed to provide and distribute the electricity. As the Weather Event covered the State, ERCOT, the independent system operator for all the transmission and generation facilities with the boundaries of ERCOT, implemented mandatory load shed orders to all ERCOT load serving entities. The load shed event was initially expected to be rolling blackouts to conserve electricity and address energy needs across the entirety of the State; however, due to the severity of the Weather Event and the corresponding increase in demand on the State electric grid, combined with limited availability of generation, widespread and prolonged power outages began at 1:00 a.m., Central time, on Monday, February 15, 2021, and continued throughout the week. Ultimately, approximately 4,000,000 Texas residents were without power for significant stretches of the week.

Impact on the City

The power outages affected many municipally owned and privately-owned utilities in the State, including the City's electric utility system, Denton Municipal Electric ("DME" or the "Electric System"). Due to the high demand for power and the limited availability of the power across the entire ERCOT market, the purchase price for power increased dramatically during the period of the Weather Event. These energy price increases coupled with unexpected fuel supply issues to electric generating plants, resulted in utilities, including DME, needing to access their financial reserves in order to provide required collateral and to make payments to ERCOT for the power purchased necessary to service their customers.

Over the period from February 16 to March 1, 2021, the City paid $209.8 million in storm-related charges to ERCOT for electric power, and $28.2 million in fuel and power purchase agreement expenses related to the City's electric generating facilities. The City received from ERCOT payments for electric power generated by the City and other credits of approximately $97.8 million, for a net expenditure of approximately $140.2 million during this period. These power purchases are unparalleled for the City, and the net expenditures incurred during the storm far exceeds typical costs for an entire year for the City. As a comparison, in fiscal year 2019, electric power purchase expenses for the City were $97,075,122, and $63,764,110 in fiscal year 2020. In addition, the price of natural gas, which is used as fuel for the City's electric generating facilities, increased dramatically during the period of the Weather Event. In fiscal year 2019, natural gas fuel expenses for the City were $6,954,969 million, and $3,599,350 million in fiscal year 2020.

As of February 14, 2021, the City's Electric System Fund balance was approximately $105 million. Prior to the Weather Event, the Electric System Fund was considered fully funded in accordance with the then applicable City fund balance policy, which provided for a minimum fund balance of $48.5 million to meet unforeseen operational needs. Since the beginning of the Weather Event, the City evaluated all options to make available the cash necessary for power expenses. To meet immediate cash flow needs for electric power purchases, the City utilized cash in the Electric System Fund and issued $100 million of utility system revenue commercial paper notes ("Utility ECP Notes") on Friday, February 19, 2021, through the City's Utility System Revenue Extendable Commercial Paper Financing Program established by the City on February 2, 2021 (the "Utility ECP Program"). After use of the proceeds of the $100 million of the Utility ECP Notes to pay a portion of the electric power purchases resulting from the Weather Event and expenditures from the Electric System Fund for electric power and fuel purchases, the Electric System Fund balance was approximately $63 million. The City also amended the Utility ECP Program on February 23, 2021 to increase the maximum principal amount of Utility ECP Notes that may be outstanding from time to time from $100 million to $300 million to provide additional capacity for additional electric power purchases, replenishing reserves used for power purchases and for other authorized purposes under the Utility ECP Program. Utility ECP Notes may be "rolled" by the City from time to time with new Utility ECP Notes issued under the program, or the City may refund the Utility ECP Notes with long-term bonds, allowing the costs to be recovered over multiple years instead of realizing the substantial cost in the short term, if the City determines that would be in its best interests. On May 20, 2021, the City issued an additional $40 million of Utility ECP Notes to cover expenses incurred as a result of the Weather Event.

The extreme electric power prices during the Weather Event caused numerous retail electric provider market participants located in the ERCOT market to be unable to pay the amounts owed to ERCOT for that power. The City received notice from ERCOT that if ERCOT market participants "short-pay" amounts due for power purchases, then, because of unavailability of adequate funds to fully pay generation market participants, amounts due to generators, including the City, would in turn be short paid their proportionate share of the amounts of the short pays by load serving entities. Effective April 20, 2022, the City is still owed approximately $6.2 million from ERCOT due to the unresolved short pays during the Winter Event. In the event that ERCOT and the short paying entities are unable to resolve their disputes, all other market participants, including the City, will be required to pay their proportionate share of the amounts owed by the defaulting party or parties through a mechanism in the ERCOT protocols known as "uplift." Because at the time of the short pays and the uncertainty of the number and financial consequences to the City, the City filed a lawsuit against ERCOT on February 25, 2021, in the District Court of Denton County, Texas, asking for temporary and permanent injunctions on payment by the City for short-pay amounts by others. The court granted a temporary restraining order ("TRO") on that date in favor of the City. Subsequently, the parties agreed to transfer venue to Travis County, Texas, and extend the TRO to June 1, 2021. ERCOT filed pleas in April 2021 arguing that the district court does not have jurisdiction over the case, or that if it does, the City should be required to join other parties before further consideration on the merits. A hearing on ERCOT's pleas was held on May 10, 2021. On June 4, 2021, the district court granted ERCOT's plea to jurisdiction, opining that the City did not exhaust its administrative remedies before the Public Utility Commission of Texas ("PUCT") before filing the lawsuit. Based on information provided to the City to date by ERCOT, the City estimates its potential liability under the uplift mechanism, based upon currently known and unresolved short pays and defaults could be up to $6.2 million, however, the City cannot determine with certainty the scope or magnitude of its potential uplift liability which depends on the outcome of pending bankruptcy litigation and other pending litigation against ERCOT. The City believes that under certain outcomes in pending litigation against ERCOT by parties other than the City, other market participants may also file claims against ERCOT, including the City, which could substantially increase the potential uplift liability to the City. The City cannot predict the likelihood of success of the litigation against ERCOT or future litigation that may result from the pending litigation.

After the Weather Event, the City received several claims and subrogation notices from various insurance companies for property damage as a result of the storm. The City is analyzing its potential exposure in these matters. The City has opted into three lawsuits in the Winter Storm Uri Multi-District Litigation Court pending before the 164th Judicial District in Harris County, Texas. On May 17, 2022, in each of these three cases, the City filed a plea to the jurisdiction and moved to dismiss the Plaintiffs' cases with prejudice for lack of subject-matter jurisdiction. The City's exposure under these lawsuits is limited because the Electric Service Standards enacted by DME specifically disclaim all liability for damages arising from service interruptions due to (i) a wholesale power supplier's failure to deliver sufficient energy to DME, (ii) orders by ERCOT, and (iii) failure of the transmission grid of the State. Additionally, the City has not been named in any lawsuits or received any new claims related to the Weather Event in about a year.

The City continues to review the impact that the Weather Event has had on its combined Electric System, waterworks system, wastewater system, and drainage system (together, the "Utility System"), and its financial condition, as well as options to address and manage the financial impact of the Weather Event.

The City issued Utility System revenue bonds to refund the $140 million of the Utility ECP Notes on a long-term basis on September 21, 2021. In light of the financial risks that were made evident by the Winter Event, the City revised its Electric System fund balance policy on September 3, 2021, and now has a target level of 46% to 69% of annual electric fund expenses. Fiscal year 2020-2021 annual Electric Fund expenses were $335,524,613. The Electric System fund balance as of April 30, 2022, was $130,069,410 million which is 39% of FY 21 expenses.

At the direction of the Texas Legislature pursuant to Senate Bill 3 passed during the 87th session, the PUCT has directed ERCOT to evaluate and adopt market protocol changes that are intended to increase the reliability of the ERCOT transmission system and to incentivize new dispatchable generation. Protocol changes that have already been implemented to achieve conservative market operations have changed the price formation in the ERCOT market and will continue to impact both real-time market prices and future energy and ancillary service prices. Additional protocol changes are under consideration by ERCOT at the direction of the PUCT that also have the potential to impact price formation. Phase II market design changes are also being debated by the PUCT and ERCOT with the intent of increasing the reliability of the ERCOT grid and to incentivize construction of new dispatchable generation. These Phase II initiatives will impact the market in several years and the City cannot make predictions concerning its future operating results as the outcome is dependent on circumstances over which the City does not control.

Rating Agency Actions

On May 28, 2021, Fitch affirmed its "AA+" rating on outstanding GO and CO debt while assigning the same rating of "AA+" to the 2021 Series bonds. The outlook is Stable.

On June 2, 2021, S&P affirmed its "AA+" rating on the outstanding GO debt and assigned the same "AA+" rating to the 2021 Series bonds. The outlook is Stable.

On July 22, 2021, S&P affirmed its "a-1" short-term rating and its "A+" long-term rating on the City's outstanding Utility System Revenue Bonds, removing them from CreditWatch. At the same time, S&P also assigned its "A+" long term rating to the Taxable 2021 Utility System Revenue Bonds. The outlook is Negative.

On August 16, 2021, Fitch downgraded the City's outstanding long-term Utility System Revenue Bonds from "A+" (Rating Watch Negative) to an "A" rating. This rating includes Series 2017 and 2021 bonds. The outlook is Negative for both. Fitch does not provide a rating on the Utility ECP Notes.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2021/22 Market Valuation Established by Denton Central Appraisal District		$ 16,016,221,949
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions	$ 100,150,440	
Over 65 Exemptions	407,916,661	
Disabled Persons Exemptions	12,819,011	
Disabled Veterans Exemptions	116,398,455	
Agricultural Land Use Productivity	355,290,724	
Historical/Other Exemptions	6,591,358	
Freeport Exemptions	275,740,074	
Abatement Exemptions	11,632,043	
Personal Property Vehicle Exemptions	204,623	
Pollution Exemptions	18,441,578	
Charitable Organization Exemptions	168,898	
Homestead Cap Adjustment	71,096,738	1,376,450,603
2021/22 Taxable Assessed Valuation (as of 9-17-2021)		$ 14,639,771,346
2021/22 Incremental Taxable Assessed Value of Real Property within Reinvestment Zones		(236,666,283)
2021/22 Net Taxable Assessed Valuation available for General Obligations and Debt of City (as of 9-24-2020)		$ 14,403,105,063
City Funded Debt Payable from Ad Valorem Taxes [1]		
General Obligation Bonds (as of 4-1-22)	$ 264,705,000 [2]	
Certificates of Obligation (as of 4-1-22)	512,845,000 [2]	
The Bonds	71,285,000	
The Certificates	112,155,000	
Funded Debt Payable from Ad Valorem Taxes		$ 960,990,000
Less Self-Supporting General Obligation Debt [3]		
Solid Waste System General Obligation Debt	$ 32,231,982 [4]	
Utility System General Obligation Debt	614,183,899 [4]	646,415,882
Net Tax Supported Debt Payable from Ad Valorem Taxes		$ 314,574,118
Interest and Sinking Fund as of 4-1-22 (estimated)		$ 12,491,663
Ratio Total Funded Debt to Net Taxable Assessed Valuation . . .		6.67%
Ratio Net Funded Debt to Net Taxable Assessed Valuation . . .		2.18%

2022 Estimated Population - 146,950

Per Capita Net Taxable Assessed Valuation - $98,014

Per Capita Total Funded Debt - $6,540

Per Capita Net Funded Debt - $2,141

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(1) The above statement of indebtedness does not include $190,965,000 Utility System Revenue Bonds, $141,990,000 Utility System Revenue Refunding Bonds or $100,000,000 Utility System Revenue Extendable Commercial Paper Notes, Series A as these bonds and notes are payable solely from the net revenues of the Utility System (the "System"), as defined in the ordinances authorizing such bonds and notes.

(2) Excludes the Refunded Obligations.

(3) As a matter of policy, the City pays debt service on its general obligation debt issued to fund improvements to its Utility System and Solid Waste System from surplus revenues of these Systems (see "Table 7 – General Obligation Debt Service Requirements" and "Table 9 – Computation of Self-Supporting Debt"). This policy may be subject to change in the future.

The City's Utility System is comprised of the City's entire existing electric, light and power system and the waterworks and sewer system. Drainage is managed under the waterworks and wastewater system. The City's Utility System General Obligation Debt has been issued to finance or refinance Utility System improvements and contractual obligations and is paid, or is expected to be paid, from Utility System revenues. In addition, the City has $190,965,000 Utility System Revenue Bonds, $141,990,000 Utility System Revenue Refunding Bonds outstanding payable from a pledge of Utility System revenues.

The City's Solid Waste System General Obligation Debt has been issued to finance or refinance Solid Waste System improvements and is paid, or is expected to be paid, from Solid Waste System revenues. The City has no outstanding Solid Waste System Revenue Bonds.

(4) Includes a portion of the Obligations.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY [(1)]

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2022		2021		2020	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 8,179,274,977	51.07%	$ 7,448,956,811	49.84%	$ 7,010,158,815	49.41%
Real, Residential, Multi-Family	2,192,401,019	13.69%	2,079,085,736	13.91%	1,778,847,172	12.54%
Real, Vacant Lots/Tracts	314,300,099	1.96%	281,625,453	1.88%	263,786,761	1.86%
Real, Acreage (Land Only)	361,523,875	2.26%	365,649,752	2.45%	374,863,507	2.64%
Real, Farm and Ranch Improvements	157,873,244	0.99%	119,135,103	0.80%	123,803,396	0.87%
Real, Commercial and Industrial	3,032,461,538	18.93%	2,965,114,413	19.84%	2,780,957,817	19.60%
Real, Oil, Gas, and Other Mineral Reserves	48,516,939	0.30%	32,916,830	0.22%	70,254,568	0.50%
Real and Tangible Personal, Utilities	142,991,907	0.89%	133,632,949	0.89%	124,940,388	0.88%
Tangible Personal, Commercial and Industrial	1,425,520,232	8.90%	1,393,035,792	9.32%	1,519,412,977	10.71%
Tangible Personal, Other	23,969,949	0.15%	24,210,105	0.16%	24,514,962	0.17%
Real and Special Property, Inventory	137,388,170	0.86%	101,288,806	0.68%	115,151,665	0.81%
Total Appraised Value Before Exemptions	$ 16,016,221,949	100.00%	$ 14,944,651,750	100.00%	$ 14,186,692,028	100.00%
Less: Total Exemptions/Reductions	(1,376,450,603)		(1,377,732,859)		(1,397,304,969)	
Less: Tax Increment Value	(236,666,283)		14,729,380		(168,826,531)	
Net Taxable Assessed Value	$ 14,403,105,063		$ 13,581,648,271		$ 12,620,560,528	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2019		2018	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 6,381,144,639	50.45%	$ 5,711,426,395	38.22%
Real, Residential, Multi-Family	1,572,513,883	12.43%	1,452,048,587	9.72%
Real, Vacant Lots/Tracts	226,805,770	1.79%	238,997,340	1.60%
Real, Acreage (Land Only)	372,583,109	2.95%	327,193,762	2.19%
Real, Farm and Ranch Improvements	122,273,681	0.97%	113,770,920	0.76%
Real, Commercial and Industrial	2,518,745,519	19.91%	2,259,827,756	15.12%
Real, Oil, Gas, and Other Mineral Reserves	74,198,617	0.59%	82,501,483	0.55%
Real and Tangible Personal, Utilities	106,362,242	0.84%	102,343,081	0.68%
Tangible Personal, Commercial and Industrial	1,117,006,842	8.83%	1,238,258,788	8.29%
Tangible Personal, Other	24,430,946	0.19%	24,371,243	0.16%
Real Property, Inventory	131,986,240	1.04%	89,223,624	0.60%
Total Appraised Value Before Exemptions	$ 12,648,051,488	100.00%	$ 11,639,962,979	77.89%
Less: Total Exemptions/Reductions	(1,220,483,575)		(1,223,101,762)	
Less: Tax Increment Value	(110,633,617)		(84,754,765)	
Net Taxable Assessed Value	$ 11,316,934,296		$ 10,332,106,452	

(1) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. For the Fiscal Year ended 2022, the values were reported on September 17, 2021 based on information as of January 1, 2021.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [(1)]	Net Taxable Assessed Valuation [(2)]	Net Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year [(8)]	Ratio Net Tax Debt to Net Taxable Assessed Valuation	Net Funded Tax Debt Per Capita
2018	132,595	$ 10,332,106,452 [(3)]	$ 77,922	$ 208,847,936	2.02%	$ 1,575
2019	136,927	11,316,934,296 [(4)]	82,649	191,662,956	1.69%	1,400
2020	140,956	12,620,560,528 [(5)]	89,535	249,482,532	1.98%	1,770
2021	143,775	13,581,648,271 [(6)]	94,465	308,521,854	2.27%	2,146
2022	146,950	14,403,105,063 [(7)]	98,014	314,574,118 [(9)]	2.18%	2,141

(1) Source: City Officials.
(2) Valuations shown are certified taxable assessed values reported by the Denton Central Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records. Source: Denton Central Appraisal District as of September 17, 2021.
(3) Excludes tax incremental value of approximately $84,754,765 that is not available for the City's general obligations and debt of City.
(4) Excludes tax incremental value of approximately $110,633,617 that is not available for the City's general obligations and debt of City.
(5) Excludes tax incremental value of approximately $168,826,531 that is not available for the City's general obligations and debt of City.
(6) Excludes tax incremental value of approximately $198,541,948 that is not available for the City's general obligations and debt of City.
(7) Excludes tax incremental value of approximately $236,666,283 that is not available for the City's general obligations and debt of City.
(8) Excludes self-supported general obligation debt.
(9) Projected. Includes a portion of the Obligations. Excludes the Refunded Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy [(1)]	% Current Collections	% Total Collections
2018	$ 0.63786	$ 0.43031	$ 0.20755	$ 66,788,763	99.56%	99.76%
2019	0.62048	0.40543	0.21505	70,786,144	99.38%	99.72%
2020	0.59045	0.38536	0.20509	75,040,101	99.56%	99.56%
2021	0.59045	0.38036	0.21009	77,955,806	99.47%	99.47%
2022	0.56582	0.35044	0.21538	79,922,749	98.16% [(2)]	98.16% [(2)]

(1) Tax levy for the year 2022 is based on the adjusted certified value. Prior years represent adjusted values that include all supplements through September 17, 2021. Includes tax incremental reinvestment zone revenues.
(2) Collections through April 1, 2022 (partial year).

TABLE 5 - TEN LARGEST TAXPAYERS [(1)]

Name of Taxpayer	Nature of Property	2021/22 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Paccar Inc.	Diesel Truck Manufacturing	$135,695,226	0.93%
Columbia Medical Center of Denton	Hospital/Professional Building	81,655,006	0.56%
Inland Western Denton Crossing Ltd PS	Real Estate Development	63,966,110	0.44%
Razor Ranch Marketplace Associates LLC	Retail	62,713,337	0.43%
Winco Foods LLC	Food Distribution	61,710,000	0.42%
Village at Razor Ranch LLC	Retail	56,500,000	0.39%
Target Corporation	Retail	56,000,000	0.38%
TRDWind Timberlinks Borrower LLC	Apartments	55,521,317	0.38%
NREA Gardens, DST	Retail	54,446,120	0.37%
AC Denton LLC	Apartments	54,000,000	0.37%
		$ 682,207,116	4.66%

(1) Source: Denton Central Appraisal District.

General Obligation Debt Limitation . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (see "The Obligations – Tax Rate Limitation" for a description of the limitations on ad valorem tax rates).

Table 6 - Estimated Overlapping Tax Debt

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2021/22 Taxable Assessed Value	2020/21 Tax Rate	Total Funded Debt	Estimated % Applicable	City's Overlapping Funded Debt As of 5-1-21	Authorized But Unissued Debt As Of 5-1-21
City of Denton	$ 14,403,105,063 (1)	$ 0.56582	$ 314,574,118 (2)	100.00%	$ 314,574,118 (2)	$ 88,855,000 (3)
Denton Independent School District	21,103,192,951	1.36200	1,308,438,717	62.06%	812,017,068	-
Denton County	127,010,590,822	0.23300	572,620,000	12.50%	71,577,500	9,690,625
Argyle Independent School District	2,892,049,243	1.40000	223,962,265	8.63%	19,327,943	-
Aubrey Independent School District	1,470,630,906	1.46000	90,539,457	0.11%	99,593	-
Krum Independent School District	1,043,151,078	1.34500	33,190,368	8.38%	2,781,353	-
Lake Dallas Independent School District	2,452,634,634	1.50000	146,066,868	0.12%	175,280	35,000,000
Pilot Point Independent School District	1,039,738,549	1.16000	39,555,000	0.20%	79,110	8,415,000
Ponder Independent School District	743,923,056	1.40800	72,775,000	1.25%	909,688	-
Sanger Independent School District	1,394,575,406	1.14200	17,601,215	0.35%	61,604	-
Total Direct and Overlapping Funded Debt					$ 1,221,603,258	
Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation……………………………………					8.48%	
Per Capita Overlapping Funded Debt………………………………………………………………………………					$ 5,738.76	

(1) Excludes tax incremental value of approximately $236,666,283 that is not available for the City's general obligations and debt of City.
(2) Includes a portion of the Obligations. Excludes self-supporting. See Tables 1 and 9 herein for more detailed information on the City's general obligation self-supporting debt.
(3) Reflects remaining authorization after the issuance of the Bonds.

TABLE 7 GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt Service (1) Principal	Outstanding Debt Service (1) Interest	Outstanding Debt Service (1) Total	The Bonds (2) Principal	The Bonds (2) Interest	The Certificates (3) Principal	The Certificates (3) Interest	Total Outstanding Debt	Less: Self-Supporting Solid Waste Debt Service (4)	Less: Self-Supporting Utility Debt Service (4)	Total Debt Service Requirements	% of Principal Retired
2022	$ 62,070,000	$ 31,286,224	$ 93,356,224	$ -	$ -	$ -	$ -	$ 93,356,224	$ 5,683,462	$ 54,477,177	$ 33,195,584	
2023	50,080,000	28,165,644	78,245,644	6,025,000	3,483,188	3,270,000	5,546,423	96,570,255	3,897,500	56,235,609	36,437,146	
2024	50,085,000	26,024,594	76,109,594	4,530,000	2,992,200	3,800,000	5,017,913	92,449,706	3,516,144	53,878,725	35,054,837	
2025	50,445,000	23,836,497	74,281,497	1,850,000	2,832,700	3,985,000	4,823,288	87,772,484	3,366,304	51,338,300	33,067,880	
2026	43,870,000	21,815,938	65,685,938	1,945,000	2,737,825	4,195,000	4,618,788	79,182,550	3,144,125	44,391,275	31,647,150	27.97%
2027	43,600,000	19,926,650	63,526,650	2,045,000	2,638,075	4,410,000	4,403,663	77,023,388	2,759,956	44,111,897	30,151,534	
2028	39,805,000	18,072,863	57,877,863	4,085,000	2,484,825	3,700,000	4,200,913	72,348,600	2,251,894	42,784,538	27,312,169	
2029	38,455,000	16,335,369	54,790,369	4,305,000	2,275,075	3,890,000	4,011,163	69,271,606	2,202,344	41,559,834	25,509,428	
2030	40,125,000	14,626,413	54,751,413	4,525,000	2,054,325	4,085,000	3,811,788	69,227,525	2,204,719	41,661,569	25,361,237	
2031	35,945,000	13,076,153	49,021,153	4,745,000	1,822,575	4,300,000	3,602,163	63,490,891	2,006,231	36,452,206	25,032,453	51.24%
2032	38,025,000	11,705,594	49,730,594	2,625,000	1,638,325	4,520,000	3,381,663	61,895,581	1,795,931	35,384,369	24,715,281	
2033	36,580,000	10,364,306	46,944,306	2,760,000	1,503,700	4,435,000	3,157,788	58,800,794	1,757,056	32,861,500	24,182,237	
2034	33,690,000	9,148,659	42,838,659	2,905,000	1,362,075	4,665,000	2,930,288	54,701,022	1,632,581	29,778,944	23,289,497	
2035	32,545,000	8,108,278	40,653,278	3,055,000	1,213,075	4,905,000	2,691,038	52,517,391	1,288,675	28,711,775	22,516,941	
2036	30,795,000	7,155,672	37,950,672	3,210,000	1,056,450	5,155,000	2,439,538	49,811,659	1,039,400	28,059,688	20,712,572	71.75%
2037	29,215,000	6,251,653	35,466,653	3,375,000	891,825	5,420,000	2,175,163	47,328,641	570,675	27,366,625	19,391,341	
2038	28,330,000	5,387,078	33,717,078	3,545,000	718,825	5,705,000	1,897,038	45,582,941	504,125	27,405,609	17,673,206	
2039	25,620,000	4,597,709	30,217,709	3,705,000	556,100	5,995,000	1,604,538	42,078,347	502,875	27,419,797	14,155,675	
2040	24,015,000	3,888,041	27,903,041	3,860,000	404,800	6,265,000	1,329,363	39,762,203	502,900	26,606,094	12,653,209	
2041	21,110,000	3,220,100	24,330,100	4,015,000	247,300	6,525,000	1,073,563	36,190,963	504,300	26,037,194	9,649,469	89.02%
2042	14,560,000	2,615,759	17,175,759	4,175,000	83,500	6,795,000	807,163	29,036,422	504,900	23,798,722	4,732,800	
2043	15,125,000	2,050,638	17,175,638	-	-	1,330,000	644,663	19,150,300	-	19,150,300	-	
2044	15,680,000	1,488,953	17,168,953	-	-	1,385,000	590,363	19,144,315	-	19,144,316	-	
2045	12,810,000	993,044	13,803,044	-	-	1,445,000	532,859	15,780,903	-	15,780,903	-	
2046	9,305,000	626,481	9,931,481	-	-	1,505,000	472,016	11,908,497	-	11,908,497	-	97.24%
2047	6,565,000	372,400	6,937,400	-	-	1,565,000	408,697	8,911,096	-	8,911,097	-	
2048	3,165,000	228,388	3,393,388	-	-	1,635,000	342,697	5,371,084	-	5,371,084	-	
2049	3,240,000	152,038	3,392,038	-	-	1,705,000	272,744	5,369,781	-	5,369,781	-	
2050	2,935,000	79,575	3,014,575	-	-	1,775,000	198,794	4,988,369	-	4,988,369	-	
2051	1,830,000	22,875	1,852,875	-	-	1,855,000	121,656	3,829,531	-	3,829,531	-	99.81%
2052	-	-	-	-	-	1,935,000	41,119	1,976,119	-	1,976,119	-	100.00%
	$ 839,620,000	$ 291,623,584	$ 1,131,243,584	$ 71,285,000	$ 32,996,763	$ 112,155,000	$ 67,148,842	$ 1,414,829,188	$ 41,636,098	$ 876,751,444	$ 496,441,648	

(1) "Outstanding Debt" does not include lease/purchase obligations, however, it does include self-supporting debt. Preliminary, subject to change.
(2) Average life of the issue - 10.058 years. Interest on the Bonds has been calculated at the rates stated on page 4 hereof.
(3) Average life of the issue - 13.231 years. Interest on the Certificates has been calculated at the rates stated on page 2 hereof.
(4) Includes a portion of the Obligations. Excludes the Refunded Obligations.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION [1]

Budgeted Tax Supported Debt Service Requirements and Fiscal Charges, Fiscal Year Ending 9/30/2022		$ 93,815,225
Interest and Sinking Fund Balance as of 9/30/21	$ 4,680,742	
Interest and Sinking Fund Tax Levy	30,218,767	
From Revenue Supported Sources	52,046,458	
Interest Income	10,000,000	96,945,967
Estimated Balance, 9/30/22		$ 3,130,742

(1) Source: City's Annual Budget for Fiscal Year 2021/22.

TABLE 9 - COMPUTATION OF SELF-SUPPORTING DEBT

Net Revenue from Solid Waste System, Fiscal Year Ended 9-30-21	$ 14,629,929 [1]
Less: Solid Waste System Revenue Bond Requirements, 2022 Fiscal Year	-
Balance Available for Other Purposes	$ 14,629,929
Solid Waste System General Obligation Bond Requirements, 2022 Fiscal Year	(5,683,462)
Balance	$ 8,946,467
Net Revenue from Utility System, Fiscal Year Ended 9-30-21	$141,735,642 [1]
Less: Utility System Revenue Bond Requirements, 2022 Fiscal Year	(20,570,668)
Balance Available for Other Purposes	$121,164,974
Utility System General Obligation Bond Requirements, 2022 Fiscal Year	(54,477,177)
Balance	$ 66,687,797

(1) Does not deduct franchise fees and/or return on investment paid to the General Fund.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Amount Being Issued [1]	Unissued Balance
Street & Drainage	11/5/2019	$154,000,000	$ 28,510,000	$36,635,000	$ 88,855,000
Police Public Safety Facilities	11/5/2019	61,900,000	44,000,000	17,900,000	-
Parks	11/5/2019	5,000,000	-	5,000,000	-
		$220,900,000	$ 72,510,000	$59,535,000	$ 88,855,000

(1) Includes premium on the Bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . As shown in Table 10 above, after the issuance of the Bonds, the City will have $88,855,000 voted but unissued debt remaining from the November 5, 2019 authorization. In June of 2020, the City established a commercial paper note program which allows for the issuance, at one time, or from time to time, of up to $100,000,000 aggregate principal amount of commercial paper notes (the "*CP Notes*") in order to finance public improvements authorized in the November 5, 2019 bond election. The CP Notes are secured by ad valorem taxes and proceeds from "rolls" of CP Notes and from bonds issued under the November 5, 2019 authorization. As of June 1, 2022, no CP Notes are outstanding. The City may also issue tax-supported debt other than voter approved general obligation bonds to fund public improvements, such as certificates of obligation or tax anticipation notes, without submitting a measure to the voters, but in certain instances, subject to voter petition rights for a referendum. Further, the City may issue tax-supported debt other than voter approved general obligation bonds to refund bonds or other obligations not currently payable from or supported by ad valorem taxes, such as the City's Utility System revenue bonds. The City anticipates the issuance of approximately $43.3 million in tax supported debt in fiscal year 2023.

TABLE 11 - OTHER OBLIGATIONS

As of September 30, 2021, the City does not have any other obligations outstanding.

PENSION FUND . . . The City of Denton participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly-available annual comprehensive financial report obtainable at www.tmrs.com.

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

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

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their retirement benefit in one of seven payments options. Employees 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 employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percent (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employee's salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retires equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees covered by benefit terms . . . At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	797
Inactive Employees Entitled to But Not Yet Receiving Benefits	693
Active Employees	1,293
	2,783

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 City Council. 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.29% and 17.61% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were $17,794,920 and were equal to the required contributions.

Net Pension Liability . . . The City's Net Pension Liability ("NPL") was measured as of December 31, 2020, and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions . . . The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% 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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS's actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
None-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 530,227,521	$ 460,593,810	$ 69,633,711
Changes for the year:			
Service cost	18,685,981	-	18,685,981
Interest	35,523,156	-	35,523,156
Difference between expected and actual experience	2,636,510	-	2,636,510
Changes of assumptions	-	-	-
Contributions - employer	-	18,613,464	(18,613,464)
Contributions - employee	-	7,536,737	(7,536,737)
Net investment income	-	34,987,709	(34,987,709)
Benefit payments, including refunds of employee contributions	(26,603,058)	(26,603,058)	-
Administrative expense	-	(226,230)	226,230
Other changes	-	(8,826)	8,826
Net changes	30,242,589	34,299,796	(4,057,207)
Balance at 12/31/2020	$ 560,470,110	$ 494,893,606	$ 65,576,504

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	$149,152,966	$ 65,576,504	$ (2,501,789)

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.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2021, the City recognized pension expense of $13,033,962. This amount is included as part of personal services expenses.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ (13,072,602)
Contributions subsequent to the measurement date	12,817,459	-
Differences between expected and actual economic experience	3,990,432	-
Difference in assumption changes	811,870	-
Total	$ 17,619,761	$ (13,072,602)

$12,817,459 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2022	$ (2,914,526)
2023	1,747,532
2024	(6,692,325)
2025	(410,981)
2026	-
Total	$ (8,270,300)

FIREMEN'S RELIEF AND RETIREMENT FUND

Plan Description . . . The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided . . . Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially-vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan effective January 1, 2011 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees Covered by Benefit Terms . . . In the December 31, 2019 actuarial valuation, the following numbers of members were covered by the Fireman's Fund:

Inactive Employees or Beneficiaries Currently Receiving Benefits	87
Inactive Employees Entitled to But Not Yet Receiving Benefits	3
Active Employees	199
	289

Contributions . . . The contribution provisions of the Fireman's Fund 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 and a percentage of payroll by the City.

The contribution policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. The December 31, 2019 actuarial valuation includes the assumption the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2021 were $4,158,368.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2020, the money-weighted rate of return on pension plan investments was 11.80%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution 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 contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability . . . The City of Denton's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2019 and rolled forward to December 31, 2020.

Total Pension Liability	$ 128,332,828
Plan fiduciary net position	117,198,139
City's net pension liability	11,134,689
Plan fiduciary net position as a percentage of the total pension liability	91.3%

Actuarial Assumptions . . . The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP2019.

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The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.71% for adverse deviation. The target allocation and expected arithmetic net 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)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.50%
Fixed Income	10.0%	1.00%
Cash	7.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate . . . The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2019 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 18 years. Because of the 18-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at 12/31/2019	$ 121,442,365	$ 103,815,795	$ 17,626,570
Changes for the year:			
Service cost	4,252,475	-	4,252,475
Interest	8,293,527	-	8,293,527
Contributions - employer	-	4,069,311	(4,069,311)
Contributions - employee	-	2,771,532	(2,771,532)
Net investment income	-	12,313,949	(12,313,949)
Benefit payments, including refunds of employee contributions	(5,655,539)	(5,655,539)	-
Administrative expense	-	(116,909)	116,909
Other changes	-	-	-
Net changes	6,890,463	13,382,344	(6,491,881)
Balance at 12/31/2020	$ 128,332,828	$ 117,198,139	$ 11,134,689

Sensitivity of the Net Pension Liability to Changes in the Discount Rate . . . The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability	$27,865,557	$11,134,689	$ (3,066,318)

Pension Plan Fiduciary Net Position . . . The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . . . For the year ended September 30, 2021, the City recognized pension expense of $712,532. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. This amount is included as part of personnel services expenses.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ (8,079,562)
Contributions subsequent to the measurement date	3,058,198	-
Differences between expected and actual economic experience	2,403,470.00	(797,517)
Difference in assumption changes	3,621,063	-
Total	$ 9,082,731	$ (8,877,079)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $3,058,198 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2021 and the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	
2022	$ (1,668,518)
2023	(935,195)
2024	(2,135,562)
2025	(298,024)
2026	734,622
Thereafter	1,450,131
Total	$ (2,852,546)

Other Post Employment Benefits . . . The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for postemployment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single employer defined benefit OPEB plan.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
Total OPEB Liability	$ 48,918,032	$ 5,107,376	$ 54,025,408
Deferred outflows of resources	$ 6,986,692	$ 1,064,667	8,051,359
Deferred inflows of resources	2,412,788	47,159	2,459,947
OPEB expense	4,535,096	561,765	5,096,861

Plan Description . . . The City of Denton provides post-employment medical care (OPEB) for retired employees through a single employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents though the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided . . . The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

In the December 31, 2020 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	186
Active Employees	1,492
	1,678

Funding Policy . . . The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree's contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes $40 per month for each five-year increment of service, up to $200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability. . . The City's medical OPEB liability of $48,918,032 was measured as of December 31, 2020, the same date as the actuarial valuation.

The medical OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

Valuation Date	December 31, 2019
Actuarial cost method	Individual Entry-Age Normal Method
Discount Rate	3.71% as of December 31, 2018 2.75% as of December 31, 2019 2.00% as of December 31, 2020
Inflation Rate	2.50% per annum
Projected salary increases	3.50% to 11.50% for TMRS, including inflation 3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years
Mortality	**TMRS:** For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. **Firefighters**: The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale of MP-2019.
Participation Rates	60% for employees retiring at age 65 or older: 45% for employees retiring between the ages 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for retirees under the age 50 at retirement

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2019	$ 42,548,138
Changes for the year:	
Service cost	2,884,792
Interest	1,186,428
Difference between expected and actual experience	329,072
Changes of assumptions	3,664,984
Benefit payments	(1,695,382)
Net Changes	6,369,894
Balance at 12/31/2020	$ 48,918,032

Total OPEB liability as a percentage of covered payroll was 37.36%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (1.00%) and 1% greater than (2.00%) the discount rate that was used (3.00%) in measuring the medical OPEB liability:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total medical OPEB Liability	$54,419,045	$ 48,918,032	$44,110,560

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less than (6.00%) and 1% more than (8.00%) the healthcare cost trend rate that was used (7.00%) in measuring the medical OPEB liability:

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total medical OPEB Liability	$44,497,589	$ 48,918,032	$54,207,264

Medical OPEB Expense and Deferred outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2021, the City recognized medical OPEB expense of $4,535,096. At September 30, 2021, the City reported deferred outflows of resources (no deferred inflows of resources) related to medical OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 291,982	$ 1,265,008
Changes in actuarial assumptions	5,510,107	1,147,780
Contribution subsequent to the measurement date	1,184,603	-
Totals	$ 6,986,692	$ 2,412,788

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date of $1,184,603 will be recognized as a reduction of the medical OPEB liability for the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
2022	$ 463,876
2023	463,876
2024	463,876
2025	463,876
2026	456,083
Thereafter	1,077,714
Total	$ 3,389,301

Supplemental Death Benefit Fund . . . The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits provided . . . The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

In the December 31, 2020 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	627
Inactive Employees entitled to but not yet receiving benefits	196
Active Employees	1,293
	2,116

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2021 and 0.17% for 2020, of which 0.08% for 2021 and 0.03% for 2020, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2021 and 2020 were $179,918 and $175,649 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET POSITION OF GOVERNMENTAL FUNDS

	Fiscal Year Ended September 30,				
Revenues:	2021	2020	2019	2018	2017
Program Revenue:					
Charges for Services	$ 18,751,972	$ 17,442,268	$ 20,276,028	$ 20,212,367	$ 19,333,830
Operating Grants and Contributions	8,607,304	8,991,320	4,092,532	3,697,696	4,667,791
Capital Grants and Contributions	23,945,640	34,911,879	28,085,591	33,991,306	17,180,091
General Revenue:					
Property Tax	78,243,553	75,431,860	71,351,314	67,185,610	64,348,754
Sales Tax	45,404,857	39,337,834	38,330,825	38,270,026	36,841,137
Other Taxes/Fees	35,648,023	32,100,345	29,873,654	29,384,183	27,216,597
Miscellaneous	5,876,421	7,111,569	10,119,145	6,827,003	3,564,865
Total Revenue	$ 216,477,770	$ 215,327,075	$ 202,129,089	$ 199,568,191	$ 173,153,065
Expenditures:					
General Government	$ 37,401,990	$ 37,921,928	$ 39,051,942	$ 37,968,945	$ 40,761,972
Public Safety	93,415,418	82,119,480	77,883,435	71,945,219	68,546,557
Public Works	14,063,366	26,049,847	24,502,864	25,683,779	24,994,628
Parks and Recreation	19,295,206	15,759,371	17,710,634	17,422,273	16,792,417
Interest on Long-Term Debt	7,380,293	6,757,736	6,750,917	5,379,149	4,970,968
Total Expenses	$ 171,556,273	$ 168,608,362	$ 165,899,792	$ 158,399,365	$ 156,066,542
Increase in Net Position before Transfers	$ 44,921,497	$ 46,718,713	$ 36,229,297	$ 41,168,826	$ 17,086,523
Transfers	1,975,432	1,296,624	1,018,664	(1,104,290)	916,940
Increase (Decrease) in Net Position	$ 46,896,929	$ 48,015,337	$ 37,247,961	$ 40,064,536	$ 18,003,463
Prior Period Adjustment	-	-	-	(16,960,959) [2]	-
Net Position at Beginning of Year	281,796,369	233,781,032	196,533,071	173,429,494	155,426,031
Net Position at End of Year	$ 328,693,298 [1]	$ 281,796,369	$ 233,781,032	$ 196,533,071	$ 173,429,494

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(1) Unrestricted net position, that part of the net position that may be used to meet the City's ongoing obligations, was ($27,553,444) as of September 30, 2021. This table refers to governmental activities only and does not include enterprise funds such as solid waste or utility activities.

(2) Represents a net adjustment due to GASB 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".

TABLE 12A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
Revenues:	2021	2020	2019	2018	2017
Taxes	$ 95,276,289	$ 88,273,338	$ 85,149,284	$ 83,621,197	$ 81,040,432
Licenses and Permits	5,939,320	5,225,128	3,889,820	3,739,691	3,016,697
Franchise Fee	17,961,984	16,196,987	13,443,408	13,263,247	13,113,210
Fines and Forfeitures	1,572,587	2,279,771	3,651,697	3,523,068	3,646,487
Fees for Service	9,354,890	6,803,459	6,981,182	7,223,541	7,417,774
Interest Revenue	160,094	793,413	1,114,348	514,938	371,305
Intergovernmental	4,166,856	5,075,506	1,339,188	1,005,259	1,026,313
Miscellaneous	385,998	313,541	470,502	432,820	534,705
Total Revenues	$ 134,818,018	$ 124,961,143	$ 116,039,429	$ 113,323,761	$ 110,166,923
Expenditures:					
General Government	$ 26,460,924	$ 26,969,064	$ 29,967,473	$ 27,725,208	$ 27,131,242
Public Safety	80,847,727	75,985,961	68,174,782	63,268,420	57,921,901
Public Works	2,919,114	3,021,395	3,035,748	3,077,807	2,983,128
Parks and Recreation	11,259,612	8,872,556	9,786,783	12,332,725	11,893,750
Capital Outlay	476,296	442,932	737,271	623,931	580,588
Debt Service: Principal Retirement	-	-	4,171	50,052	50,052
Total Expenditures	$ 121,963,673	$ 115,291,908	$ 111,706,228	$ 107,078,143	$ 100,560,661
Excess (Deficiency) of Revenues Over Expenditures	$ 12,854,345	$ 9,669,235	$ 4,333,201	$ 6,245,618	$ 9,606,262
Other Financing Sources (Uses):					
Transfers In	$ 33,964	$ -	$ -	$ -	$ 73,690
Sale of Capital Assets	326,682	112,824	17,033	111,674	214,468
Transfers (Out)	(8,497,210)	(6,738,692)	(3,928,775)	(7,810,680)	(6,293,495)
Total Other Financing Sources (Uses)	$ (8,136,564)	$ (6,625,868)	$ (3,911,742)	$ (7,699,006)	$ (6,005,337)
Net Changes in Fund Balance	$ 4,717,781	$ 3,043,367	$ 421,459	$ (1,453,388)	$ 3,600,925
Fund Balance at Beginning of Year	33,782,211	30,738,844	30,317,385	31,770,773	28,169,848
Fund Balance at End of Year	$ 38,499,992	$ 33,782,211	$ 30,738,844	$ 30,317,385	$ 31,770,773

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Obligations. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In January 1994, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for property tax reduction. In September 2003, the voters of the City approved the imposition of an additional one-half of one percent (½ of 1%) for the Denton County Transportation Authority. The implementation of this tax began January 2004, and is allocated directly to the Denton County Transportation Authority.

Fiscal Year Ended 9/30	Total Collected [1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2018	$ 38,270,026	57.30%	$ 0.3704	$ 289
2019	38,330,825	54.15%	0.3387	280
2020	39,337,834	52.42%	0.3117	279
2021	45,404,857	58.24%	0.3343	316
2022 [2]	28,167,362	35.24%	0.1956	192

(1) Source: City of Denton Annual Program of Services.
(2) Collections through April 1, 2022.

The sales tax breakdown for the City is as follows:

Property Tax Relief	0.50¢
Denton County Transportation Authority	0.50¢
City Sales & Use Tax	1.00¢
State Sales & Use Tax	6.25¢
Total	8.25¢

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the City conform to generally accepted accounting principles of the Governmental Accounting Standards Board and program standards adopted by the Government Finance Officers Association of the United States and Canada. The GFOA has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Denton for each fiscal year since 1983. The City's current report will be submitted to GFOA to determine its eligibility for another Certificate.

The City has also received the GFOA's award for Distinguished Budget Presentation each year since 1986.

The measurement focuses for the Enterprise Funds, Internal Service Funds and Nonexpendable Trust Funds are income determination and cost of service, respectively. Accordingly, the accrual basis, whereby revenues and expenses are identified in the accounting period in which they are earned and incurred and net income, is utilized for these funds. The modified accrual basis, whereby revenues are recognized when they become both measurable and available for use during the year and expenditures are recognized when the related fund liability is incurred, is used for all other funds.

Fund Balance Policy . . .The City strives to achieve and maintain and unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

Budgetary Procedures . . . As prescribed by City Charter, the City Manager, within the time period required by law, submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The budget includes proposed expenditures and revenues required to fund the expenditures. Following Council considerations, amendments and refinements, a public hearing is ordered and conducted for the purpose of obtaining taxpayer comments. The budget is finally approved and adopted by passage of an ordinance by the City Council prior to the beginning of the fiscal year. The budget is adopted on a basis consistent with generally accepted accounting principles. It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances and/or economic downturns.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both Texas law and the City's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

The City if specifically prohibited from investing in (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Effective September 1, 2019, the investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

ADDITIONAL PROVISIONS . . Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14- CURRENT INVESTMENTS [1]

As of April 1, 2022, the City's available funds were invested as follows:

Description	Market Value Percent	Market Value	Book Value
Treasury Securities	36.52%	$ 244,236,565	$ 245,193,498
Federal Agency Issues - Coupon	7.48%	50,048,326	50,030,994
Commercial Paper	5.22%	34,907,786	34,956,564
Local Government Inv. Pool- TexSTAR	18.36%	122,775,270	122,775,270
Local Government Inv. Pool- TexPool	22.43%	150,000,000	150,000,000
Demand Deposits/Wells Fargo [2]	9.99%	66,843,040	66,843,040
	100.00%	$ 668,810,987	$ 669,799,366

(1) There are no City funds invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.
(2) Insured up to the FDIC limit with uninsured amounts collateralized by U.S. federal agency securities at a minimum of 102% of principal plus accrued interest.

TexSTAR is a local government investment pool for whom Hilltop Securities Asset Management, Inc. provides customer service and marketing for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

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TAX MATTERS

OPINIONS

The Certificates . . . On the date of initial delivery of the Certificates, McCall, Parkhurst and Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its opinion that, in accordance with Existing Law, (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C – Forms of Bond Counsel's Opinions.

The Bonds . . . On the date of initial delivery of the Bonds, Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C – Forms of Bond Counsel's Opinions.

In rendering each of the foregoing opinions, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate with respect to each Obligation issue, and (b) covenants of the City contained in the Obligation documents relating to certain matters, including arbitrage and the use of the proceeds of the Obligations and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Obligations to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Obligations in order for interest on the Obligations to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Obligations to be included in gross income retroactively to the date of issuance of the Obligations. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and other requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Obligations.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Obligations.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Obligations or the projects being financed or refinanced therewith. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Obligations, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Obligations may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The initial public offering price to be paid for one or more maturities of the Obligations may be less than the principal amount thereof or one or more periods for the payment of interest on the Obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Obligations and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Obligations. This discussion is based on Existing Law, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE OBLGATIONS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Obligations, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Obligations, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Obligations under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Obligations will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Obligations under Federal or state law and could affect the market price or marketability of the Obligations. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Obligations should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE OF INFORMATION

In each of the Ordinances, the City has made the following agreement for the benefit of the holders and beneficial owners of the respective series of Obligations. The City is required to observe each agreement while it remains obligated to advance funds to pay such Obligations. Under each agreement, the City will be obligated to provide certain updated financial information and operating data annually, and the timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, in the electronic format prescribed by the MSRB, financial information and operating data (the "Annual Operating Report") with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14. The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in the City's annual audited financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in this Official Statement and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2022. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide the Annual Operating Report by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Obligations to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) Obligation calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any Financial

Obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports". For purposes of clauses (15) and (16) above, "Financial Obligation" means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Obligations at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Obligations may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement for either or both of the Bonds and Certificates from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds or Certificates, as the case may be, in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds or Certificates, as the case may be, consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds or Certificates, as the case may be. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Obligations in the primary offering of the Obligations. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Obligations and the presently outstanding tax supported debt of the City are rated "AA+" by Fitch and "AA+" by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Obligations.

LITIGATION

Various claims and lawsuits are pending against the City. In accordance with Generally Accepted Accounting Principles, those judgments considered "probable" are accrued by the City, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and the City Attorney, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings, is approximately $500,000 as of the date of this Official Statement. It is the opinion of the City Attorney and City management that potential losses after insurance coverage on all probable claims and lawsuits will not have a material adverse financial impact upon the City or its operations, see Appendix B, Notes to Basic Financial Statements G., page 85.

At the time of the initial delivery of the Bonds, the City will provide the Initial Purchasers with a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

REGISTRATION AND QUALIFICATION OF OBLIGATIONS FOR SALE

The sale of the Obligations has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Obligations have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds or Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds or Certificates under the securities laws of any jurisdiction in which the Obligations may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Obligations shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

The Obligations. Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Obligations are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Obligations are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

The Certificates. Section 271.051, Texas Local Government Code, provides that the Certificates are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, municipalities, school districts, and other political subdivisions of the State, and are legal security for those deposits to the extent of their market value.

General Considerations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Obligations may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Obligations for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Obligations for such purposes. The City has made no review of laws in other states to determine whether the Obligations are legal investments for various institutions in those states.

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE

The City will furnish a complete transcript of proceedings had incident to the authorization and issuance of the Bonds and of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Initial Bond and the Initial Certificate and to the effect that the Bonds and the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Bonds and the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Obligations, or which would affect the provision made for their payment or security or in any manner questioning the validity of said Obligations will also be furnished. Though it represents the Financial Advisor and purchasers of debt from governmental issuers from time to time in matters unrelated to the issuance of the Obligations, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Obligations. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Obligations in the Official Statement to verify that such description conforms to the provisions of the Bond Ordinance and the Certificate Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Obligations is contingent on the sale and delivery of the Obligations. The legal opinion will accompany the Obligations deposited with DTC or will be printed on the Obligations in the event of the discontinuance of the Book-Entry-Only System.

The legal opinions to be delivered concurrently with the delivery of the Obligations express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements, and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR

Hilltop Securities Inc., ("HilltopSecurities") is employed as Financial Advisor to the City in connection with the issuance of the Obligations. The Financial Advisor's fee for services rendered with respect to the sale of the Obligations is contingent upon the issuance and delivery of the Obligations. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Obligations, or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER OF THE CERTIFICATES

After requesting competitive bids for the Certificates, the City accepted the bid of Citigroup (the "Initial Purchaser of the Certificates") to purchase the Certificates at the interest rates shown on page 2 of the Official Statement at a price of par plus a cash premium of $7,315,445.30. The Initial Purchaser of the Certificates can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser of the Certificates. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Certificates.

INITIAL PURCHASER OF THE BONDS

After requesting competitive bids for the Bonds, the City accepted the bid of Citigroup (the "Initial Purchaser of the Bonds") to purchase the Bonds at the interest rates shown on page 4 of the Official Statement at a price of par plus a cash premium of $5,424,811.85. The Initial Purchaser of the Bonds can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser of the Bonds. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the sole responsibility of the Initial Purchaser of the Bonds.

The Initial Purchaser of the Bonds and the Initial Purchaser of the Certificates are herein collectively referred to as the "Initial Purchasers".

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Obligations, the City will furnish to the Initial Purchasers a certificate, executed by a proper City officer, acting in such officer's official capacity, to the effect that to the best of such officer's knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Obligations, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

LINKS TO WEBSITES

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

MISCELLANEOUS

The Ordinances authorized the issuance of the Obligations and approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Obligations by the Initial Purchasers.

CASSANDRA OGDEN
PRICING OFFICER
City of Denton, Texas

Schedule I

SCHEDULE OF REFUNDED OBLIGATIONS

Certificates of Obligation, Series 2012

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
4/15/2012	2/15/2023 (1)	5.000%	$ 1,775,000	$ 1,775,000
	2/15/2024 (1)	5.000%	1,860,000	$ 1,860,000
	2/15/2028	5.000%	2,140,000	2,140,000
	2/15/2029	5.000%	2,260,000	2,260,000
	2/15/2030	5.000%	2,370,000	2,370,000
	2/15/2031	5.000%	2,490,000	2,490,000
			$ 12,895,000	$ 12,895,000

The 2023 – 2034 and 2028-2031 maturities will be redeemed prior to original maturity on August 1, 2022 at par.

(1) Represents a Term Bond with a final maturity of February 15, 2024.

General Obligation Refunding and Improvement Bonds, Series 2012

Original Dated Date	Maturity Date	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded
4/15/2012	2/15/2023	5.000%	$ 2,975,000	$ 2,975,000
	2/15/2024	5.000%	1,090,000	1,090,000
			$ 4,065,000	$ 4,065,000

The 2023 – 2024 maturities will be redeemed prior to original maturity on August 1, 2022 at par.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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Finance Department
215 E. McKinney St., Denton, TX 76201 • (940) 349-8531

March 30, 2022

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

It is with great pleasure that we present to you a copy of the Annual Comprehensive Financial Report (ACFR) of the City of Denton (the City) for the fiscal year ended September 30, 2021. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above-mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2021.

The ACFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City, and is based upon a comprehensive framework of internal control 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 the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Weaver and Tidwell, LLP. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2021. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related Uniform Guidance. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' 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.

PROFILE OF THE GOVERNMENT

Originally incorporated on September 26, 1866, the City of Denton is now 98.818 square miles and has an estimated population of 143,573. The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City of Denton is in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area.

The City provides a full range of general government services to its citizens including: public safety (police and fire protection); public works (construction and maintenance of highways, streets and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water, and wastewater services.

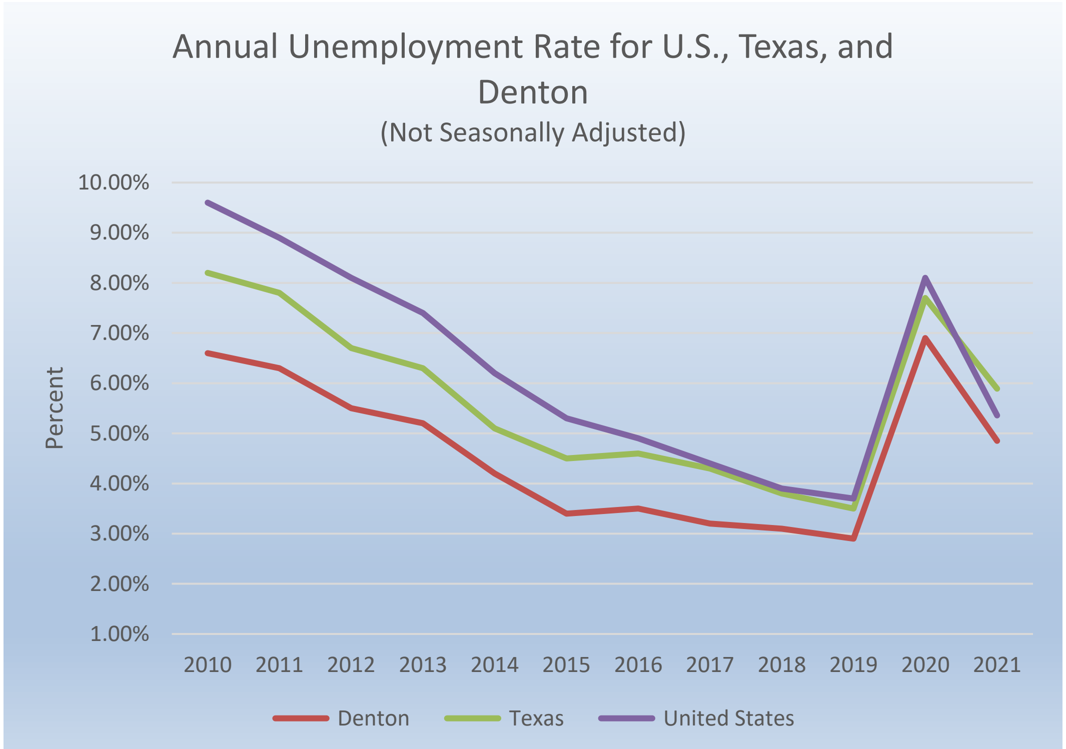
The internal service operations consist of the Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, Technology Services, Customer Service, and Facilities funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The Customer Service Fund accounts for the financing of customer service activities provided to the residents and businesses of the City on behalf of other departments within the City. The Facilities Management Fund is responsible for maintaining all city-owned facilities and vertical construction projects. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

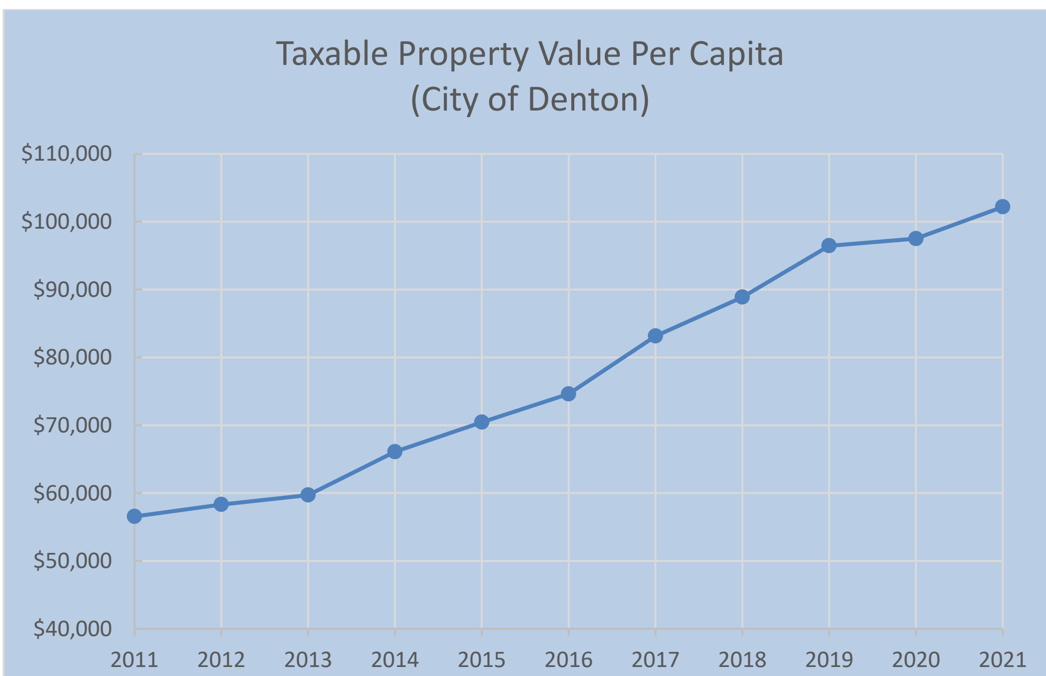
LOCAL ECONOMY

Fiscal year 2020-21, with the challenges the pandemic and variants brought, a new normalcy has set in, the city of Denton has continued to grow with a tax base average growth of 8.48% over the last 10 years. Recently, the City's tax base grew by 11.92% in FY 2019-20, 4.39% in FY 2020-21, and 7.88% in FY 2021-22. After property tax revenues, the second largest source of revenue in the General Fund is sales tax. Representing approximately 27.2% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2020-21, total sales tax revenues equaled $45,404,857 which is $6,067,023 or 15.4%, more than the prior year collections of $39,337,834.

The City of Denton's net seasonally adjusted annual unemployment average rate remains below state and national levels at an average 4.9 percent in 2021 which has decreased significantly compared to 6.9 average of FY2019-2020. Excluding City building, County buildings, schools, and churches, the City of Denton issued 18771 residential and commercial building permits for FY2019-20, with an estimated value of $795 million. This compares to a total of 1,601 commercial and residential permits issued for FY2019-20 and an estimated value of $700 million. The overall permit numbers were up due to a increase in single family housing.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton's unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.


Annual Unemployment Rate for U.S., Texas, and Denton
(Not Seasonally Adjusted)
Percent
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Denton
Texas
United States


Taxable Property Value Per Capita
(City of Denton)
$110,000
$100,000
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021

Fiscal year 2021-22 the City continued to see indicators of a strong economy that adjusted to and remained stable throughout the pandemic. Listed below are just a few of the highlights:

- The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 500,000 square feet of retail and commercial space. Sam's Club and Wal-Mart anchor the development that will soon include Ulta Beauty. The Town Center also includes the Embassy Suites Hotel and Convention Center described in more detail below. In addition, a new 300-unit multifamily project, the Village at Rayzor Ranch, opened in late 2019, and construction began in 2020 and opened in 2021, on the Residences at Rayzor Ranch, a 40-acre site that will include 215 town homes and 65 single family homes and 31 single-family homes. Growler Bar and Taqueria Monterrey are new restaurant tenants at the Town Center.
- O'Reilly Hotel Partners Denton (OHPD) opened the 70,000-square-foot Convention Center, 318-room LEED Gold Certified Embassy Suites Hotel, and Houlihan's restaurant project in January 2018. The property was designated as a "2019 AAA Inspector's Best of Housekeeping Hotel," which ranks the hotel in the top 25% of 27,000 inspected hotels. In 2019, Hilton Worldwide recognized the Embassy Suites Denton Hotel and Convention Center as the #1 in Brand 2019 Connie Award winner, the highest distinction across all 17 Hilton Worldwide brands and the 258 eligible properties. As a major anchor for the Rayzor Ranch Town Center, the project capitalizes on the shopping, entertainment, and restaurants located nearby. The privately managed convention center is also expected to expand the City's convention business and overall tourism industry.
- The City's Fire Station 8, opened in February of 2021 near the Medical City Denton, which has been six years in the making. The facility is approximately 8,500 square feet, which provides quick response to emergencies around Denton's southeastern medical corridor.
- Denton continued to see positive growth in the tech industry in FY 2021-21. Denton's coworking space and entrepreneur center, Stoke Denton, celebrated their 5-year Anniversary and continue to serve as a training and mentorship hub throughout the pandemic. Stoke and Texas Woman's University (TWU) Center for Women Entrepreneurs (CWE) launched an incubator program, AccelerateHER. Two rounds of grant funding were conducted. In September, seven women entrepreneurs were accepted into the program. Eighty-three events were hosted by Stoke in 2021. In addition, Denton initiated its first ever tech/entrepreneurship grant in 2021, with the local company detailed below:
    - Team of Defenders – Team of Defenders is an IT platform company established in 2018. They currently operate out of Stoke and estimate that they will hire 56 tech employees with a payroll of $7M in the next ten years.
- A number of projects, which will total over 3 million square feet, are currently underway in the Westpark Tax Increment Reinvestment Zone (TIRZ) in the largest industrially zoned area within the City.
    - Ironwood Realty Partners and Scannell Properties have partnered on an industrial project, Denton Crossing @ I-35, which will house approximately 1.2 million square feet of industrial speculative space along Western Boulevard. There will be a total of four buildings upon completion. Buildings 1 and 2 are underway with just under 700,000 square feet. Buildings 3 is currently under construction and will comprise up to 398,000. Building 4 has been constructed and has 127,000 square feet of warehouse space. Elite Materials Logistics plans to occupy a building in phase 2 of the development.
    - Exeter has completed a building comprising 649,000 square feet, where W. Oak Street and Jim Christal meet, that will be the newest distribution center for Lowe's Home Improvement. Exeter is also constructing three buildings at the northeast corner of Western Blvd. and Jim Christal. The square footage of these buildings are 324,000 square feet, 421,000 square feet, and 1,076,000 square feet
    - Hunt Southwest is developing 23-acre site on S. Western Boulevard at Jim Christal Road at the I-35 Convergence. It is planned to have 250,000 square feet of warehouse space with a proposed build-to-suit on seven of the acres, for a 227,420 square foot building.
    - Westpark Industrial, a 16-acre parcel, will include two speculative buildings at just over 100,000 square feet each.

- Denton Point is comprised of two buildings totaling 242,320 square feet. Building 2 is a 130,000 SF facility located along Western Boulevard. Denton Point is a rail-served development for manufacturing and supply chain uses.

The largest commercial and residential project in the city of Denton will be the Cole and Hunter Ranch developments, which received approval from the City Council in early 2020. Combined, the two developments include 6,400 acres for development. The master planned communities will include 12,900 single family units, 6,450 multifamily units, 485 acres for commercial development, and 256 acres for industrial development. The northern portion, near the airport, of the district is estimated to start in 2022. With a planned 40 year build out, these developments will be the largest and most impactful developments in Denton for years to come.

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton's FY 2021-22 Annual Budget document. This document details the City's strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The Annual Budget can be accessed through the City's web site at www.cityofdenton.com and selecting Financial Transparency under the "Open Government" link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. As described in the accompanying ACFR document, the unassigned fund balance is $38.5 million, or 26.8%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2021.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2015-16 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The rate reserve level is established at a range of 8% to 12% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2020-21.

MAJOR INITIATIVES

The City's Strategic Plan and Council specifically identified improving facility infrastructure as a major goal. In response to this goal, the FY 2021-22 Budget includes additional issuance of General Obligation Bonds. This increase in funding shows the City's continued commitment to facility infrastructure and equipment funding.

The combination of increased operating funding along with the issuance of debt shows the strong commitment to improving our infrastructure. In the future, the City staff will continue efforts to identify additional funding for facility infrastructure and equipment funding activities along with potential future debt issuances for street reconstruction to continue to improve the condition of the City's streets over the long term.

AWARDS AND ACKOWLEDGEMENTS

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2020, for the thirty-sixth consecutive year. To be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2020-21 Annual Budget for the thirty-fourth consecutive year. To qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton's budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2021-22 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

The City received a Certificate of Distinction from the Government Treasurers of Texas (GTOT). The distinction was received for developing an investment policy that meets the requirements of the Public Funds Investment Act and the standards for prudent public investing as established by the GTOT. The GTOT awards an estimated 35 distinctions annually, which the City has received seven times since 1999.

In 2022, City of Denton's has been awarded the Five Transparency Stares by the Texas Comptroller, which recognizes cities, counties, special purpose districts and school districts to provide easy online access to important financial data. The City of Denton is only one of 13 cities in Texas to receive all five transparency stars.

We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.

David Gaines
Deputy City Manager

Cassandra Ogden
Director of Finance/Chief Financial Officer

APPENDIX B

EXCERPTS FROM THE

CITY OF DENTON, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the City of Denton, Texas Annual Comprehensive Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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Independent Auditor's Report

To the Honorable Mayor
and Members of the City Council of
The City of Denton, 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 Denton, Texas (the City), as of and for the year ended September 30, 2021, 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

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

Auditor's Responsibility

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

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

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

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

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 as of September 30, 2021 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
March 30, 2022

CITY OF DENTON

Introduction

The Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

This narrative should be read in conjunction with the transmittal letter at the beginning of the report and the financial statements following this section.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2021 by $1,275,778,368 (net position), an increase of 11.5 percent from prior year net position. Of this amount, $156,021,556 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net Pension liability of the City is $76,711,193, a decrease from prior year liability of $87,260,281. Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires the City to report its net pension liability for participation in Texas Municipal Retirement System (TMRS) of the total Net Pensions Liability reported by the TMRS. As a result of recording the decrease in the City's portion of net pension liability ($7,710,097), an increase in deferred pension inflows ($1,244,573), and a decrease in deferred pension outflows ($1,097,720).
- Governmental activities revenue were $167,148,286 as compared to $155,278,232 for the year ended September 30, 2020. The increase of $11,870,054 is primarily driven by, an increase in tax revenues, property tax, and franchise fees. Business-type activity revenues were $(1,975,432) in fiscal year 2020-2021, representing a decrease of $6,634,667 from the prior year revenues of $5,035,834. The decrease is primarily driven by a decrease in investment revenue due to low market interest rates.
- Governmental funds reported combined ending fund balances of $228,084,437 as of September 30, 2021 which is an increase of $36,544,920 from fiscal year 2019-2020 ending fund balance total of $191,539,517.
- The City's primary General Fund resources are property taxes, sales tax, and franchise fees. Combined these resources account for 93.2 percent of total General Fund revenues which increased 7.9 percent from last year's results.
- The City's long-term liabilities outstanding increased by $205,556,110 in fiscal year 2020-2021. The increase is primarily attributable to an increase of $224,978,953 of Certificates of Obligation General Obligations Bonds Payable and Revenue Bonds Payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Denton's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are considered regardless of when cash is received or paid. 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 not used vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

- **Governmental activities**. Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities**. The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste, and airport activities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The following illustration summarizes the major features the City's financial statements. The City of Denton's funds are categorized as governmental, proprietary funds or fiduciary funds.

- **Governmental funds**. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

  The City of Denton maintains twelve 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, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for eight of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds**. The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. The City's enterprise funds are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The City's internal service funds are used to accumulate and allocate costs internally among the City of Denton's various functions. Both enterprise funds and internal service funds are components of proprietary funds.

  The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The individual funds provide the same type of information as the government-wide financial statements only in more detail. The City considers all enterprise funds to be major funds.

The City of Denton maintains eight internal service funds. The City uses internal service funds to account for materials management, fleet services, health insurance, risk retention, technology services, engineering services, customer service, and facilities management. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

Other Information.
The combining nonmajor fund statements and individual fund schedules are presented immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2021, the City's combined net position was $1,275,778,368, of which $328,693,298 can be attributed to governmental activities and $947,085,070 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (80.8%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position
(in thousands)

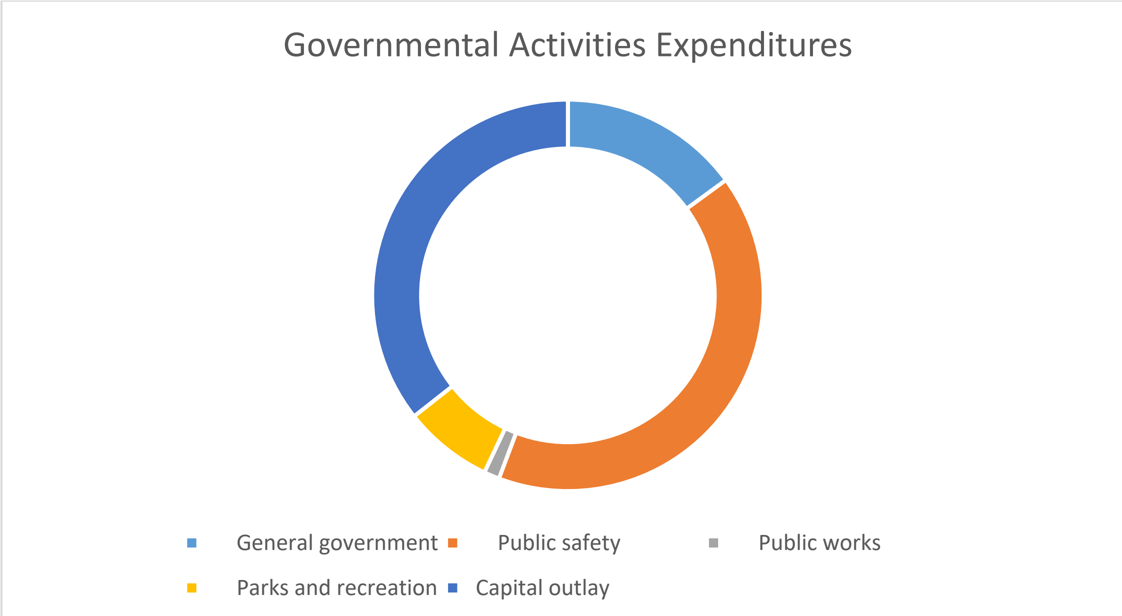
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 334,301	$ 286,616	$ 615,250	$ 428,172	$ 949,551	$ 714,788
Capital assets, net of accumulated depreciation	517,006	449,643	1,365,841	1,323,502	1,882,847	1,773,145
Total assets	851,307	736,259	1,981,091	1,751,674	2,832,398	2,487,933
Deferred outflows of resources	26,713	25,478	10,504	9,971	37,217	35,449
Long-term liabilities outstanding	438,974	377,066	1,008,680	864,988	1,447,654	1,242,054
Other liabilities	91,222	84,899	29,651	27,137	120,873	112,036
Total liabilities	530,196	461,965	1,038,331	892,125	1,568,527	1,354,090
Deferred inflows of resources	19,131	17,976	6,179	7,187	25,310	25,163
Net position:						
Net investment in capital assets	324,399	288,549	716,243	661,996	1,040,642	950,545
Restricted	31,847	29,974	47,267	38,025	79,114	67,999
Unrestricted	(27,553)	(36,727)	183,575	162,312	156,022	125,585
Total net position	$ 328,693	$ 281,796	$ 947,085	$ 862,333	$1,275,778	$ 1,144,129

Governmental activities increased the City's net position by $46,896,929. Business-type activities increased the City's net position by $84,751,836. The key elements of these increases are contained in Table 2.

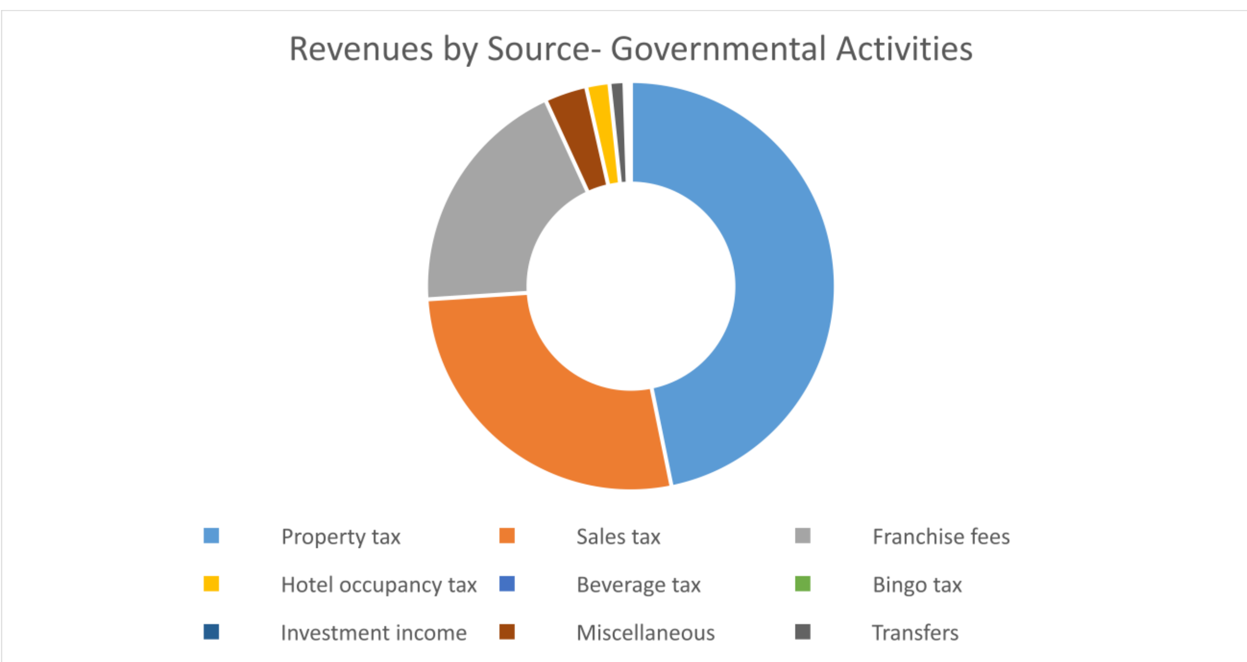
Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	$ 18,752	$ 17,442	$ 470,926	$ 337,813	$ 489,678	$ 355,255
Operating grants and contributions	8,607	8,991	-	-	8,607	8,991
Capital grants and contributions	23,946	34,912	18,283	16,374	42,229	51,286
General Revenues:						
Property tax	78,244	75,432	-	-	78,244	75,432
Sales tax	45,405	39,338	-	-	45,405	39,338
Franchise tax	32,047	29,504	-	-	32,047	29,504
Hotel occupancy tax	3,075	2,142	-	-	3,075	2,142
Beverage tax	511	441	-	-	511	441
Bingo tax	15	14	-	-	15	14
Investment Income	326	2,999	264	6,100	590	9,099
Miscellaneous	5,550	4,111	112	232	5,662	4,343
Total revenues	216,478	215,326	489,585	360,519	706,063	575,845
Expenses:						
General government	37,403	37,922	-	-	37,403	37,922
Public safety	82,678	82,119	-	-	82,678	82,119
Public works	24,800	26,050	-	-	24,800	26,050
Parks and recreation	19,295	15,759	-	-	19,295	15,759
Interest on long-term debt	7,380	6,758	-	-	7,380	6,758
Electric	-	-	307,772	195,307	307,772	195,307
Water	-	-	28,429	32,013	28,429	32,013
Wastewater	-	-	32,248	31,018	32,248	31,018
Solid waste	-	-	32,735	32,371	32,735	32,371
Airport	-	-	1,674	1,707	1,674	1,707
Total expenses	171,556	168,608	402,858	292,416	574,414	461,024
Increase in net position before transfers	44,922	46,718	86,727	68,103	131,649	114,821
Transfers	1,975	1,297	(1,975)	(1,297)	-	-
Increase in net position	46,897	48,015	84,752	66,806	131,649	114,821
Net position at beginning of year	281,796	233,781	862,333	795,527	1,144,129	1,029,308
Net position at end of year	$ 328,693	$ 281,796	$ 947,085	$ 862,333	$ 1,275,778	$ 1,144,129

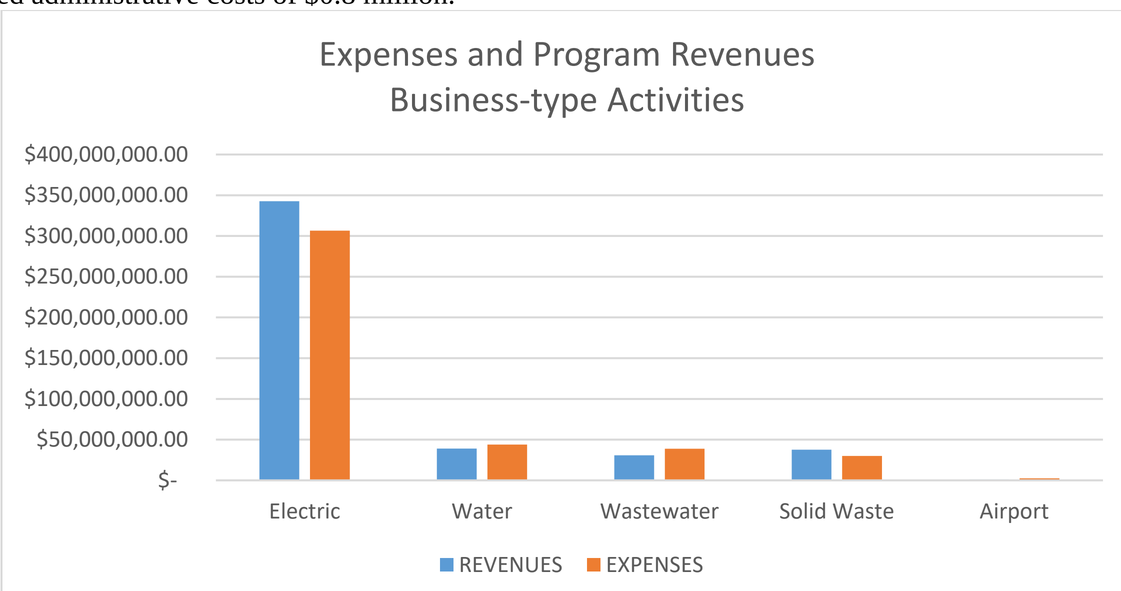
Governmental activities. Expenses for governmental activities reflect an increase of $2.9 million over the prior year. Increases includes $3.5 million for Parks and Recreation. This increase was offset by decreases of $1.3 million in Public Works and $5.5 million in Capital Outlay. The most significant governmental activities expense was in providing public safety, which incurred expenses of $82,678,373. The largest expense for public safety is the cost of personnel, which totaled $67,866,265. Last year the City added 8 new positions in public safety including 7.5 in the police department.



These expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are $78,243,553 for the fiscal year ended September 30, 2021. Governmental activities program revenues increased $11.8 million over the prior year. Charges for Services increase $1.3 million from Parks and Recreation and Public Safety as pandemic restrictions eased. These revenue increases were offset by decreases in Capital grants and contributions and operating grants and contributions. Operating grants and contributions decreased $0.4 million from funding for general government and public safety. Capital grants and contributions decreased $11.0 million from additional grant funding for public works transportation projects as projects were completed. Governmental activities general revenues included an increase of $2.8 million for property tax due to rising values and new construction. Franchise fee revenue increases of $2.5 million were offset by declines in investment income of $8.5 million as interest rates remained at historic lows. Transfers reflect a net $2.0 million transfer in for governmental activities for the current year.



Business-type activities. Business-type activities increased the City's net position by $84,751,836. This accounts for 74.24% of the growth in the entity-wide net position. All Utility service revenues increased by a total of $4.7 million. Electric charges for services increased by $125.5 million due to Storm Uri, which resulted in not only an increase in revenues but a large increase in expenses to offset. There were no rate adjustments for electric, water or wastewater customers for the fiscal year. Water charges for services decreased by $.07 million as compared to the service charges from prior year. Wastewater charges increased $0.2 million compared to the prior year. Solid Waste charges for service provided an increase of $1.5 million compared to the prior year. Airport charges for goods and services were unchanged from the prior year. Water and Wastewater collected $8.1 million and $5.6 million in impact fees, respectively, reflecting a $1.8 million increase over the prior year. Capital contributions, which arise from new property development within the City, represent a major revenue source for the Water and Wastewater funds during the current fiscal year. Capital contributions were $18.3 million during the year and represent a $1.9 million increase from the prior year. The Airport gas well revenues contributed an additional $0.4 million to the increase in net position, a decrease of $0.9 million from the prior year. Gas well revenues continue to decline as many wells in the City are being systematically plugged. Total enterprise funds operating costs, before depreciation, increased $136.3 million. Electric expenses accounts for 80.3 percent of total enterprise fund expenses due to Storm Uri in February 2021, which included an increase of operating expense-purchased power of $130.1 compared to prior year and administrative costs increased by $8.1 compared to prior year. Water expenses increased $2.9 million from the prior year, due to increased administrative costs of $3.1 million. Wastewater expenses increased by $1.4 million from the prior year, due to increased administrative costs of $0.9 million. Solid Waste operations increased $1.2 from the prior year, due to increased administrative costs of $0.8 million.



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $228.1 million, an increase of $36.6 million in comparison with the prior year. $37,690,456 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted ($153.2 million), committed ($18.1 million), and assigned ($19.1 million).

The General Fund is the chief operating fund of the City. At September 30, 2021, the unassigned fund balance of the General Fund was $38.5 million, or 26.8% of budgeted general fund expenditures. Revenues were $11.9 million higher compared to the previous year primarily due to increases in taxes of $3.1 million. Licenses and permits increased $1.3 million from an update to the engineering and development review services fee structure to help recover costs. Intergovernmental revenue increased $3.7 million over the prior year due to a $3.3 million receipt of ARP Act funding. Franchise fees increased $2.5 million in part due $1.6 million increase in the Return on Investment (ROI) transfer percentage from the electric fund revenues. Parks and Recreation had an increase in charge for services of $1.1 million as business resumed to normal. The net change in General Fund expenditures was $3.1 million higher compared to the previous year primarily due to increased costs related to personnel services and operations. Personnel costs increased $3.5 million over the prior year. Public safety increased $3.2 million over the prior year due to the addition of 7.50 in the police department. The public safety increase was offset by decreases in general government of $2.2 million. Operations, services costs were down $2.2 million. These decreases were the result of government buildings, including libraries and recreation centers, being closed to the public sporadically and the majority of staff working from home the entire fiscal year. The libraries and recreation centers reopened with limited access and reduced hours the remainder of the year, with mandates

At the end of the fiscal year, the Capital Projects Fund has a total fund balance of $153.7 million, an increase of $28.4 million. The total fund balance is made up of $125.9 million in restricted funds, $8.7 million in committed funds, and $19.0 million in assigned funds, all for capital construction and acquisition. In 2021, the City received $75.6 million of proceeds from the issuance of debt and recognized $23.7 million of regional toll revenues from the Texas Department of Transportation, while expending $77.4 million on construction and acquisition. In addition, the capital projects fund received $10.6 million of transfers from other funding sources. The City also received approximately $10.0 million in developer's contributed capital recorded in the government-wide financial statements. This is $1.0 million more than in the prior year.

The Debt Service Fund has a total fund balance of $4.7 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall decrease in the debt service fund balance of $0.6 million resulted from a decrease in investment revenue as reinvestment rates on maturing investments and investment pools remained low.

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

Unrestricted net position at September 30, 2021 in proprietary funds are $97.7 million for Electric, $41.2 million for Water, $31.8 million for Wastewater, $3.5 million for Solid Waste, and $3.0 million for the Airport fund. The results reflect increases of the unrestricted net position in the Electric Fund of $28.2 million. The unrestricted net position decreased $4.5 million in the Water Fund and $1.4 million in the Wastewater fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2021, five formal amendments to adjust the City of Denton's Annual Program of Services were approved by Council. Council approved funding to provide for additional improvements and other administrative expenses. The additional funds increased the General Fund by $4.0 million for added transfer for Capital Projects, which included Athletic Field Lights as well as playground equipment. Additionally, Internal Service Fund additional funds increased by $2.6 million, which included additional appropriations for the Risk Retention Fund of $1.9 million to fund additional claims.

GENERAL FUND BUDGET TO ACTUAL HIGHLIGHT

For fiscal year 2021, General Fund actual expenditures (including transfers) on a budgetary basis were $143.1 million compared to the final budget of $143.5 million. The $0.4 million favorable variance was primarily due to increased costs in personnel services.

Personnel savings are due to reduced costs of $.07 million in general government, and $1.3 in interfund-transfers in the general government. These positive variances were offset by general government expenditures which were $3.2 million unfavorable to budget due in part to increased personal service in public safety. In addition to personnel savings, materials and supplies expenditures were favorable to budget for both general government of $0.4 million and public works of $.08million. These savings, as well as those for maintenance and repair costs, were the result of facility closures and program cutbacks due to the pandemic. Maintenance and repair costs were favorable to budget by $0.08 million for public works.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were $147.8 million compared to the final budget of $143.5 million. Included in the $4.3 favorable revenue variance was $9.5 million of increases sales and property taxes as well as fees for service increase of $1.6 million. These favorable variances were offset by declines of $2.0 million in fines and forfeitures, and $.6 million for franchise fees. Additional unfavorable variances to budget were $0.6 million for investment revenue.

The City of Denton's General Fund unassigned fund balance at September 30, 2021 is $38.5 million, or 26.8% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2021 unassigned fund balance.

	Actual 9/30/2021	Actual 9/30/2020
Unassigned balance	$38,499,992	$33,777,027
% of final budgeted expenditures	26.8%	24.7%
Policy level	20% plus up to a 5% resiliency reserve	20% plus up to a 5% resiliency reserve

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is comprised of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 18.04% compared to the prior year certified value, which showed an increase of 11.52%. The current property tax year included $469.0 million of new growth and construction that was added to the tax rolls in Tax year 2020 as compared to Tax year 2019. The fiscal year 2021 ad valorem tax rate remained unchanged at $0.590450 compared to the prior years' rate per $100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2021, the City had $1.9 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, and water and sewer lines (see Table 3 below). This amount represents a net increase (including additions and deductions) of $110.0 million or 6.2% over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	$ 27,971	$ 26,974	$ 75,499	$ 68,353	$ 103,470	$ 95,327
Landfill improvements	-	-	1,674	2,999	1,674	2,999
Building and improvements	55,374	57,494	28,555	29,633	83,929	87,127
Plant, machinery and equipment	48,066	46,335	613,079	600,048	661,145	646,383
Water rights	-	-	47,349	48,045	47,349	48,045
Infrastructure	120,337	122,535	419,800	406,558	540,137	529,093
Construction in progress	265,258	196,305	179,885	167,866	445,143	364,171
Total capital assets	$ 517,006	$ 449,643	$ 1,365,841	$ 1,323,502	$ 1,882,847	$ 1,773,145

This year's major asset additions included:

Description	Amount
Jim Christal Substation	$ 22,437,876
Locust Substation Reconstruction	16,791,180
Masch Branch Substation	7,504,466
Vela Soccer Complex	6,649,361
Denton North-Arco Transmission Line Rebuild	6,271,562
Woodrow to Locust Transmission Line	5,555,700
Spencer Interchange Substation Reconstruction	4,795,723
Rayzor Ranch East Infrastructure	4,769,872
Loop 288 Property	5,415,539
Creekside Subdivision Infrastructure	2,894,209
Beall Way Subdivision Infrastructure	2,487,050
East Lake Park Land Acquisition	2,383,414
Country Lakes North Subdivision Infrastructure	2,334,381
Fireside Subdivision Infrastructure	2,081,287
Sherman Crossing Subdivision Infrastructure	2,038,881
Total	$ 94,410,501

Additional information on the City's capital assets can be found in note IV. D. on pages 51 - 53 of this report.

Debt. At year-end, the City had $1,197.9 million in bonds and notes outstanding as compared to $975.6 million at the end of the prior fiscal year, an increase of 22.79%, as shown in Table 4.

Table 4
Outstanding Debt at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	$ 193,377	$ 150,188	$ 110,803	$ 121,872	$ 304,180	$ 272,060
Certificates of obligation	115,145	99,295	437,255	396,900	552,400	496,195
Revenue bonds	-	-	341,330	207,310	341,330	207,310
Total	$ 308,522	$ 249,483	$ 889,388	$ 726,082	$ 1,197,910	$ 975,565

These amounts do not include net unamortized premiums/ (discounts) of $22,123,885 or net deferred gain/ (loss) on refunding of ($638,821).

During the current fiscal year, the City issued debt three times, November 2020, June 2021 and August 2021. The first debt issuance included $14.5 million in general obligations refunding bonds, of which $2.6 million was for enterprise operations and $.3 million is for governmental activities. Proceeds from this issuance were used to pay for various capital improvements. The second debt issuance included $97.0 million in certificates of obligation, of which $77.0 million was for enterprise operations and $20.0 million was for governmental activities. The third debt issuance included $142.0 million in utility system refunding bonds. Proceeds from this issuance were used to refund certificates of obligation issued during the Storm Uri, for the purchased power expenses due to the storm.

Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Standard and Poor's Corporation has given the City's Utility System Revenue Bonds a rating of "A+". Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." Fitch has given the City's Utility System Revenue Bonds a rating of "A". 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 current ratio of tax-supported debt to certified assessed value of all taxable property is 2.20%.

Other long-term liabilities. The City maintains a self-insurance program for general liability, auto liability, public officials' liability, errors and omission liability, police professional liability, and workers' compensation. Private insurance companies cover claims for property loss over $50,000 per occurrence, except for specific perils, these deductibles vary depending on location and property values, for workers' compensation losses over $600,000 per occurrence, and for liability over $500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of $3.4 million outstanding at year-end. Other obligations include pension liabilities, accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. F., on pages 56 - 60 of this report.

The City's Electric Fund has a liability set up for claims and judgements of $4.0 million outstanding at year-end. More detailed information on this long-term liability can be found in note V.G. on page 85 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While growth for the Denton community is expected to be moderate in the short term, demands for city services are expected to remain strong over the long term. As a result, the fiscal year 2022 Budget includes an ad valorem tax rate of $0.5658234/$100 valuation which is a decrease from the prior year. While sales tax collections increased $6.1 million compared to the prior year (15.4%), the fiscal year 2022 Budget projects an increase of 1.8% from actual fiscal year 2021 sales tax revenue. Budgeted funding enhancements for fiscal year 2022 include $2.3 million for public safety. The fiscal year 2022 Budget included 18 approved supplements for additional staff, increase in operating contracts and capital.

The unemployment rate in City was 4.9 percent on September 30, 2021 compared to 6.9 percent as of September 30, 2020. The decline was due to a sharp increase during the COVID-19 global pandemic for fiscal year 2019-2020. Unemployment continues to improve reflected at 3.9 percent on October 31, 2021.

The fiscal year 2022 budget includes no rate changes for water, solid waste, electric or wastewater customers.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.

CITY OF DENTON, TEXAS **Exhibit I**
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash, cash equivalents and investments, at fair value	$ 90,429,371	$ 186,406,061	$ 276,835,432
Receivables, net of allowances:			
Taxes	9,670,131	-	9,670,131
Accounts	-	17,197,515	17,197,515
Unbilled utility service	-	16,768,677	16,768,677
Interest	110,109	232,183	342,292
Other	2,569,065	8,452,676	11,021,741
Internal balances	(15,725,047)	15,725,047	-
Due from other governments	6,445,643	-	6,445,643
Inventory	10,776,340	-	10,776,340
Prepaid items	42,754	15,626,053	15,668,807
Other Assets	-	159,784,143	159,784,143
Restricted assets:			
Cash, cash equivalents and investments, at fair value	228,748,444	194,285,424	423,033,868
Escrow deposits	216,000	-	216,000
Taxes	652,583	-	652,583
Accrued interest	275,075	241,999	517,074
Other receivables	90,190	-	90,190
Debt issuance costs - insurance	-	529,897	529,897
Capital assets not being depreciated	293,229,297	255,383,337	548,612,634
Capital assets, net of accumulated depreciation	223,776,822	1,110,457,535	1,334,234,357
Total assets	851,306,777	1,981,090,547	2,832,397,324
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refundings	638,821	1,823,993	2,462,814
Deferred pension balances	20,638,408	6,064,084	26,702,492
Deferred other post-employment benefit balances	5,435,802	2,615,557	8,051,359
Total deferred outflows of resources	26,713,031	10,503,634	37,216,665
LIABILITIES:			
Accounts payable	13,604,931	10,859,158	24,464,089
Retainage payable	26,245	1,792,064	1,818,309
Deposits	378,075	4,159,545	4,537,620
Accrued interest	28,862	-	28,862
Due to other governments	344	-	344
Other liabilities	398,256	-	398,256
Unearned revenue	58,597,168	-	58,597,168
Payable from restricted assets:			
Accounts payable	11,125,995	5,382,467	16,508,462
Retainage payable	5,503,492	1,260,356	6,763,848
Accrued interest	1,558,147	6,197,485	7,755,632
Noncurrent liabilities:			
Noncurrent liabilities due within one year	35,256,382	57,912,246	93,168,628
Noncurrent liabilities due in more than one year	403,717,986	950,766,673	1,354,484,659
Total liabilities	530,195,883	1,038,329,994	1,568,525,877
DEFERRED INFLOWS OF RESOURCES:			
Deferred gain on refundings	-	900,116	900,116
Deferred pension balances	17,472,817	4,476,864	21,949,681
Deferred other post-employment benefit balances	1,657,810	802,137	2,459,947
Total deferred inflows of resources	19,130,627	6,179,117	25,309,744
NET POSITION:			
Net investment in capital assets	324,398,859	716,242,869	1,040,641,728
Restricted for:			
Debt service	3,416,922	10,607,945	14,024,867
Parks and recreation	8,193,288	-	8,193,288
Capital acquisition	15,451,903	36,659,256	52,111,159
Other grants and purposes	4,785,770	-	4,785,770
Unrestricted	(27,553,444)	183,575,000	156,021,556
Total net position	$ 328,693,298	$ 947,085,070	$ 1,275,778,368

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

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 37,401,990	$ 8,038,235	$ 4,207,402	$ 981,418
Public safety	82,678,373	5,788,122	4,077,439	170,059
Public works	24,800,411	775,279	1,019	21,419,744
Parks and recreation	19,295,206	4,150,336	321,444	1,374,419
Interest expense	7,380,293	-	-	-
Total governmental activities	171,556,273	18,751,972	8,607,304	23,945,640
Business-type activities:				
Electric system	307,772,345	342,640,914	-	-
Water system	28,428,703	50,670,242	-	5,915,403
Wastewater system	32,247,857	38,393,521	-	12,367,488
Solid waste	32,734,938	37,635,030	-	-
Airport	1,674,412	1,586,333	-	-
Total business-type activities	402,858,255	470,926,040	-	18,282,891
Total primary government	$ 574,414,528	$ 489,678,012	$ 8,607,304	$ 42,228,531

(continued on the following page)

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

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	$ (24,174,935)	$ -	$ (24,174,935)
Public safety	(72,642,753)	-	(72,642,753)
Public works	(2,604,369)	-	(2,604,369)
Parks and recreation	(13,449,007)	-	(13,449,007)
Interest expense	(7,380,293)	-	(7,380,293)
Total governmental activities	(120,251,357)	-	(120,251,357)
Business-type activities:			
Electric system	-	34,868,569	34,868,569
Water system	-	28,156,942	28,156,942
Wastewater system	-	18,513,152	18,513,152
Solid waste	-	4,900,092	4,900,092
Airport	-	(88,079)	(88,079)
Total business-type activities	-	86,350,676	86,350,676
Total primary government	(120,251,357)	86,350,676	(33,900,681)
General revenues:			
Taxes:			
Property tax	78,243,553	-	78,243,553
Sales tax	45,404,857	-	45,404,857
Franchise fees	32,047,074	-	32,047,074
Hotel occupancy tax	3,074,942	-	3,074,942
Beverage tax	511,326	-	511,326
Bingo tax	14,681	-	14,681
Investment income	326,158	264,722	590,880
Gain on sale of capital assets	(16,435)	111,870	95,435
Miscellaneous	5,566,698	-	5,566,698
Transfers	1,975,432	(1,975,432)	-
Total general revenues and transfers	167,148,286	(1,598,840)	165,549,446
Change in net position	46,896,929	84,751,836	131,648,765
Net position at beginning of year	281,796,369	862,333,234	1,144,129,603
Net position at end of year	$ 328,693,298	$ 947,085,070	$ 1,275,778,368

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit III**
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash, cash equivalents and investments, at fair value	$ 30,103,279	$ 4,631,735	$ 217,088,698	$ 11,639,577	$ 32,531,221	$ 295,994,510
Receivables, net of allowances for uncollectibles:						
Taxes	9,670,131	366,427	-	-	286,156	10,322,714
Accrued interest	38,801	5,769	270,401	9,369	33,283	357,623
Other	1,912,301	-	-	-	126,080	2,038,381
Interfund receivables	1,274,970	-	-	-	-	1,274,970
Due from other governments	3,179,798	-	739,833	-	2,526,012	6,445,643
Total assets	$ 46,179,280	$ 5,003,931	$ 218,098,932	$ 11,648,946	$ 35,502,752	$ 316,433,841
LIABILITIES:						
Accounts payable	5,650,453	-	11,465,308	1,608	2,830,026	19,947,395
Retainage payable	-	-	5,501,554	-	28,183	5,529,737
Interfund payables	-	-	-	-	553,587	553,587
Due to other governments	344	-	-	-	-	344
Other liabilities	398,256	-	-	-	-	398,256
Unearned revenues	50,670	-	46,869,071	11,647,338	30,089	58,597,168
Total liabilities	6,099,723	-	63,835,933	11,648,946	3,441,885	85,026,487
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	634,115	323,189	-	-	-	957,304
Unavailable revenue - general services	627,171	-	-	-	8,697	635,868
Unavailable revenue - intergovernmental	318,279	-	594,266	-	817,200	1,729,745
Total deferred inflows of resources	1,579,565	323,189	594,266	-	825,897	3,322,917
FUND BALANCES:						
Restricted for:						
Debt service	-	4,680,742	-	-	-	4,680,742
Parks and recreation	-	-	8,295,471	-	7,470,306	15,765,777
Streets and drainage projects	-	-	48,325,848	-	10,383,361	58,709,209
Other capital projects	-	-	69,314,699	-	-	69,314,699
Other grants and purposes	-	-	-	-	4,771,982	4,771,982
Committed to:						
Streets	-	-	8,313,683	-	4,503,638	12,817,321
Parks and recreation	-	-	141,333	-	276,822	418,155
Other purposes	-	-	264,422	-	4,638,126	4,902,548
Assigned to:						
Streets and drainage projects	-	-	8,402,327	-	-	8,402,327
Capital projects	-	-	10,610,950	-	-	10,610,950
Other purposes		-	-	-	271	271
Unassigned	38,499,992	-	-	-	(809,536)	37,690,456
Total fund balances	38,499,992	4,680,742	153,668,733	-	31,234,970	228,084,437
Total liabilities, deferred inflows of resources and fund balances	$ 46,179,280	$ 5,003,931	$ 218,098,932	$ 11,648,946	$ 35,502,752	$ 316,433,841

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

CITY OF DENTON, TEXAS **Exhibit IV**
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2021

Total fund balances - governmental funds (Exhibit III)		**$ 228,084,437**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.		**517,006,119**
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.		**3,322,917**
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:		
Deferred loss on refundings	**$ 638,821**	
Deferred pension balances	**20,638,408**	
Deferred other post-employment benefits contributions	**5,435,802**	**26,713,031**
An internal charge to business-type activities is not recorded at the fund level.		**(6,446,430)**
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:		
Current and other assets	**$ 34,866,834**	
Liabilities	**(20,920,901)**	**13,945,933**
Long-term balances, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:		
General obligation bonds payable	**$ (193,376,855)**	
Certificates of obligation payable	**(115,145,000)**	
Bond (premiums)/discounts	**(22,123,885)**	
Accrued interest on the bonds	**(1,587,009)**	
Net Pension Liability	**(51,146,801)**	
Total other post-employment benefits liability	**(36,195,664)**	
Compensated absences	**(15,226,868)**	**(434,802,082)**
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:		
Deferred pension balances and Deferred other post-employment benefits contributions		**(19,130,627)**
Total net position of governmental activities (Exhibit I)		**$ 328,693,298**

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

CITY OF DENTON, TEXAS **Exhibit V**
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 95,276,289	$ 27,174,294	$ -	$ -	$ 4,664,888	$ 127,115,471
Licenses and permits	5,939,320	-	-	-	-	5,939,320
Franchise fees	17,961,984	-	-	-	14,085,090	32,047,074
Fines and forfeitures	1,572,587	-	-	-	17,829	1,590,416
Fees for services	9,354,890	-	-	-	2,717,228	12,072,118
Investment revenue	160,094	155,984	(42,454)	-	52,534	326,158
Intergovernmental	4,166,856	-	12,640,204	6,136	6,201,537	23,014,733
Miscellaneous	385,998	-	205,918	-	5,164,522	5,756,438
Total revenues	134,818,018	27,330,278	12,803,668	6,136	32,903,628	207,861,728
EXPENDITURES:						
Current:						
General government	26,460,924	-	34,500	6,136	7,501,423	34,002,983
Public safety	80,847,727	-	43,385	-	958,804	81,849,916
Public works	2,919,114	-	-	-	10,738,586	13,657,700
Parks and recreation	11,259,612	-	113,717	-	5,382,733	16,756,062
Capital outlay	476,296	-	76,917,410	-	3,479,826	80,873,532
Debt service:						
Principal retirement	-	19,768,191	-	-	-	19,768,191
Bond issuance costs	-	10,123	267,184	-	-	277,307
Interest and other charges	-	8,973,021	-	-	-	8,973,021
Total expenditures	121,963,673	28,751,335	77,376,196	6,136	28,061,372	256,158,712
Excess (deficiency) of revenues over (under) expenditures	12,854,345	(1,421,057)	(64,572,528)	-	4,842,256	(48,296,984)
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	1,415,000	-	-	-	1,415,000
Payment to refunded bond escrow agent	-	(1,691,409)	-	-	-	(1,691,409)
Issuance of long-term debt	-	-	75,600,000	-	-	75,600,000
Premium on debt issuance	-	290,223	6,808,598	-	-	7,098,821
Sale of capital assets	326,682	-	-	-	-	326,682
Transfers in	33,964	762,923	10,602,481	-	4,950,585	16,349,953
Transfers out	(8,497,210)	-	-	-	(5,759,933)	(14,257,143)
Total other financing sources (uses)	(8,136,564)	776,737	93,011,079	-	(809,348)	84,841,904
Net change in fund balances	4,717,781	(644,320)	28,438,551	-	4,032,908	36,544,920
Fund balance at beginning of year	33,782,211	5,325,062	125,230,182	-	27,202,062	191,539,517
Fund balances at end of year	$ 38,499,992	$ 4,680,742	$ 153,668,733	$ -	$ 31,234,970	$ 228,084,437

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

CITY OF DENTON, TEXAS **Exhibit VI**
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, 2021

Net change in fund balances - total governmental funds (Exhibit V)	**$**	**36,544,920**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents the difference between capital outlay of $80,873,532 and depreciation of $19,801,536 (which is the net of overall governmental activities depreciation of $23,717,944 less internal service fund depreciation of $3,916,408).		**61,071,996**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.		**(1,332,039)**
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.		**9,217,514**
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments.		**(55,591,809)**
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials.		**(4,993,485)**
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		**2,603,175**
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is $886,693.		**(623,343)**
Change in net position of governmental activities (Exhibit II)	**$**	**46,896,929**

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

CITY OF DENTON, TEXAS **Exhibit VII**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 85,756,645	$ 85,756,645	$ 95,276,289	$ -	$ 95,276,289	$ 9,519,644
Licenses and permits	6,122,621	6,122,621	5,939,320	-	5,939,320	(183,301)
Franchise fees	18,576,073	18,576,073	17,961,984	-	17,961,984	(614,089)
Fines and forfeitures	3,534,817	3,534,817	1,572,587	-	1,572,587	(1,962,230)
Fees for services	7,767,089	7,767,089	9,354,890	-	9,354,890	1,587,801
Investment revenue	786,163	786,163	160,094	-	160,094	(626,069)
Intergovernmental	4,283,569	4,283,569	4,166,856	-	4,166,856	(116,713)
Miscellaneous	436,182	436,182	385,998	-	385,998	(50,184)
Total revenues	127,263,159	127,263,159	134,818,018	-	134,818,018	7,554,859
EXPENDITURES:						
Current:						
General government	30,942,330	25,911,960	26,460,924	6,836,910	33,297,834	(7,385,874)
Public safety	75,261,615	75,095,553	80,847,727	(4,854,439)	75,993,288	(897,735)
Public works	2,784,353	2,784,353	2,919,114	(124,626)	2,794,488	(10,135)
Parks and recreation	11,355,859	11,222,662	11,259,612	(429,687)	10,829,925	392,737
Capital outlay	599,217	599,217	476,296	-	476,296	122,921
Total expenditures	120,943,374	115,613,745	121,963,673	1,428,158	123,391,831	(7,778,086)
Excess (deficiency) of revenues over (under) expenditures	6,319,785	11,649,414	12,854,345	(1,428,158)	11,426,187	(223,227)
OTHER FINANCING SOURCES (USES):						
Sale of capital assets	64,408	64,408	326,682	-	326,682	262,274
Transfer in	12,898,936	16,221,277	33,964	12,615,171	12,649,135	(3,572,142)
Transfers out	(22,605,470)	(27,935,099)	(8,497,210)	(11,187,013)	(19,684,223)	8,250,876
Total other financing sources (uses)	(9,642,126)	(11,649,414)	(8,136,564)	1,428,158	(6,708,406)	4,941,008
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(3,322,341)	-	4,717,781	-	4,717,781	4,717,781
Fund balances at beginning of year	33,782,211	33,782,211	33,782,211	-	33,782,211	-
Fund balance at end of year	$ 30,459,870	$ 33,782,211	$ 38,499,992	$ -	$ 38,499,992	$ 4,717,781

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

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

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 87,073,258	$ 46,204,112	$ 38,600,494
Receivables, net of allowances:			
Accounts	11,667,331	2,253,314	1,476,363
Unbilled utility service	10,522,888	2,639,141	1,685,104
Accrued interest	108,457	57,551	48,080
Other	8,302,122	-	-
Interfund receivables	7,714,503	1,242,821	321,293
Merchandise inventory	-	-	-
Prepaid items	15,626,053	-	-
Other Assets	159,784,143	-	-
Total current assets	300,798,755	52,396,939	42,131,334
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	75,588,268	48,229,400	47,806,012
Escrow deposit	-	-	-
Accrued interest	94,152	60,074	59,546
Total restricted assets	75,682,420	48,289,474	47,865,558
Unamortized debt issuance costs - insurance	529,897		
Capital assets, net of accumulated depreciation	694,876,733	323,648,772	275,367,251
Total noncurrent assets	771,089,050	371,938,246	323,232,809
Total assets	1,071,887,805	424,335,185	365,364,143
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	725,434	1,004,019	10,891
Deferred pension balances	2,577,846	1,092,807	1,079,056
Deferred other post employment benefit balances	946,467	494,658	523,241
Total deferred outflows of resources	4,249,747	2,591,484	1,613,188
LIABILITIES:			
Current liabilities:			
Accounts payable	5,722,971	2,080,452	1,418,457
Retainage payable	-	1,082,064	539,648
Claims payable	-	-	-
Compensated absences payable	1,223,223	425,731	368,864
Deposits	3,390,979	469,500	103,009
Accrued interest	-	-	-
Interfund payables	-	-	-
Payable from restricted assets:			
Accounts payable	774,728	23,532	3,912,354
Retainage payable	138,782	688,008	401,841
Accrued interest	5,348,162	397,337	310,042
Certificate, general obligation, and revenue bonds	35,713,893	9,224,854	5,324,475
Total current liabilities paid from restricted assets	41,975,565	10,333,731	9,948,712
Total current liabilities	52,312,738	14,391,478	12,378,690

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	$ 11,185,805	$ 3,342,392	$ 186,406,061	$ 19,010,366
Receivables, net of allowances:				
Accounts	1,738,786	61,721	17,197,515	-
Unbilled utility service	1,921,544	-	16,768,677	-
Accrued interest	13,932	4,163	232,183	22,364
Other	-	150,554	8,452,676	620,874
Interfund receivables	-	-	9,278,617	-
Merchandise inventory	-	-	-	10,776,340
Prepaid items	-	-	15,626,053	42,754
Other Assets	-	-	159,784,143	-
Total current assets	14,860,067	3,558,830	413,745,925	30,472,698
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	21,284,190	1,377,554	194,285,424	4,172,939
Escrow deposit	-	-	-	216,000
Accrued interest	26,511	1,716	241,999	5,197
Total restricted assets	21,310,701	1,379,270	194,527,423	4,394,136
Unamortized debt issuance costs - insurance	-	-	529,897	-
Capital assets, net of accumulated depreciation	55,503,204	16,444,912	1,365,840,872	14,471,606
Total noncurrent assets	76,813,905	17,824,182	1,560,898,192	18,865,742
Total assets	91,673,972	21,383,012	1,974,644,117	49,338,440
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	83,649	-	1,823,993	1,861
Deferred pension balances	1,265,346	49,029	6,064,084	2,796,107
Deferred other post employment benefit balances	624,103	27,088	2,615,557	1,097,214
Total deferred outflows of resources	1,973,098	76,117	10,503,634	3,895,182
LIABILITIES:				
Current liabilities:				
Accounts payable	1,617,484	19,794	10,859,158	4,783,531
Retainage payable	170,352	-	1,792,064	-
Claims payable	-	-	-	2,803,533
Compensated absences payable	512,806	18,941	2,549,565	1,127,258
Deposits	177,748	18,309	4,159,545	378,075
Accrued interest	-	-	-	28,862
Interfund payables	-	-	-	10,000,000
Payable from restricted assets:				
Accounts payable	671,853	-	5,382,467	-
Retainage payable	31,725	-	1,260,356	-
Accrued interest	141,944	-	6,197,485	-
Certificate, general obligation, and revenue bonds	5,099,459	-	55,362,681	577,556
Total current liabilities paid from restricted assets	5,944,981	-	68,202,989	577,556
Total current liabilities	8,423,371	57,044	87,563,321	19,698,815

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
Noncurrent liabilities:			
General obligation bonds payable	$ 57,506,505	31,015,742	$ 3,078,054
Certificates of obligation	329,855,023	38,868,752	55,629,977
Revenue bonds payable	351,738,788	-	-
Compensated absences payable	263,123	47,366	50,109
Claims and judgement payable	4,000,000	-	-
Net pension liability	11,732,066	3,859,209	4,287,079
Total other post-employment benefits liability	6,388,869	3,473,746	3,766,834
Landfill closure/postclosure costs	-	-	-
Total noncurrent liabilities	761,484,374	77,264,815	66,812,053
Total liabilities	813,797,112	91,656,293	79,190,743
DEFERRED INFLOWS OF RESOURCES:			
Deferred charges on refundings	599,891	186,315	77,507
Deferred pension balances	1,867,601	829,276	825,665
Deferred other post employment benefit balances	291,307	156,419	167,791
Total deferred inflows of resources	2,758,799	1,172,010	1,070,963
NET POSITION:			
Net investment in capital assets	151,275,329	269,284,544	243,280,959
Restricted for debt service	10,607,945	-	-
Restricted for capital acquisition	-	23,650,518	11,629,468
Unrestricted	97,698,367	41,163,304	31,805,198
Total net position	$ 259,581,641	$ 334,098,366	$ 286,715,625

(continued on the following page)

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

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION (concluded)
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
Noncurrent liabilities:				
General obligation bonds payable	$ 5,052,135	$ -	$ 96,652,436	$ 63,040
Certificates of obligation	18,055,995	-	442,409,747	4,699,093
Revenue bonds payable	-	-	351,738,788	
Compensated absences payable	133,433	1,449	495,480	154,560
Claims and judgement payable	-	-	4,000,000	2,955,762
Net pension liability	5,335,246	350,792	25,564,392	8,590,103
Total other post-employment benefits liability	3,988,203	212,092	17,829,744	7,125,955
Landfill closure/postclosure costs	12,076,086	-	12,076,086	-
Total noncurrent liabilities	44,641,098	564,333	950,766,673	23,588,513
Total liabilities	53,064,469	621,377	1,038,329,994	43,287,328
DEFERRED INFLOWS OF RESOURCES:				
Deferred charges on refundings	36,403	-	900,116	-
Deferred pension balances	926,566	27,756	4,476,864	2,196,645
Deferred other post employment benefit balances	178,010	8,610	802,137	349,594
Total deferred inflows of resources	1,140,979	36,366	6,179,117	2,546,239
NET POSITION:				
Net investment in capital assets	35,957,125	16,444,912	716,242,869	13,310,313
Restricted for debt service	-	-	10,607,945	-
Restricted for capital acquisition	-	1,379,270	36,659,256	-
Unrestricted	3,484,497	2,977,204	177,128,570	(5,910,258)
Total net position	$ 39,441,622	$ 20,801,386	$ 940,638,640	$ 7,400,055
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			6,446,430	
Net position of business-type activities (Exhibit I)			$ 947,085,070	

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	$ 338,028,765	$ 37,679,185	$ 29,019,457
Charges for goods and services	-	-	-
Other fees	4,612,149	1,281,613	1,756,271
Miscellaneous	-	-	-
Total operating revenues	342,640,914	38,960,798	30,775,728
OPERATING EXPENSES:			
Operating expenses before depreciation	281,694,198	20,827,979	22,455,450
Depreciation	25,195,461	9,191,697	9,167,168
Total operating expenses	306,889,659	30,019,676	31,622,618
Operating income (loss)	35,751,255	8,941,122	(846,890)
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	30,142	79,637	77,310
Interest expense and fiscal charges	(19,785,769)	(82,491)	(543,017)
Impact fee revenue	-	11,709,444	7,617,793
Gain (loss) on disposal of capital assets	(685,769)	38,492	73,378
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	20,003,206	1,801,062	49,906
Total non-operating revenues (expenses)	(438,190)	13,546,144	7,275,370
Income (loss) before contributions and transfers	35,313,065	22,487,266	6,428,480
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	5,915,403	12,367,488
Transfers in	-	28,239	-
Transfers out	(818,720)	(245,539)	(146,351)
Total contributions and transfers	(818,720)	5,698,103	12,221,137
Change in net position	34,494,345	28,185,369	18,649,617
Net position at beginning of year	225,087,296	305,912,997	268,066,008
Total net position at end of year	$ 259,581,641	$ 334,098,366	$ 286,715,625

(continued on the following page)

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

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
OPERATING REVENUES:				
Utility services	$ 37,438,981	$ 1,158,727	$ 443,325,115	$ -
Charges for goods and services	-	-	-	91,820,424
Other fees	196,049	-	7,846,082	-
Miscellaneous	-	5,563	5,563	2,061,774
Total operating revenues	37,635,030	1,164,290	451,176,760	93,882,198
OPERATING EXPENSES:				
Operating expenses before depreciation	24,803,777	1,155,443	350,936,847	91,321,322
Depreciation	6,413,322	668,570	50,636,218	3,916,408
Total operating expenses	31,217,099	1,824,013	401,573,065	95,237,730
Operating income (loss)	6,417,931	(659,723)	49,603,695	(1,355,532)
NON-OPERATING REVENUES (EXPENSES):				
Investment revenue	62,530	15,103	264,722	6,189
Interest expense and fiscal charges	(640,523)	-	(21,051,800)	(51,862)
Impact fee revenue	-	-	19,327,237	-
Gain (loss) on disposal of capital assets	(673,128)	-	(1,247,027)	-
Gas well revenues	-	422,043	422,043	-
Other non-operating revenues (expenses)	1,026	157,000	22,012,200	8,547
Total non-operating revenues (expenses)	(1,250,095)	594,146	19,727,375	(37,126)
Income (loss) before contributions and transfers	5,167,836	(65,577)	69,331,070	(1,392,658)
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	-	18,282,891	-
Transfers in	19,750	112	48,101	300,000
Transfers out	-	(812,923)	(2,023,533)	(417,378)
Total contributions and transfers	19,750	(812,811)	16,307,459	(117,378)
Change in net position	5,187,586	(878,388)	85,638,529	(1,510,036)
Net position at beginning of year	34,254,036	21,679,774	855,000,111	8,910,091
Total net position at end of year	$ 39,441,622	$ 20,801,386	$ 940,638,640	$ 7,400,055

Change in fund net position of proprietary funds	85,638,529
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.	(886,693)
Change in net position of business-type activities (Exhibit II)	$ 84,751,836

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Exhibit X

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 343,097,515	$ 38,666,556	$ 30,618,907
Cash paid to employees for services	(18,142,661)	(7,571,939)	(8,040,825)
Cash paid to suppliers	(404,661,742)	(15,541,715)	(11,329,850)
Net cash provided (used) by operating activities	(79,706,888)	15,552,902	11,248,232
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(790,481)	(245,539)	(146,351)
Transfers in	-	-	-
Other nonoperating revenues	4,873,450	-	-
Other nonoperating expenses	(6,037,368)	-	-
Proceeds from issuance of non-capital debt	522,247,000	-	-
Principal payments on non-capital debt	(386,667,000)	-	-
Interest and fiscal charges on non-capital debt	(1,585,176)	-	-
Net cash provided (used) by noncapital financing activities:	132,040,425	(245,539)	(146,351)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	53,194,393	18,890,028	18,226,964
Principal payments on capital debt	(36,180,000)	(8,440,000)	(4,810,000)
Interest and fiscal charges	(24,449,494)	(975,637)	(982,088)
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	11,709,444	7,617,793
Proceeds from capital contributions and transfers in	-	-	-
Proceeds from sale or reimbursement of capital assets	75,976	38,491	73,378
Acquisition and construction of capital assets	(23,929,558)	(21,470,075)	(18,881,721)
Net cash provided (used) by capital financing activities	(31,288,683)	(247,749)	1,244,326
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	94,002,556	57,867,687	54,176,241
Purchase of investment securities	(100,991,029)	(63,758,658)	(58,664,211)
Interest received on investments	176,750	157,598	152,163
Net cash provided (used) by investing activities	(6,811,723)	(5,733,373)	(4,335,807)
Net increase (decrease) in cash and cash equivalents	14,233,131	9,326,241	8,010,400
Cash and cash equivalents at beginning of year	51,907,445	29,071,818	27,123,760
Cash and cash equivalents at end of year	66,140,576	38,398,059	35,134,160
Investments, at fair value (Note IV.A.)	96,520,950	56,035,453	51,272,346
Cash, cash equivalents and investments, at fair value	$ 162,661,526	$ 94,433,512	$ 86,406,506
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 35,751,255	$ 8,941,122	$ (846,890)
Adjustments:			
Depreciation expense	25,195,461	9,191,697	9,167,168
Decrease (Increase) in receivables	1,577,835	(42,148)	(49,730)
Decrease (Increase) in interfund receivables	(1,268,873)	(252,094)	(107,091)
Decrease (Increase) in inventories	-	-	-
Decrease (Increase) in customer deposits	147,639	-	-
Decrease (Increase) in prepaid items	(6,757,402)	-	-
Decrease (Increase) in other assets	(134,101,452)	-	-
Increase in escrow deposits	-	-	-
Increase (Decrease) in accounts payable	(64,716)	(2,240,470)	3,137,629
Increase (Decrease) in compensated absences payable	121,596	49,485	26,102
Increase (Decrease) in net municipal pension balances	(683,149)	(294,697)	(290,418)
Increase (Decrease) in other post-employment benefit balances	374,918	200,007	211,462
Increase (Decrease) in closure/postclosure liability	-	-	-
Increase (Decrease) in interfund payables	-	-	-
Total adjustments	(115,458,143)	6,611,780	12,095,122
Net cash provided (used) by operating activities	$ (79,706,888)	$ 15,552,902	$ 11,248,232
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(646,586)	(358,729)	(336,427)
Increase (Decrease) in equity due to non-cash transfers	(28,239)	28,239	-
Capital asset contributions	-	5,915,403	12,367,488

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

(continued on the following page)

CITY OF DENTON, TEXAS
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Exhibit X

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 37,461,314	$ 1,139,414	$ 450,983,706	$ 94,170,742
Cash paid to employees for services	(10,450,777)	(361,250)	(44,567,452)	(20,833,850)
Cash paid to suppliers	(12,315,166)	(835,014)	(444,683,487)	(70,886,187)
Net cash provided (used) by operating activities	14,695,371	(56,850)	(38,267,233)	2,450,705
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	-	(812,923)	(1,995,294)	(417,378)
Transfers in	19,750	112	19,862	300,000
Other nonoperating revenues	-	-	4,873,450	-
Other nonoperating expenses	-	-	(6,037,368)	-
Proceeds from issuance of non-capital debt	-	-	522,247,000	-
Principal payments on non-capital debt	-	-	(386,667,000)	-
Interest and fiscal charges on non-capital debt	-	-	(1,585,176)	-
Net cash provided (used) by noncapital financing activities:	19,750	(812,811)	130,855,474	(117,378)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of debt	-	-	90,311,385	4,204,191
Principal payments on capital debt	(6,016,711)	-	(55,446,711)	(414,137)
Interest and fiscal charges	(849,246)	-	(27,256,465)	(32,807)
Proceeds from gas wells	-	344,568	344,568	-
Proceeds from impact fees	-	-	19,327,237	-
Proceeds from capital contributions and transfers in	-	-	-	6,074
Proceeds from sale or reimbursement of capital assets	-	-	187,845	-
Acquisition and construction of capital assets	(9,523,800)	(312,721)	(74,117,875)	(987,778)
Net cash provided (used) by capital financing activities	(16,389,757)	31,847	(46,650,016)	2,775,543
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	28,004,376	5,555,232	239,606,092	13,075,456
Purchase of investment securities	(25,725,000)	(4,852,367)	(253,991,265)	(15,529,710)
Interest received on investments	106,127	22,890	615,528	44,275
Net cash provided (used) by investing activities	2,385,503	725,755	(13,769,645)	(2,409,979)
Net increase (decrease) in cash and cash equivalents	710,867	(112,059)	32,168,580	2,698,891
Cash and cash equivalents at beginning of year	12,492,268	2,031,258	122,626,549	7,354,599
Cash and cash equivalents at end of year	13,203,135	1,919,199	154,795,129	10,053,490
Investments, at fair value (Note IV.A.)	19,266,860	2,800,747	225,896,356	13,129,815
Cash, cash equivalents and investments, at fair value	$ 32,469,995	$ 4,719,946	$ 380,691,485	$ 23,183,305
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 6,417,931	$ (659,723)	$ 49,603,695	$ (1,355,532)
Adjustments:				
Depreciation expense	6,413,322	668,570	50,636,218	3,916,408
Decrease (Increase) in receivables	(127,614)	(24,763)	1,333,580	49,219
Decrease (Increase) in interfund receivables	-	-	(1,628,058)	-
Decrease (Increase) in inventories	-	-	-	(2,233,958)
Decrease (Increase) in customer deposits	(46,102)	-	101,537	-
Decrease (Increase) in prepaid items	-	-	(6,757,402)	(25,030)
Decrease (Increase) in other assets	-	-	(134,101,452)	-
Increase in escrow deposits	-	-	-	(10,000)
Increase (Decrease) in accounts payable	1,320,047	(40,458)	2,112,032	402,989
Increase (Decrease) in compensated absences payable	98,615	2,578	298,376	(223,492)
Increase (Decrease) in net municipal pension balances	(342,765)	(24,066)	(1,635,095)	(371,899)
Increase (Decrease) in other post-employment benefit balances	259,289	21,012	1,066,688	472,411
Increase (Decrease) in closure/postclosure liability	702,648	-	702,648	-
Increase (Decrease) in interfund payables	-	-	-	1,829,589
Total adjustments	8,277,440	602,873	(87,870,928)	3,806,237
Net cash provided (used) by operating activities	$ 14,695,371	$ (56,850)	$ (38,267,233)	$ 2,450,705
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:				
Decrease in fair value of investments	(162,424)	(26,984)	(1,531,150)	(74,521)
Increase (Decrease) in equity due to non-cash transfers	-	-	-	-
Capital asset contributions	-	-	18,282,891	-

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

(concluded)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity," as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

An elected seven-member council consisting of a mayor and six councilpersons govern the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2021.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment 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; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined) for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized, and susceptible to accrual, 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. Any amounts collected beyond the 60 days are recorded as deferred inflows of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary-basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

The ARPA fund accounts for the federal resources received by the City from the American Rescue Plan Act of 2021 and used for the programs as outlined by the plan.

Other governmental funds are a summarization of all of the non-major governmental funds.

The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The water fund accounts for water utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The City provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The airport fund accounts for the airport services to the public and is funded through operational and gas well revenues. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, and finance.

The City additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

The materials management fund accounts for the financing of the goods and services of the purchasing department as well as the management and inventory of the City warehouse activities.

The fleet services fund accounts for the financing of goods and services provided by the activities of the City garage and machine shop to other departments.

The health insurance fund accounts for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, and dental and vision insurances.

The risk retention fund accounts for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City departments.

The technology services fund accounts for financing and management of technology equipment, software, and services such as programming, support, training, maintenance, and office services to City departments.

The engineering services fund accounts for providing engineering, real estate, public works inspection, and development review services primarily to City departments although some services are provided to and paid by external entities.

The customer service fund accounts for providing customer service activities to residents and businesses for City departments. Services include bill pay, utility service requests, connect/disconnect services, maintenance of customer accounts, utility billing, operator calls, collections, accounts receivable, and cash handling.

The facilities fund accounts for the maintenance of all city-owned facilities and vertical construction projects.

The City does not have any fiduciary funds as of fiscal year ending September 30, 2021.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to the adoption of the budget in order to obtain taxpayer comments.
3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Recreation Fund, Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.
4. The City Charter provides for the City Manager to transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds that is generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, Liabilities and Net Position or Equity

1. Cash, cash equivalents 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. Investments are carried at fair value, except for the position in local government investment pools. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all of the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds on a monthly basis.

2. Receivables

Outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Trade, property tax receivables, and municipal court receivables are shown net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September, but not billed at September 30, 2021.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. Most of these balances are due to payments into an account for energy settlements in the Electric Fund and health claims in the Employee Insurance Fund.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. In a prior fiscal year the City fully impaired its TMPA prepaid purchase power due to a permanent closure in generation and subsequent sale of the plant. The impaired amount was recorded as an Other Asset (regulatory) to be amortized over 7.5 years in the electric fund, of which 3.5 years is remaining in the electric fund to be recovered through rate revenues. See note IV.F. for more information on Other Assets and V.E. *Agreement with TMPA* for further information regarding TMPA.

6. Restricted assets

Certain proceeds of the City's governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and also shown as restricted on the balance sheet of the Water and Wastewater funds.

7. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities and enterprise funds is included as part of the capitalized value of the assets constructed. For 2021, net interest capitalization of $1,080,703 was recorded for electric fund projects, $1,592,593 for water fund projects, $831,283 for wastewater fund projects, and $59,061 for solid waste fund projects.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

8. Compensated absences

The City allows full-time employees to accumulate unused vacation time without a maximum balance. Upon termination, accumulated vacation time up to 320 hours (480 for civil service fire employees) will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate for payout unused sick leave up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness or other valid sick leave uses while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

9. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability. There were no arbitrage payments in the current fiscal year.

10. Pensions

For purposes of measuring the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and the FRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and the 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. Investments are reported at fair value.

11. Other post-employment benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year rather than prefunding. Benefit payments are treated as being equal to the City's yearly contribution for retirees. For purposes of measuring the total SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total SDBF liability and additions to/deductions from the City's total SDBF liability have been determined on the same basis as they are reported by TMRS. The SDBF expense and deferred (inflows)/outflows of resources related to SDBF, primarily result from changes in the components of the total SDBF liability. Most changes in the total SDBF liability will be included in SDBF expense in the period of the change. For example, changes in the total SDBF liability resulting from current-period service cost, interest on the Total OPEB Liability, and changes of benefit terms are required to be included in SDBF expense immediately. Changes in the total SDBF liability that have not been included in SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to SDBF.

The City provides post-employment medical care (Medical OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City also contributes up to $200 per month, based on years of service, toward the cost of retiree coverage. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

12. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Fund equity

The City follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

> *Nonspendable fund balance*s – includes amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.
>
> *Restricted fund balance* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.
>
> *Committed fund balance* – includes amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
>
> *Assigned fund balance* **-** comprises amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager's designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.
>
> *Unassigned fund balance* – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

14. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the General Fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

15. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

16. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position applying to a future period and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred loss on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year's measurement date (December 2020) and will be fully recognized as a reduction of the respective liability in the next period on the next measurement date (December 2021).
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

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 applying to a future period and will not be recognized as an inflow of resources, or revenues, until that time. The City reports the following items qualifying for reporting in this category:

- Deferred gain on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial gains reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

F. Estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded payments." The details of this ($55,591,809) difference are as shown on the following page:

Debt issued or incurred:	
Issuance of general obligation debt	$(56,125,000)
Issuance of certificates of obligation	(20,890,000)
Principal repayments:	
General obligation debt principal retirement	11,523,191
Certificates of obligation principal retirement	8,245,000
Refunded debt principal	1,655,000
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$(55,591,809)

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position." The details of this $9,585,637 difference are as follows:

Net effect of transactions involving asset retirements/disposals	$ (747,002)
Capital assets transferred to business-type activities as capital contributions	-
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	9,964,516
Net adjustment to increase net changes in fund balances - total governmental funds	$ 9,217,514

Another element of that reconciliation states, "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the $2,603,175) difference are as follows:

Change in:	
Compensated absences	$ (967,114)
Net pension liability	8,249,146
Municipal pension deferred actuarial gains/losses	(1,992,871)
Municipal pension deferred contributions	(5,754)
Municipal pension deferred assumption changes	(751,392)
Municipal pension deferred economic differences	332,515
Total OPEB liability	(4,035,049)
OPEB deferred contributions	59,384
OPEB deferred assumption changes	1,930,556
OPEB deferred economic differences	266,389
Accrued interest	(482,635)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$ 2,603,175

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

The Materials Management, Risk Retention, Engineering Services, and Customer Service internal service funds had deficit net positions of ($575,863), ($3,131,650), ($2,412,583), and ($2,063,516), respectively, due to the implementation of GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27"* and GASB Statement No.75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"(OPEB)* which resulted in an increase in the net pension liability and the total OPEB liability in the prior years during implementation.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had $291,494,142 in cash and cash equivalents of which $9,968 is in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 365 days. The City's investment policy may further restrict those investment options. The investments reported on September 30, 2021 were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2021, the City's investments carried a fair value of $653,150,428, of which $244,775,270 is in a local governmental investment pool which the City classifies in the financial statements as cash equivalents, resulting in $408,375,158 of investment balances reported in the financial statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

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

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

At September 30, 2021, the City had the following recurring fair value investments:

		Fair Value Measurement Method			
	9/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments Measured at Amortized Cost:					
TexSTAR - Investment Pool	$ 129,775,270	$ -	$ -	19.87%	1
TexPool - Investment Pool	115,000,000	-	-	17.61%	1
Investments by Fair Value Level:					
Debt Securities:					
U.S. Treasury Securities	199,936,843	199,936,843	-	30.61%	235
U.S. Agency Securities	113,364,650	-	113,364,650	17.37%	213
Commercial Paper	89,984,765	-	89,984,765	13.78%	98
Municipal Bonds - Coupon	5,088,900	-	5,088,900	0.78%	137
Total Investments	$ 653,150,428	$ 199,936,843	$ 208,438,315		
Portfolio Weighted Average Maturity					124

Of the investments recorded at fair value, the U.S treasuries are valued on trade history pricing models of those securities, and the U.S. agency securities, commercial paper, and municipal bonds are valued based upon observable inputs, including but not limited to, model prices for similar assets, benchmark yield curves, and matrix pricing.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than eighteen months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, certificates of deposits and savings deposits (fully insured, collateralized, or standby letter of credit backed), fully collateralized repurchase agreements, local public fund investment pools with a dollar weighted average maturity of 60 days or less, U.S. government money market mutual funds with a dollar weighted average maturity of 60 days or less and a stable net asset value of $1 for each share, and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1, P-1, or an equivalent rating by at least two nationally recognized rating agencies. The City's investments in TexSTAR and TexPool were rated "AAAm" by Standard & Poor's, the highest rating a local government investment pool can achieve.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC. As of September 30, 2021, the bank balance for deposits was $49,678,429 and was fully collateralized by the City's third-party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50% in government securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), savings deposits (15%), U.S. Money Market Mutual Funds (50%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (15%).

Local Government Investment Pools. During the year, the City invested in two public fund investment pools, TexSTAR and TexPool. The fair value of the position of TexSTAR is measured at net asset value, and the fair value of the position of TexPool is measured at amortized cost. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. The pools may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
Unrestricted investments	$ 18,452,742	$ 2,743,670	$ 128,595,398	$ 19,265,549
Change in fair value	31,826	4,733	221,833	33,236
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	$ 18,484,568	$ 2,748,403	$ 128,817,231	$ 19,298,785

	Electric	Water	Wastewater	Solid Waste
Unrestricted investments	$ 51,579,011	$ 27,369,625	$ 22,865,520	$ 6,625,706
Change in fair value	88,976	47,213	39,443	11,430
Restricted investments	44,775,723	28,569,331	28,318,531	12,607,975
Change in fair value	77,240	49,284	48,852	21,749
Total	$ 96,520,950	$ 56,035,453	$ 51,272,346	$ 19,266,860

	Airport	Internal Service Funds	Total City Investments
Unrestricted investments	$ 1,979,911	$ 10,635,308	$ 290,112,440
Change in fair value	3,415	18,348	500,453
Restricted investments	816,013	2,471,896	117,559,469
Change in fair value	1,408	4,263	202,796
Total	$ 2,800,747	$ 13,129,815	$ 408,375,158

B. Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections. Current tax collections for the year ended September 30, 2021 were 99.47% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2021, the City had a tax rate of $0.590454 per $100 valuation. Based upon the maximum Ad valorem tax of $2.50 per $100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of $1.909546. Additional revenues up to $253,706,808 could be raised per year based on the current year's certified assessed value of $13,286,237,052 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2021, the total assessed value of $234,054,363 after supplemental adjustments for TIRZ #1 was an increase of $154,697,509 over the base fiscal year 2011 assessed value and resulted in $867,747 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2021, the assessed value of $175,546,028 after supplemental adjustments was an increase of $175,426,570 over the base fiscal year 2014 assessed value and resulted in $414,325 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County’s tax rate, $157,873 of property tax revenue was generated for Fiscal Year 2021.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City’s northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total $40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

C. Receivables

Receivables at September 30, 2021 for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service	Capital Projects	ARPA Fund	Other Governmental Funds	Electric
Receivables:						
Taxes	$10,041,271	$ 499,868	$ -	$ -	$ 286,156	$ -
Accounts	210,233	-	-	-	37,659	13,040,689
Accrued interest	38,801	5,769	270,401	9,369	33,283	202,609
Unbilled utility service	-	-	-	-	-	10,522,888
Other - EMS Services	4,927,864	-	-	-	-	-
Other	3,770,446	-	-	-	119,157	8,302,122
Gross receivables	18,988,615	505,637	270,401	9,369	476,255	32,068,308
Less: Allowance for uncollectibles	(7,367,382)	(133,441)	-	-	(30,736)	(1,373,358)
Net total receivables	$11,621,233	$ 372,196	$ 270,401	$ 9,369	$ 445,519	$ 30,694,950

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ 10,827,295
Accounts	2,518,551	1,650,145	1,943,458	68,986	546,453	20,016,174
Accrued interest	117,625	107,626	40,443	5,879	27,561	859,366
Unbilled utility service	2,639,141	1,685,104	1,921,544	-	-	16,768,677
Other - EMS Services	-	-	-	-	-	4,927,864
Other	-	-	-	150,554	121,269	12,463,548
Gross receivables	5,275,317	3,442,875	3,905,445	225,419	695,283	65,862,924
Less: Allowance for uncollectibles	(265,237)	(173,782)	(204,672)	(7,265)	(46,848)	(9,602,721)
Net total receivables	$ 5,010,080	$ 3,269,093	$ 3,700,773	$ 218,154	$ 648,435	$ 56,260,203

D. Capital Assets

Capital asset balances and transactions for the year ended September 30, 2021 are summarized below and on the following page.

Governmental activities:	Balance at October 1, 2020	Increases	Transfers and Decreases	Balance at September 30, 2021
Capital assets not being depreciated:				
Land	$ 26,974,102	$ 996,768	$ -	$ 27,970,870
Construction in progress	196,305,164	81,503,199	(12,549,936)	265,258,427
Total capital assets not being depreciated	223,279,266	82,499,967	(12,549,936)	293,229,297
Capital assets being depreciated:				
Buildings	89,695,730	-	-	89,695,730
Infrastructure	315,696,981	9,176,251	-	324,873,232
Machinery, equipment, and other improvements	130,694,919	12,298,159	(2,802,695)	140,190,383
Total capital assets being depreciated	536,087,630	21,474,410	(2,802,695)	554,759,345
Less accumulated depreciation for:				
Buildings	32,201,289	2,120,847	-	34,322,136
Infrastructure	193,162,441	11,373,988	-	204,536,429
Machinery, equipment, and other improvements	84,360,427	10,223,109	(2,459,578)	92,123,958
Total accumulated depreciation	309,724,157	23,717,944	(2,459,578)	330,982,523
Total capital assets, being depreciated, net	226,363,473	(2,243,534)	(343,117)	223,776,822
Governmental activities capital assets, net	$ 449,642,739	$ 80,256,433	$ (12,893,053)	$ 517,006,119

(continued)

Business-type activities:	Balance at October 1, 2020	Increases	Transfers and Decreases	Balance at September 30, 2021
Capital assets not being depreciated:				
Land	$ 68,352,684	$ 7,145,891	$ -	$ 75,498,575
Construction in progress	167,865,829	84,099,687	(72,080,754)	179,884,762
Total capital assets not being depreciated	236,218,513	91,245,578	(72,080,754)	255,383,337
Capital assets being depreciated:				
Buildings	40,480,124	-	-	40,480,124
Landfill improvements	28,609,692	196,487	-	28,806,179
Water rights	69,883,098	-	-	69,883,098
Infrastructure	602,990,326	28,533,455	-	631,523,781
Plant, machinery, equipment, and other improvements	853,630,539	47,016,360	(6,373,979)	894,272,920
Total capital assets being depreciated	1,595,593,779	75,746,302	(6,373,979)	1,664,966,102
Less accumulated depreciation for:				
Buildings	10,847,492	1,077,630	-	11,925,122
Landfill improvements	25,610,244	1,521,876	-	27,132,120
Water rights	21,838,269	695,989	-	22,534,258
Infrastructure	196,431,750	15,291,101	-	211,722,851
Plant, machinery, equipment, and other improvements	253,582,335	32,049,625	(4,437,744)	281,194,216
Total accumulated depreciation	508,310,090	50,636,221	(4,437,744)	554,508,567
Total capital assets, being depreciated, net	1,087,283,689	25,110,081	(1,936,235)	1,110,457,535
Business-type activities capital assets, net	$1,323,502,202	$ 116,355,659	$ (74,016,989)	$ 1,365,840,872

Transfers and decreases include $27,477 transferred to Business-Type from Governmental Activities Infrastructure.

Depreciation expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	$ 2,517,284
Public Safety	3,803,424
Public Works	11,023,268
Parks & Recreation	2,457,560
Capital assets held by the internal service funds are charged to the various functions based upon usage	3,916,408
Total depreciation expense - governmental activities	$ 23,717,944
Business-type activities:	
Electric	$ 25,195,462
Water	9,191,697
Wastewater	9,167,170
Solid Waste	6,413,323
Airport	668,569
Total depreciation expense - business-type activities	$ 50,636,221

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2021. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
Police Station	$ 22,184,205	$ 24,461,787
Street Reconstruction (2019/2020)	567,958	13,221,595
Hickory Creek Detention Facility	10,658,254	9,519,525
Bonnie Brae South Construction	23,128,894	4,986,927
Hickory Creek	37,292	4,391,387
Hickory Creek Interceptor - Phase 2	885,169	4,138,799
Hickory Substation	5,766	3,407,901
North South Water Main - Phase 2	10,206,880	3,309,509
Lake Lewisville Water Treatment Plant Solids Handling	7,010	1,902,086
Solid Handling Improvements	658,263	1,767,952
Hickory Creek Road Widening	4,803,356	1,741,928
Emergency Act Plan Lake Forest	1,665,954	1,700,000
McKinney Street (Formerly FM426)	15,977,398	1,321,679
Lake Lewisville Water Treatment Plant Upgrade - Phase 2	17,052,103	1,252,490
I35N Water Line Relocation	627,783	1,038,511
Bonnie Brae Arterial	3,420,937	1,023,190
Hickory Creek Interceptor	2,494,382	831,915

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2021, is as follows:

	Interfund Receivables:				
	Governmental Major Funds	Business-Type Major Funds			
Interfund Payables:	General Fund	Electric	Water	Wastewater	Total
Non-Major					
Governmental Funds	$ 554	$ -	$ -	$ -	$ 554
Internal Service Funds	721	7,715	1,243	321	10,000
Total	$ 1,275	$ 7,715	$ 1,243	$ 321	$ 10,554

The more significant interfund receivables and payables include the following:

Interfund receivables	Interfund payables	Amount
Electric fund	Internal service funds-materials management	$ 7,714,503
Water fund	Internal service funds-materials management	1,242,821
General fund	Internal service funds-materials management	721,383
General fund	Non-Major Governmental Funds	553,587
Wastewater fund	Internal service funds-materials management	321,293

The outstanding balances between the Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:							
	Governmental Major Funds		Business-Type Major Funds					
Transfers In:	General Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Airport Fund	Internal Service Funds	Total
Governmental Major Funds:								
General Fund	$ -	$ 34	$ -	$ -	$ -	$ -	$ -	$ 34
Debt Service Fund	-	-	-	-	-	763	-	763
Capital Projects Fund	4,446	5,726	-	33	-	-	397	10,602
Non-Major Governmental Funds	3,751	-	791	213	146	50	-	4,951
Water Fund	-	-	28	-	-	-	-	28
Solid Waste Fund	-	-	-	-	-	-	20	20
Internal Service Funds	300	-	-	-	-	-	-	300
Total	$ 8,497	$ 5,760	$ 819	$ 246	$ 146	$ 813	$ 417	$16,698

The more significant transfers include the following:

Transfers from fund	Transfers to fund	Amount
General Fund	Non-Major Gov't – Recreation Fund	$ 3,699,937
Non-Major Gov't – Street Improvement Fund	Capital Projects	4,522,083
General Fund	Capital Projects	4,446,502
Business-type Major Funds (Electric, Water, and Wastewater)	Non-Major Gov't – Street Improvement Fun	1,148,511
Business-type Major Funds - Airport	Debt Service Fund	762,923

Transfers from the General Fund to the Non-Major Governmental Fund – Recreation were an operating subsidy as part of centralizing Park recreation programs all in the Recreation Fund. Transfers from the Non-Major Governmental Fund – Street Improvement Fund and from the General Fund were to fund capital projects such as streets, building renovations, equipment, and park improvements. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental Fund – Street Improvement Fund were for bond savings costs related to the issuance of certificates of obligation, which fund street maintenance operations in the Street Improvements Fund. Transfers from Business-type Major Funds – Airport to the Debt Service Fund were to pay for Airport-related debt payments previously paid by property taxes.

F. Other Assets

In March 2010, the City issued Combination Tax & Electric Utility System Revenue Refunding Bonds, Series 2010 with a maturity of 15 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $58,820,000 with a reoffering premium and other bond issuance costs of $3,835,015 for a total of $62,655,015. As the proceeds of this debt issuance were placed with Texas Municipal Power Agency (TMPA) and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $62,655,015. The City is amortizing the Other Asset over a period of 15 years with a half year convention the first and last years. See footnote V.E. for more information on TMPA.

In August 2014, the City issued General Obligation Refunding Bonds, Series 2014A with a maturity of 10 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $11,570,000 with a reoffering premium and other bond issuance costs of $1,848,651 for a total of $13,418,651. As the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $13,418,651. The City is amortizing the Other Asset over a period of 10 years.

In August 2015, the City issued General Obligation Refunding Bonds, Series 2015A with a maturity of 9 years for prepaying certain contractual obligations to TMPA. The principal amount of the bonds was $2,955,000 with a reoffering premium and other bond issuance costs of $462,133 for a total of $3,417,133. As the proceeds of this debt issuance were placed with TMPA and the City received an economic benefit over a period of years, an Other Asset was recorded in the Electric Fund Statement of Net Position in the amount of $3,417,133. The City is amortizing the Other Asset over a period of 9 years.

In September 2017, the City impaired 37.9% of the of these Other Assets, for a total of $26,930,415. This was due to TMPA closing its power generation operations to seasonal activities only. The impaired portion was recorded as a GASB 62 Regulatory Asset in Other Assets to be amortized over the existing timelines originally established, through mid-year of fiscal year 2025.

In June 2019, TMPA notified Electric Reliability Council of Texas (ERCOT) of the plan to move the generation plant, Gibbons Creek, to a status of decommissioned and retired. The official effective date was October 2019. In September 2019, the City impaired the remaining portion of the Other Asset. The remaining impaired portion of the original Other Assets were recorded as a GASB 62 Regulatory Asset in Other Assets to also be amortized over the existing timelines originally established, through mid-year of fiscal year 2025.

In February 2021, the State of Texas experienced unprecedented freezing temperatures that put pressure on the availability of electric power (the "Weather Event"). Due to the high demand for power during this period and the limited availability of the power, the purchase price for power increased dramatically during this period. These energy price increases resulting in utilities, including the Electric Fund of the City of Denton, needing to access financial reserves to make payment to ERCOT for the power purchased necessary to service their customers. Due to the unparalleled dollar amount of the purchased power, the City of Denton issued $140 million of commercial paper to provide temporary funding for immediate cash flow needs. In September 2021, the City issued $141,990,000 of revenue refunding bonds to convert the outstanding commercial paper principal plus interest to debt to be paid over a period of 30 years. The Electric Fund recorded $140,000,000 of this purchased power expense as a regulatory asset in Other Assets to be amortized over the period of 15 years, starting with fiscal year ending September 30, 2022.

To qualify to utilize GASB 62, the following must apply:

- The regulated business-type activity's rate for regulated services provided to its customers are established by or are subject to approval of
- an independent, third-party regulator or by its own governing board empowered by statute or contract to establish rates that bind customers.
- The regulated rates are designed to recover the specific regulated business-type activity's costs of providing the regulated services.

In view of the demand for the regulated services or products and the level of competition, direct and indirect, it is reasonable to assume that rates set at levels that will recover the regulated business-type activity's costs can be charged to and collected from customers. This criterion requires consideration of anticipated changes in levels of demand or competition during the recovery period for any capitalized costs.

The City of Denton qualifies to utilize GASB 62 due to:

- State and local statues empower the City of Denton City Council to establish retail rates.
- The City of Denton specific costs are recovered through City of Denton retail rates.
- Current and projected customer demand support the recovery of City of Denton cost of service.

	Balance at October 1, 2020	Increases	Amortization	Balance at September 30, 2021	Years Remaining
Regulatory Assets:					
2010 TMPA Obligation	$ 18,796,505	$ -	$ 4,177,001	$ 14,619,504	3.5
2014 TMPA Obligation	5,367,460	-	1,341,865	4,025,595	3
2015 TMPA Obligation	1,518,726	-	379,682	1,139,044	3
2021 Weather Event	-	140,000,000	-	140,000,000	30
Total Other Assets	$ 25,682,691	$ 140,000,000	$ 5,898,548	$ 159,784,143	

G. Long-term Debt

Long-term liabilities transactions for the year ended September 30, 2021 are summarized as follows below and on the following pages:

	Balance at October 1, 2020	Increases	Decreases / Transfers	Balance at September 30, 2021	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 150,187,533	$ 56,125,000	$ 12,935,678	$ 193,376,855	$ 12,785,878
Certificates of obligation	99,295,000	24,735,000	8,885,000	115,145,000	9,515,000
Compensated absences payable	14,084,370	7,468,911	6,326,413	15,226,868	7,560,215
Claims and judgement payable	5,093,793	22,946,373	22,280,871	5,759,295	2,803,533
Net pension liability	60,222,801	-	9,076,000	51,146,801	-
Other post employment benefits	31,157,293	5,038,371	-	36,195,664	-
Unamortized premium/(discounts)	17,024,883	7,463,401	2,364,399	22,123,885	2,591,756
Total governmental long-term liabilities	$ 377,065,673	$ 123,777,056	$ 61,868,361	$ 438,974,368	$ 35,256,382

	Balance at October 1, 2020	Increases	Decreases / Transfers	Balance at September 30, 2021	Due Within One Year
Business-type Activities:					
Revenue bonds	$ 207,310,000	$ 141,990,000	$ 7,970,000	$ 341,330,000	$ 8,375,000
General obligation bonds	121,872,467	12,735,000	23,804,322	110,803,145	22,624,122
Certificates of obligation	396,900,000	72,300,000	31,945,000	437,255,000	17,145,000
Compensated absences payable	2,746,669	2,640,961	2,342,585	3,045,045	2,549,565
Claims and judgement payable	4,000,000	-	-	4,000,000	-
Net pension liability	27,037,480	-	1,473,088	25,564,392	-
Other post employment benefits	15,486,247	2,343,497	-	17,829,744	-
Decommissioning liability	21,167,124	-	21,167,124	-	-
Landfill closure/post-closure	11,373,438	702,648	-	12,076,086	-
Unamortized premium/(discounts)	57,094,682	7,527,426	7,846,598	56,775,507	7,218,559
Total business-type activities	864,988,107	240,239,532	96,548,717	1,008,678,919	57,912,246
Total long-term liabilities	$ 1,242,053,780	$ 364,016,588	$ 158,417,078	$ 1,447,653,287	$ 93,168,628

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund, with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represents an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds as well as one possible litigation payable in the Electric Fund.

General Bonded Debt - General bonded debt at September 30, 2021, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2021
General obligation refunding	2.0 to 5.0	2012	2032	$ 14,358,739	$ 5,470,000
General obligation refunding	2.0 to 4.0	2013	2033	10,221,023	5,276,855
General obligation refunding	2.0 to 3.5	2014	2034	7,165,000	2,880,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	26,130,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	21,485,000
General obligation refunding	3.0 to 5.0	2017	2037	27,825,000	15,375,000
General obligation	3.0 to 5.0	2018	2038	19,235,000	17,375,000
General obligation refunding	3.0 to 5.0	2019	2039	18,015,000	16,790,000
General obligation refunding	2.0 to 5.0	2020	2040	27,675,000	26,500,000
General obligation refunding	2.0 to 5.0	2020A	2031	1,415,000	1,385,000
General obligation	2.0 to 5.0	2021	2041	54,710,000	54,710,000
Total general obligation bonds				244,364,762	193,376,855
Certificates of obligation	2.0 to 5.0	2012	2032	4,490,000	415,000
Certificates of obligation	3.0 to 4.0	2013	2033	10,805,000	6,065,000
Certificates of obligation	2.0 to 5.0	2014	2034	8,635,000	5,585,000
Certificates of obligation	2.0 to 5.0	2015	2035	7,420,000	2,880,000
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	3,405,000
Certificates of obligation	3.0 to 5.0	2017	2037	17,000,000	10,325,000
Certificates of obligation	3.0 to 5.0	2018	2038	9,555,000	6,940,000
Certificates of obligation	3.375 to 5.0	2018	2038	28,170,000	24,775,000
Certificates of obligation	3.0 to 5.0	2019	2039	9,390,000	7,245,000
Certificates of obligation	2.0 to 5.0	2020	2040	24,020,000	22,775,000
Certificates of obligation	2.0 to 5.0	2021	2041	24,735,000	24,735,000
Total certificates of obligation				151,410,000	115,145,000
Total general bonded debt				$ 395,774,762	$ 308,521,855

[These amounts do not include net unamortized premiums/ (discounts) of $22,123,885 nor net deferred gain/ (loss) on refunding of ($638,821).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In December 2020, the City issued $14,150,000 ($12,735,000 of which is included as part of business-type activities) in general obligation refunding bonds. The reacquisition price fell below the net carrying amount of the old debt by $340,776, ($310,802 of which is reported as a deferred loss in business-type activities). This amount is being amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. The current refunding was undertaken to reduce total debt service payments over 11 years by $3,624,333 and resulted in a net present value savings of $3,444,385.

In July 2021, the City issued $97,035,000 ($72,300,000 of which is included as part of business-type activities) in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund ($20,890,000), the Electric Fund ($38,395,000), the Water Fund ($17,255,000), the Wastewater Fund ($16,650,000), the Fleet Fund ($2,655,000), and the Customer Service Fund ($1,190,000).

In July 2021, the City issued $54,710,000 of general obligation refunding and improvement bonds. The bonds were issued to pay the costs of bond election capital improvements for streets and public safety facilities in the Capital Projects Fund.

On September 30, 2021, the City had no general obligation bonds or certificates of obligation considered defeased but still outstanding.

Business-type Revenue Bonds – Revenue bond debt at September 30, 2021, is comprised of the following issues:

Revenue Bonds	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2021
Utility system	3.25 to 5.0	2017	2037	$ 214,890,000	$ 199,340,000
Utility system Refunding	0.27 to 5.7	2021	2036	141,990,000	141,990,000
Total revenue bonds				$ 356,880,000	$ 341,330,000

[These amounts do not include net unamortized premiums/ (discounts) of $20,982,363.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of $10,607,945 as of September 30, 2021 and is restricted for debt service. On September 30, 2021, the City had no revenue bonds considered defeased but still outstanding.

In September 2021, the City issued $141,990,000 of revenue refunding bond debt, all in the Electric Fund. The debt was issued to refund outstanding commercial paper originally issued to cover energy purchase power from the February 2021 Texas winter weather event. The debt fully matures in 2036.

Business-type General Obligation Bonds and Certificates of Obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2021, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2021
General obligation refunding	2.0 to 5.0	2012	2024	$ 19,231,261	$ 4,990,000
General obligation refunding	2.0 to 4.0	2013	2025	513,977	213,145
General obligation refunding	3.0 to 5.0	2014A	2025	27,155,000	13,200,000
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	625,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	6,675,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	905,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	24,825,000
General obligation refunding	3.0 to 5.0	2017	2022	1,280,000	215,000
General obligation refunding	3.0 to 5.0	2019	2039	26,325,000	18,320,000
General obligation refunding	2.0 to 5.0	2020	2040	34,405,000	28,450,000
General obligation refunding	2.0 to 5.0	2020A	2031	12,735,000	12,385,000
Total general obligation bonds				196,840,238	110,803,145
Certificates of obligation	2.0 to 5.0	2012	2032	40,185,000	23,010,000
Certificates of obligation	3.0 to 4.0	2013	2033	52,715,000	31,750,000
Certificates of obligation	2.0 to 5.0	2014	2044	80,545,000	63,415,000
Certificates of obligation	2.0 to 5.0	2015	2045	85,595,000	69,440,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	63,040,000
Certificates of obligation	3.0 to 5.0	2017	2047	73,800,000	61,815,000
Certificates of obligation	3.375 to 5.0	2018	2028	1,375,000	1,020,000
Certificates of obligation	3.0 to 5.0	2019	2049	19,365,000	18,235,000
Certificates of obligation	2.0 to 5.0	2020	2050	34,060,000	33,230,000
Certificates of obligation	2.0 to 5.0	2021	2041	72,300,000	72,300,000
Total certificates of obligation				536,055,000	437,255,000
Total business-type G.O./C.O.				$ 732,895,238	$ 548,058,145

[These amounts do not include net unamortized premiums/ (discounts) of $35,793,144 nor net deferred gain/ (loss) on refunding of ($923,877).]

Schedule of Long-term Debt Maturities

Aggregate maturities of the long-term debt (principal and interest) for the years subsequent to September 30, 2021 are shown below:

Governmental Activities:

	General Obligation		Certificates of Obligation		Capital Leases		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 12,785,878	$ 6,653,205	$ 9,515,000	$ 4,297,696	$ -	$ -	$ 22,300,878	$ 10,950,901
2023	12,136,263	6,011,120	8,490,000	3,852,975	-	-	20,626,263	9,864,095
2024	12,096,703	5,504,185	8,015,000	3,496,650	-	-	20,111,703	9,000,835
2025	11,718,011	5,007,493	7,215,000	3,157,850	-	-	18,933,011	8,165,343
2026	11,545,000	4,542,375	6,725,000	2,850,150	-	-	18,270,000	7,392,525
2027-2031	51,730,000	16,047,846	29,235,000	10,083,900	-	-	80,965,000	26,131,746
2032-2036	50,865,000	7,108,453	28,910,000	4,386,113	-	-	79,775,000	11,494,566
2037-2041	30,500,000	1,426,038	17,040,000	762,319	-	-	47,540,000	2,188,357
Total	$ 193,376,855	$ 52,300,715	$ 115,145,000	$ 32,887,653	$ -	$ -	$ 308,521,855	$ 85,188,368

Business-Type Activities:

	General Obligation		Certificates of Obligation		Revenue		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	$ 22,624,122	$ 4,317,670	$ 17,145,000	$ 16,441,654	$ 8,375,000	$ 20,570,668	$ 48,144,122	$ 41,329,992
2023	18,288,737	3,484,788	15,915,000	15,546,012	12,435,000	25,295,259	46,638,737	44,326,059
2024	16,708,297	2,735,947	16,215,000	14,824,563	12,905,000	25,300,313	45,828,297	42,860,823
2025	14,686,989	2,048,515	16,825,000	14,085,638	13,400,000	25,297,018	44,911,989	41,431,171
2026	8,225,000	1,525,100	17,375,000	13,361,313	13,900,000	25,295,282	39,500,000	40,181,695
2027-2031	30,270,000	2,663,250	95,955,000	54,660,447	78,605,000	126,495,486	204,830,000	183,819,183
2032-2036	-	-	91,860,000	34,987,944	97,540,000	126,491,747	189,400,000	161,479,691
2037-2041	-	-	80,750,000	21,156,225	42,185,000	54,193,669	122,935,000	75,349,894
2042-2046	-	-	67,480,000	7,774,875	28,565,000	36,115,451	96,045,000	43,890,326
2047-2051	-	-	17,735,000	855,275	33,420,000	36,112,836	51,155,000	36,968,111
Total	$ 110,803,145	$ 16,775,270	$ 437,255,000	$ 193,693,946	$ 341,330,000	$ 501,167,729	$ 838,233,145	$ 674,668,834

[These amounts do not include net unamortized premiums/ (discounts) of $78,899,392 nor net deferred gain/ (loss) on refunding of ($1,562,698).]

Bonds Authorized and Unissued

General obligation bonds authorized but unissued as of September 30, 2021 amounted to $148,390,000. When issued, the proceeds will be allocated to the applicable street, drainage, police facilities, and parks projects.

All bonds were issued publicly through negotiated or competitive terms with no direct placements. There is no acceleration of maturity of the bonds in the event of default, and the City has never defaulted on the payment of bonds.

Claims and Judgements Payable

Claims and judgements payable include claims payables as part of the City’s self-insurance plan, which can be found in note V.D. It also includes a judgement liability of $4,000,000 recorded in the electric fund, which can be found in note V.G. for further information.

H. Landfill Closure and Post-Closure Cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on an updated model created by a 2017 engineering study, total landfill closure and post-closure cost as of September 30, 2021 was $23,442,770. The $12,076,086 reported as landfill closure and post-closure care liability as of September 30, 2021 is a $702,648 increase from the $11,373,438 liability reported on September 30, 2020. This liability represents the cumulative amount incurred to date based on the use of 17.82% of the estimated capacity of the entire landfill at September 30, 2021. The change in estimated capacity decreased due to the remaining life increasing from updated Permit 1590B approval in August 2021.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill is $11,366,684. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2021. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 66 years, and the City expects to close the landfill in fiscal year 2087.

The solid waste fund has provided for a reservation and designation of cash and investments of $11,992,859 at September 30, 2021 and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

I. Decommissioning Liability

The electric fund recorded in prior years a decommissioning liability that had a balance of $21,167,124 as of September 30, 2020. This entire amount was payable to Texas Municipal Power Agency (TMPA) as the City's portion of TMPA's decommissioning liability for the Gibbons Creek power generation facility. In February 2021, the City paid TMPA $6,037,368 toward this liability as part of TMPA's sale of the power generation facility. The remaining liability was transferred to the new owner as part of the sale and was written off and recognized in the financial statements as a non-operating revenue. See footnote V.E. on TMPA for more details.

V. OTHER INFORMATION

A. Pension Plans

Employee Retirement Plans

The City of Denton participates in two pension plans; Texas Municipal Retirement System (TMRS), an agent-multiple employer traditional, joint contributory, hybrid defined benefit pension plan; and the Denton Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan. Both plans are described in detail below. Aggregate amounts for the two pension plans are as follows:

	TMRS	FRRF	Total
Pension liability	$ 560,470,110	$ 128,332,828	$ 688,802,938
Pension assets	494,893,606	117,198,139	612,091,745
Net pension liability	$ 65,576,504	$ 11,134,689	$ 76,711,193
Deferred outflows of resources	$ 17,619,761	$ 9,082,731	$ 26,702,492
Deferred inflows of resources	13,072,602	8,877,079	21,949,681
Pension expense	13,033,962	712,532	13,746,494

Texas Municipal Retirement Plan

Plan Description

The City of Denton participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is statewide public retirement plan 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 employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed board of trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly-available annual comprehensive financial report obtainable at www.tmrs.com.

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

Benefits Provided

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

At retirement, the employee's benefit is calculated based on the sum of the employee's contributions with interest, and the city-financed monetary credits with interest. Employees may choose to receive their retirement benefit in one of seven payments options. Employees 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 employee's deposits and interest.

Upon retirement, the employee's retirement benefits are calculated based on the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits.

- Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit selected by the City, multiplied by an employee's contributions that would have been made, based on the average salary prior to TMRS participation, for the number of months the employee was employed by the City before joining TMRS, accruing 3% annual interest and including the matching ratio adopted by the City.
- Current Service Credit is a monetary credit for service performed by an employee after the City joined TMRS and is based on a percent (200%) of the employee's total contributions and interest credits (commonly referred to as the City's matching ratio). Each participating city designates the rate the employee contributions (7% for the City) and interest is credited on contribution balances annually at a guaranteed minimum 5% rate. Any change in the matching ratio would be applied prospectively.
- Updated Service Credits (USC) is an optional monetary credit granted on an annually repeated basis by the City, and it may increase an employee's monthly retirement benefit. In calculating USC, TMRS looks at the changes in the employee's salary over their career and any changes the City has made to its TMRS plan, such as the employee contribution rate or the City's matching ratio. Although USC may increase the employee's retirement benefit, USC does not affect the amount of contributions in an employee's account or the amount an employee will receive if they refund.

The plan provisions also include an annually repeating basis cost of living adjustments for retires equal to 70% of the change in the consumer price index. If an employee terminates employment and refunds their account, the employee will receive their total contributions, plus credited interest. The employee will not receive any of the city-financed monetary credits. An employee can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	797
Inactive employees entitled to but not yet receiving benefits	693
Active employees	1,293
Total	2,783

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 City Council. 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.29% and 17.61% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were $17,794,920 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS's actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 530,227,521	$ 460,593,810	$ 69,633,711
Changes for the year:			
Service cost	18,685,981	-	18,685,981
Interest	35,523,156	-	35,523,156
Change of benefit terms	-	-	-
Difference between expected and actual experience	2,636,510	-	2,636,510
Changes of assumptions	-	-	-
Contributions - employer	-	18,613,464	(18,613,464)
Contributions - employee	-	7,536,737	(7,536,737)
Net investment income	-	34,987,709	(34,987,709)
Benefit payments, including refunds of employee contributions	(26,603,058)	(26,603,058)	-
Administrative expense	-	(226,230)	226,230
Other changes	-	(8,826)	8,826
Net changes	30,242,589	34,299,796	(4,057,207)
Balance at 12/31/2020	$ 560,470,110	$ 494,893,606	$ 65,576,504

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

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 149,152,966	$ 65,576,504	$ (2,501,789)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Change in Fiduciary Net Position, by Participating City, separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

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

For the year ended September 30, 2021, the City recognized pension expense of $13,033,962. This amount is included as part of personal services expenses.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ (13,072,602)
Contributions subsequent to the measurement date	12,817,459	-
Differences between expected and actual economic experience	3,990,432	-
Difference in assumption changes	811,870	-
Total	$ 17,619,761	$ (13,072,602)

$12,817,459 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/(Inflows)
2022	$ (2,914,526)
2023	1,747,532
2024	(6,692,325)
2025	(410,981)
2026	-
Total	$ (8,270,300)

Denton Firemen's Relief and Retirement Plan

Plan Description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially-vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan effective January 1, 2011 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the employee will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees Covered by Benefit Terms

In the December 31, 2019 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	3
Active employees	199
Total	289

Contributions

The contribution provisions of the Fund 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 and a percentage of payroll by the City.

The contribution policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. The December 31, 2019 actuarial valuation includes the assumption the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2021 were $4,158,368.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the calendar year ending December 31, 2020, the money-weighted rate of return on pension plan investments was 11.80%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution 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 contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Denton's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined based on the actuarial valuation as of December 31, 2019 and rolled forward to December 31, 2020.

Total pension liability	$ 128,332,828
Plan fiduciary net position	117,198,139
City's net pension liability	$ 11,134,689
Plan fiduciary net position as a percentage of the total pension liability	91.3%

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) total dataset mortality tables employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.96%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.71% for adverse deviation. The target allocation and expected arithmetic net 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)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	6.50%
Real Estate	15.0%	4.50%
Fixed Income	10.0%	1.00%
Cash	7.0%	0.00%
Total	100.0%	
Weighted Average		4.96%

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2019 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 18 years. Because of the 18-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 121,442,365	$ 103,815,795	$ 17,626,570
Changes for the year:			
Service cost	4,252,475	-	4,252,475
Interest	8,293,527	-	8,293,527
Contributions - employer	-	4,069,311	(4,069,311)
Contributions - employee	-	2,771,532	(2,771,532)
Net investment income	-	12,313,949	(12,313,949)
Benefit payments, including refunds of employee contributions	(5,655,539)	(5,655,539)	-
Administrative expense	-	(116,909)	116,909
Net changes	6,890,463	13,382,344	(6,491,881)
Balance at 12/31/2020	$ 128,332,828	$ 117,198,139	$ 11,134,689

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

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 27,865,557	$ 11,134,689	$ (3,066,318)

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

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

For the year ended September 30, 2021, the City recognized pension expense of $712,532. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. This amount is included as part of personnel services expenses.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ -	$ (8,079,562)
Contributions subsequent to the measurement date	3,058,198	-
Differences between expected and actual economic experience	2,403,470	(797,517)
Difference in assumption changes	3,621,063	-
Total	$ 9,082,731	$ (8,877,079)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $3,058,198 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2021 and the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense (income) as follows:

For the Year Ended September 30,	Net Deferred Outflows/(Inflows)
2022	$ (1,668,518)
2023	(935,195)
2024	(2,135,562)
2025	(298,024)
2026	734,622
Thereafter	1,450,131
Total	$ (2,852,546)

B. Post-employment Benefits Other than Pensions (OPEB)

The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail following.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
Total OPEB liability	$ 48,918,032	$ 5,107,376	$ 54,025,408
Deferred outflows of resources	$ 6,986,692	$ 1,064,667	$ 8,051,359
Deferred inflows of resources	2,412,788	47,159	2,459,947
OPEB expense	4,535,096	561,765	5,096,861

Medical Benefits

Plan Description

The City of Denton provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents though the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

Employees Covered by the Benefit Terms

In the December 31, 2020 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	186
Active employees	1,492
Total	1,678

Funding Policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree's contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes $40 per month for each five-year increment of service, up to $200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability

The City's medical OPEB liability of $48,918,032 was measured as of December 31, 2020, the same date as the actuarial valuation.

Actuarial Methods and Assumptions

The medical OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement date, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Assumptions

	12/31/2020
Valuation date	December 31, 2019
Actuarial cost method	Individual Entry-Age Normal Method
Discount Rate	3.71% as of December 31, 2018 2.75% as of December 31, 2019 2.00% as of December 31, 2020
Inflation rate	2.50% per annum
Projected salary increases	3.50% to 11.50% for TMRS, including inflation 3.00% to 9.18% for Fire, including inflation
Healthcare trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years
Mortality	**TMRS:** For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. **Firefighters:** The gender-distinct PubS-2010 (safety employees) total data set mortality are used. The rates are projected on a fully generational basis using the projection scale MP-2019.
Participation Rates	60% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for retirees under age 50 at retirement

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2019	$ 42,548,138
Changes for the year:	
Service cost	2,884,792
Interest	1,186,428
Difference between expected and actual experience	329,072
Changes of assumptions	3,664,984
Benefit payments	(1,695,382)
Net changes	6,369,894
Balance at 12/31/2020	$ 48,918,032

Total OPEB liability as a percentage of covered payroll was 37.36%.

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than (1.00%) and 1% greater than (2.00%) the discount rate that was used (3.00%) in measuring the medical OPEB liability:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total medical OPEB liability	$ 54,419,045	$ 48,918,032	$ 44,110,560

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less than (6.00%) and 1% more than (8.00%) the healthcare cost trend rate that was used (7.00%) in measuring the medical OPEB liability:

	1% Decrease (6.00%)	Current Healthcare Cost Trend Rate (7.00%)	1% Increase (8.00%)
Total medical OPEB liability	$ 44,497,589	$ 48,918,032	$ 54,207,624

Medical OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2021, the City recognized medical OPEB expense of $4,535,096. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to medical OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 291,982	$ 1,265,008
Changes in actuarial assumptions	5,510,107	1,147,780
Contributions subsequent to the measurement date	1,184,603	-
Totals	$ 6,986,692	$ 2,412,788

Deferred outflows of resources related to OPEB contributions subsequent to the measurement date of $1,184,603 will be recognized as a reduction of the medical OPEB liability for the City's fiscal year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	Net Deferred Outflows/(Inflows)
2022	$ 463,876
2023	463,876
2024	463,876
2025	463,876
2026	456,083
Thereafter	1,077,714
Total	$ 3,389,301

TMRS Supplemental Death Benefit Fund

Plan Description

The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan.

Employees Covered by the Benefit Terms

In the December 31, 2020 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	627
Inactive employees entitled to but not yet receiving benefits	196
Active employees	1,293
Total	2,116

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2021 and 0.17% for 2020, of which 0.08% for 2021 and 0.03% for 2020, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2021 and 2020 were $179,918 and $175,649 respectively, representing contributions for both active and retiree coverage, which equaled the required contribution each year.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

	12/31/2020
Inflation rate	2.50% per annum
Discount rate	2.00%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP BB to account for the future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.00% was used to measure the SDBF OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (1.00%) and 1% greater than (2.00%) the discount rate that was used (3.00%) in measuring the medical OPEB liability:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total SDBF OPEB liability	$ 6,333,727	$ 5,107,376	$ 4,176,622

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2021 the City reported a liability of $5,107,376 for its Total SDBF OPEB liability. The total SDBF liability was determined by an actuarial valuation as of December 31, 2020. For the year ended September 30, 2021, the City recognized SDBF OPEB expense of $561,765. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

Changes in the SDBF OPEB Liability

	Total SDBF OPEB Liability
Balance at 12/31/2019	$ 4,095,402
Changes for the year:	
Service cost	236,668
Interest	115,434
Difference between expected and actual experience	(28,782)
Changes of assumptions	720,927
Benefit payments	(32,273)
Net changes	1,011,974
Balance at 12/31/2020	$ 5,107,376

Total OPEB liability as a percentage of covered payroll was 4.75%.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to other SDBF post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ (213,389)	$ (78,844)
Changes in actuarial assumptions	1,147,043	126,003
Contributions subsequent to the measurement date	131,013	-
Totals	$ 1,064,667	$ 47,159

The $131,013 reported as deferred outflows of resources related to SDBF OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total SDBF Liability for the year ending September 30, 2022. Other amounts reported as deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows/(Inflows)
2022	$ 209,663
2023	209,663
2024	169,747
2025	176,352
2026	114,215
Thereafter	6,855
Total	$ 886,495

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar years 2020 and 2021, the plan, available to all permanent City employees, permitted them to defer, until future years, up to $19,500, respectively. Employees who are age 50 or older may contribute an additional amount of $6,500, the total not to exceed $26,000 in 2021. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of $39,000 in 2021 and 2020. The withdrawal of deferred compensation funds is only available to employees by loan, termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City’s financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

D. Self-insurance Plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid for each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims or general liability. Commercial liability insurance coverage is purchased for airport operations, emergency medical services, take-home vehicles, and employee theft and dishonesty. Additionally, excess insurance is purchased for general liability, auto liability, public officials, and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration settlement of claims, new claims and other factors. As of September 30, 2021, the estimated value of these liabilities was $5,759,295. Changes in balances of claims liabilities during fiscal years 2021 and 2020 were as shown as follows:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claims Payments	Claims Liability End of Fiscal Year
Workers' Compensation				
2021	$ 2,230,084	$ 1,332,855	$ 992,266	$ 2,570,673
2020	2,035,824	1,311,288	1,117,028	2,230,084
General Liability				
2021	$ 949,594	$ 486,452	$ 209,457	$ 1,226,589
2020	720,136	488,684	259,226	949,594
Health Insurance				
2021	$ 1,914,115	$ 21,127,066	$ 21,079,148	$ 1,962,033
2020	1,838,331	22,845,423	22,769,639	1,914,115

On September 30, 2021, the City of Denton had a negative unrestricted net position of $3,131,650 in the Risk Retention Fund and an additional negative net position of $3,071,038 in the Health Insurance Fund for payment of claims, both in addition to the liability balances recorded. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

E. Commitments and Contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues were insufficient to cover all costs and retire the outstanding debt, each of the cities guaranteed a portion of the unpaid debt based, generally, upon the pro rata share.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City's contractual portion of TMPA's annual fixed operating costs and debt service payments, which is currently 21.3%. As of September 30, 2021, total TMPA long-term debt outstanding was approximately $206,713,000, all of which was transmission debt and has no effect on the term of the contract. All outstanding generation debt was paid off on September 1, 2018.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding $10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine, generation, and transmission) and requiring separate budgets and books for each business function.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

At the request of a majority of the Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA included a reclamation plan for the mine, required the development of a decommissioning plan, and set out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the

JOA for these services. The City's payment obligations under the JOA are payable exclusively from such electric utility revenues and constitute an operating expense of the electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended (Amendment No. 1). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying cities. Pursuant to this provision, the City extended the PSC from September 1, 2018 to September 30, 2018, in order to complete the period of 2018 seasonal operation. As of September 30, 2018, the PSC had expired for all member cities.

On September 17, 2019 the JOA was amended (Amendment No. 3). The amendment defined portions specific to the generation business that had been tied to the expired PSC and clarified all board members may vote on matters involving decommissioning and the sale of the plant. It exempted financial commitments related to bonding from the requirement to obtain approval of all Member Cities relating to certain budget increases. This is to address concerns by the Attorney General of Texas that a potential situation could arise where a Member City could interfere with TMPA's existing bond deposit requirement obligations ("bond reserve equivalent") should that obligation require a 20% increase over the previous year's budget. The amendment also allows for the sale of mine tracts only after the completion of mine reclamation. This would permit the sale of a mine tract subject to bonding provided that the conveyance reserves easements, leases, or other property rights are reserved to enable TMPA to complete reclamation.

On November 12, 2019 the JOA was amended (Amendment No. 4). This amendment modified the agreement to make it unambiguous that in the event that all mining assets are sold, all Member Cities shall remain responsible for the costs of closing the mining operation according to each's percentage share and that these are included: "all obligations are discharged with respect to mine reclamation bonds, surety bonds, banking agreements, letters of credit, and other financial commitments related to providing financial security or assurance for TMPA's mine reclamation responsibilities." Additionally, it modified the agreement by removing the cap on sales of the mining assets and allowed for the sale of the mine as a whole.

Effective September 26, 2017, Gibbons Creek transitioned into a seasonal operations mode, operating during the summer months only (May-September). Due to the significant decline in service utility of the generation assets, such assets were deemed largely impaired as of September 30, 2017. On June 1, 2019, the TMPA Board of Directors voted to permanently retire the generation facility. The City also wholly impaired its TMPA prepaid purchase power due to the retirement and had a remaining balance recorded of $19,784,143 in Other Assets in the Electric fund to be amortized over the remaining 3.5 remaining years. See note IV.F. for more information.

In 2019, TMPA issued a request for proposal involving only the sale of generation assets. Proposals were received in August 2019, and TMPA entered into negotiations with one of the proposers. On December 10, 2020, the TMPA Board of Directors approved a fully negotiated Asset Purchase Agreement (APA) with Gibbons Creek Environmental Redevelopment Group LLC (GCERG). As required by the TMPA Joint Operating Agreement, each TMPA member city was required to approve the APA. On January 26, 2021, the City Council approved the APA with GCERG. On February 10, 2021, TMPA and GCERG closed on the sale of the Gibbons Creek Steam Generation Plant and property. Through the sale, GCERG acquired 6,200 acres including the plant, CCR (coal combustion residuals) units, and reservoir. GCERG must decommission the plant and remediate all CCR units to TCEQ/EPA standards. GCERG provides independent financial security to TMPA for remediation/decommissioning and post closure activities and certain land use limits imposed on CCR containing parcels. The City's Electric fund had a liability recorded for TMPA's decommissioning obligation of $21,167,124 as of September 30, 2020. As part of the sale of Gibbons Creek, the City paid $6,037,368 of this liability in February 2021. The remaining liability of $15,129,756 was recognized as a gain in other non-operating revenues. This sale to GCERG only includes the generation assets and TMPA retained the approximate 11,000 acres associated with the mine land and all transmission assets.

On July 15, 2021 the TMPA Board of Directors authorized the Gibbons Creek Lignite Mine with approximately 11,000 acres to be sold. The sale finalized in December 2021, subsequent to the current fiscal year-end. The City received its portion of the sale in the amount of $15,174,089 which was recorded as revenues in the Electric fund for the fiscal year ending September 30, 2022. Following the closing, TMPA will continue to conduct mine reclamation activities pursuant to a reclamation easement that will remain in effect until all bonded areas are released from bond.

Selected financial statement information of TMPA is as follows:

	September 30 (Unaudited)	
	2021 (000s)	2020 (000s)
Operating revenues	$ 40,062	$ 54,237
Operating expenses	17,079	19,102
Operating income	22,983	35,135
Other non-operating sources (uses)	(1,967)	4,406
Current unrestricted assets	54,983	40,037
Total assets and deferred outflows	232,913	368,164
Long-term debt – Noncurrent	200,318	215,768
Total liabilities and deferred inflows	240,306	380,362
Total net position	(7,393)	(12,198)

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

Power Purchase Agreements

Following is a list of power purchase agreements in effect as of the publication date of these financial statements. The information provided is all that is allowed under the confidentiality provision(s) of the particular agreements.

Denton Power, Landfill-Gas Combustor - In 2008, the City entered into a 16-year power purchase agreement with Denton Power, LLC. Under the agreement, the City purchases 1.6 MW of output from a landfill gas-fired electric generating facility located at the City's landfill. This contract was terminated in September 2020 when the City purchased the assets of Denton Power, LLC.

NextEra - In 2009, the City entered into a power purchase agreement for firm energy and associated renewable energy credits with NextEra Energy Power Marketing, LLC.

Santa Rita, Wind - In 2016, the City entered into a 20-year power purchase agreement for wind energy, capacity, and environmental attributes with Santa Rita Wind Energy, LLC.

NextEra - In 2015, the City entered into a 20-year power purchase agreement with Bluebell Solar Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, the City purchases solar energy, capacity, and environmental attributes commencing from the commercial operation date which was November 2018.

Engie - In 2018, the City entered into a 15-year power purchase agreement with Engie Long Draw Solar, LLC. Under the agreement, which is scheduled to end June 2035, the City will purchase 75 MW of solar generation and environmental attributes. The in-service date was December 29, 2020.

NextEra - In 2018, the City entered into a 15-year power purchase agreement with Bluebell Solar II Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, the City will purchase 100 MW of solar generation and environmental attributes. Commercial operation was achieved on December 28, 2020.

Samson Solar - In 2018, City of Denton entered into a 15-year power purchase agreement with Samson Solar Energy, LLC. Under the agreement, which is scheduled to end in 2037, the city will purchase 75 MW of solar generation and environmental attributes. The project has been impacted by a series of Force Majeure events, one of which is continuing. Currently the City has no projected in-service date.

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances in governmental funds expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$ 1,540,858
Capital Projects Fund	40,044,150
Nonmajor Governmental Funds	1,553,632
Total	$ 43,138,640

F. Tax Abatements

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue as a result of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

Property Tax Abatements

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The City is required to renew/adopt a Tax Abatement Policy every two years in accordance with Chapter 312 of the Texas Tax Code. The last policy was adopted in March of 2020. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. For the fiscal year ended September 30, 2021, the City abated property taxes totaling $276,377 under this program, as detailed in the following agreements:

- Peterbilt – In 2016, a 70% tax abatement agreement for a term of eight years was granted to Peterbilt Motors on new capital investments, including the construction of a new stand-alone 102,000 square foot building. The abatement amount for the current fiscal year was $245,041.
- West Gate Business Park (WGBP) – In 2016, a 60% tax abatement agreement for a term of ten years was granted to WGBP on new capital investments only to include Buildings 2 and 3 in the business

park. WGBP could receive an additional 10% abatement for the location of a supplier to an existing primary industry and/or an additional 5% for the location of a national headquarters for a total abatement of up to 75%. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $3 million, the agreement provides for a full refund of all abatements previously granted plus interest. The abatement amount for the current fiscal year was $31,336.

The City has an additional abatement agreement not listed above becoming effective in future fiscal years should the grantee meet the obligations of the agreement. The agreement is for Tyson Sales and Distribution.

Chapter 380 Agreements

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds in order to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has target industry sectors for recruitment that will be given priority consideration: aviation/aerospace, advanced manufacturing, renewable energy, research and development, information technology, supply chain for existing primary employers, and significant consumers of municipal utilities. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Each agreement is based on the contribution in sales, property, and/or hotel tax. For the fiscal year ended September 30, 2021, the City rebated sales taxes totaling $2,574,245, property taxes totaling $733,095 ($197,336 of which was paid out of the Westpark TIRZ No. Two), and hotel occupancy taxes totaling $587,476 as detailed in the following agreements:

- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed $6,664,901 plus accrued interest. The tax rebates initiated in 2010 and will terminate in 2024. The tax rebate amount for the current fiscal year was $51,353.

- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which include the widening of a state highway bisecting the project. The grantee will receive a maximum of $20 million over a 15 year term for phase one and a maximum of $48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until $5 million is reached. As of the current fiscal year, the tax rebate amount for phase one was $1,394,054 and the tax rebate amount for phase two was $842,124.

- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum $45 to $65 million was required as an investment into the property to receive a one-half share of the sales tax resulting from the renovations, less a monthly mall baseline amount established at $95,898. The total grant payments may not exceed 15.83% of the required investment. GTM Development has invested $49.5 million in the development. Tenant investments in the property amounted to $8.8 million, for a total invest of $58.3 million. Based on this total investment the total grant payment should not exceed $9.2 million. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was $0.00. Due to the pandemic several stores closed, which resulted in no rebate qualification for fiscal year 2020-2021.

- Mayday Manufacturing – In 2012, an agreement was approved for Mayday Manufacturing/Tailwind Technologies for the relocation of the business and expansion of a manufacturing facility. The agreement provides a 75% tax rebate on the increment of property tax revenue generated above the base valuation for a period of ten years. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $3 million, the agreement provides for a 50% refund of all rebates previously granted. The tax rebate amount for the current fiscal year was $40,649.

- West Gate Business Park – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on Building 1 improvements and to add a one-time grant payment in the amount of $50,000. The tax rebate amount for the current fiscal year was $31,336.

- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a $135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around $7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. WinCo received reimbursement for infrastructure financing from Water and Wastewater funds and a local sales and use tax grant for the construction and equipping of the facility in prior fiscal years, completing those portions of the agreement. The active portion of the agreement provides for the following:

    - A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. The tax rebate amount out of the Westpark TIRZ No. Two for the current fiscal year was $197,336, with $142,890 being the City portion of the tax rebate and $54,446 being the County portion of the tax rebate.

    - A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is $50 million excluding purchase price of the property. The tax rebate amount for the current fiscal year was $268,910.

- O'Reilly Hotel Partners Denton – In 2015, an agreement was approved for O'Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land, inventory, vehicles, and supplies), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal ($28 million) and interest ($26 million) amount of $54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales tax up to $850,000, then 50% thereafter. The construction sales tax rebate portion of the agreement was completed in fiscal year 2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The sales tax, property tax, and hotel occupancy tax rebate amounts for the current fiscal year were $29,214, $190,145, and $587,476, respectively.

- Buc-ee's Travel Center – In 2015, an agreement was approved for Buc-ee's Travel Center. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated from businesses located within the property boundaries for a five-year period. At the conclusion of the sales tax reimbursement term, the City has agreed to a one-time cash grant payment of $2 million minus the total sales tax previously reimbursed, only if the grantee has not received a full $2 million in sales tax reimbursements. In addition, at the end of the sales tax reimbursement term, the agreement provides a sales tax reimbursement infrastructure grant of one half of the City sales tax, or 0.75%, generated by the Buc-ee's Travel Center and developed outparcels that contain sit-down restaurants or retail establishments for a period of twenty years. The City has also agreed to pay the grantee one quarter of the City sales tax, or 0.375%, generated by outparcels not included in the previously mentioned infrastructure grant, including fast food restaurants and drive-through uses. The tax rebate amount for the current fiscal year was $257,500.

The City has one additional Chapter 380 agreement not listed above becoming effective in future fiscal years should the grantee meet the obligations of the agreement. The agreement is for United States Cold Storage.

G. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued (see case below), while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings and the item described following, is approximately $500,000 as of September 30, 2021. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2021.

Michael Grim and Jim Maynard v. City of Denton

This case is a whistleblower retaliation lawsuit that was tried before a Dallas County jury. After a lengthy trial, involving disputed issues of law that were properly preserved for appeal, the jury awarded roughly $4.0 million in damages to the two plaintiffs, and the City has filed an appeal. Plaintiffs alleged that their terminations were in retaliation for their report to the City Attorney of an individual City Council member's release of proprietary vendor data to the press. The City's position was that Plaintiffs were actually fired at will for lying to management about their participation in hunting and fishing trips with the vendors who ultimately won the bids on a city project. Based on the current jury judgment, the City has accrued the $4 million as a long-term liability in the Electric fund, even though the trial court's final judgment reduced the jury verdict to $2.7 million by the application of statutory caps on damages. It is possible that the judgment may be reversed or modified on appeal.

H. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2021 up through March 30, 2022, the date the financial statements were issued.

As presented in footnote V.E., the TMPA Board of Directors authorized the Gibbons Creek Lignite Mine with approximately 11,000 acres to be sold. The sale finalized in December 2021, subsequent to the current fiscal year-end. The City received its portion of the sale in the amount of $15,174,089 which was recorded as revenues in the Electric fund for the fiscal year ending September 30, 2022.

I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statement which became effective for the fiscal year ending September 30, 2021.

Statement No. 84 "*Fiduciary Activities*" – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. As a result of the implementation of this statement, funds previously reported as agency funds are now reported as part of the General Fund.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

Statement No. 87 "*Leases"* – This Statement is to improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

Statement No. 91 "*Conduit Debt Obligations*" – This Statement clarifies the existing definition of conduit debt obligations (CDO) and establishes the CDO as not a liability of the issuer. Under this statement, it establishes the accounting and financial reporting of additional commitments and voluntary commitments extended by the issuers and arrangements associated with CDOs. This Statement will become effective for the City in fiscal year 2023.

Statement No. 93 "*Replacement of Interbank Offered Rate*" – This Statement provides exceptions for certain hedging derivate instruments when an interbank offered rate (IBOR) and clarifies the hedge accounting termination provisions. This Statement will become effective for the City in fiscal year 2022.

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CITY OF

DENTON

CITY OF DENTON, TEXAS **Exhibit XI**

REQUIRED SUPPLEMENTARY INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST SEVEN FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total pension liability:					
Service Cost	$ 10,667,694	$ 12,615,957	$ 13,925,238	$ 14,514,171	$ 14,990,529
Interest (on the total pension liability)	25,182,941	26,905,700	27,656,654	29,543,513	31,468,411
Difference between expected and actual experience	(171,241)	(1,525,911)	763,589	1,514,980	1,255,443
Change of assumptions	-	(428,789)	-	-	-
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)
Net change in total pension liability	24,291,777	24,869,222	29,322,151	29,223,020	29,476,344
Total pension liability - beginning	360,116,261	384,408,038	409,277,260	438,599,411	467,822,431
Total pension liability - ending (a)	$ 384,408,038	$ 409,277,260	$ 438,599,411	$ 467,822,431	$ 497,298,775
Plan fiduciary net position:					
Contributions - employer	$ 13,065,763	$ 13,615,410	$ 14,046,860	$ 14,821,752	$ 15,107,443
Contributions - employee	4,991,415	5,365,231	5,712,464	6,014,227	6,175,407
Net investment income	16,867,596	469,530	21,947,635	48,954,660	(12,175,765)
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)	(13,023,330)	(16,349,644)	(18,238,039)
Administrative expense	(176,083)	(285,957)	(247,766)	(253,578)	(235,169)
Other	(14,477)	(14,123)	(13,349)	(12,851)	(12,287)
Net change in plan fiduciary net position	23,346,597	6,452,356	28,422,514	53,174,566	(9,378,410)
Plan fiduciary net position - beginning	294,819,596	318,166,193	324,618,549	353,041,063	406,215,629
Plan fiduciary net position - ending (b)	$ 318,166,193	$ 324,618,549	$ 353,041,063	$ 406,215,629	$ 396,837,219
Net pension liability - ending (a) - (b)	$ 66,241,845	$ 84,658,711	$ 85,558,348	$ 61,606,802	$ 100,461,556
Plan fiduciary net position as a percentage of total pension liability	82.77%	79.32%	80.49%	86.83%	79.80%
Covered payroll	$ 71,025,494	$ 76,646,157	$ 81,481,789	$ 85,227,078	$ 88,179,581
Net pension liability as a percentage of covered payroll	93.26%	110.45%	105.00%	72.29%	113.93%

(continued on the following page)

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

CITY OF DENTON, TEXAS **Exhibit XI**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2019	Measurement Year 2020
Total pension liability:		
Service Cost	$ 16,283,811	$ 18,685,981
Interest (on the total pension liability)	33,434,342	35,523,156
Difference between expected and actual experience	2,005,979	2,636,510
Change of assumptions	1,438,798	-
Benefit payments, including refunds of employee contributions	(20,234,184)	(26,603,058)
Net change in total pension liability	32,928,746	30,242,589
Total pension liability - beginning	497,298,775	530,227,521
Total pension liability - ending (a)	$ 530,227,521	$ 560,470,110
Plan fiduciary net position:		
Contributions - employer	$ 16,255,126	$ 18,613,464
Contributions - employee	6,693,287	7,536,737
Net investment income	61,399,432	34,987,709
Benefit payments, including refunds of employee contributions	(20,234,184)	(26,603,058)
Administrative expense	(346,657)	(226,230)
Other	(10,413)	(8,826)
Net change in plan fiduciary net position	63,756,591	34,299,796
Plan fiduciary net position - beginning	396,837,219	460,593,810
Plan fiduciary net position - ending (b)	$ 460,593,810	$ 494,893,606
Net pension liability - ending (a) - (b)	$ 69,633,711	$ 65,576,504
Plan fiduciary net position as a percentage of total pension liability	86.87%	88.30%
Covered payroll	$ 95,618,386	$ 107,576,172
Net pension liability as a percentage of covered payroll	72.82%	60.96%

(concluded)

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

CITY OF DENTON, TEXAS **Exhibit XII**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2012	$ 11,475,702	$ 10,435,001	$ (1,040,701)	$ 60,340,212	17.29%
2013	12,174,640	12,171,482	(3,158)	64,940,234	18.74%
2014	12,912,746	12,911,461	(1,285)	69,872,024	18.48%
2015	13,507,272	13,507,272	-	75,379,632	17.92%
2016	14,435,638	14,435,638	-	83,127,601	17.37%
2017	14,648,606	14,648,606	-	84,753,377	17.28%
2018	14,931,800	14,931,800	-	86,832,074	17.20%
2019	16,035,042	16,035,042	-	94,158,313	17.03%
2020	17,562,597	17,562,597	-	101,964,029	17.22%
2021	17,794,920	17,794,920	-	101,641,023	17.51%

Notes to Schedule:
Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2021:

Actuarial Cost Method	**Entry Age Normal**
Amortization Method	**Level Percentage of Payroll, Closed**
Remaining Amortization Period	**25 Years (Equivalent Single Amortization Period of 14.6 years)**
Asset Valuation Method	**10 Year Smoothed Market; 12% Soft Corridor**
Inflation	**2.50%**
Salary Increases	**3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.**
Mortality	**Post-retirement: 2019 Municipal Retiress of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.** **Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employees table used for females. The rates are projected on a fully generational basis with scale UMP.**
Other	**There were not benefit changes during the year**

CITY OF DENTON, TEXAS **Exhibit XIII**
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018
Total pension liability:					
Service Cost	$ 2,747,253	$ 2,836,263	$ 3,089,911	$ 3,182,608	$ 3,615,495
Interest (on the total pension liability)	5,685,396	5,998,959	6,135,588	6,493,255	7,049,261
Difference between expected and actual experience	-	(2,063,421)	-	2,040,716	-
Change of assumptions	-	2,331,908	-	-	-
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)
Net change in total pension liability	4,396,640	5,055,351	4,955,493	7,947,750	6,608,900
Total pension liability - beginning	80,490,694	84,887,334	89,942,685	94,898,178	102,845,928
Total pension liability - ending (a)	$ 84,887,334	$ 89,942,685	$ 94,898,178	$ 102,845,928	$ 109,454,828
Plan fiduciary net position:					
Contributions - employer	$ 2,566,875	$ 2,567,219	$ 2,759,844	$ 2,979,807	$ 3,434,007
Contributions - employee	1,745,419	1,803,064	1,997,155	2,142,990	2,338,837
Net investment income	4,411,066	(3,287,188)	6,935,215	8,793,234	(183,148)
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)	(4,270,006)	(3,768,829)	(4,055,856)
Administrative expense	(81,005)	(76,538)	(94,175)	(63,669)	(87,899)
Net change in plan fiduciary net position	4,606,346	(3,041,801)	7,328,033	10,083,533	1,445,941
Plan fiduciary net position - beginning	66,412,172	71,018,518	67,976,717	75,304,750	85,388,283
Plan fiduciary net position - ending (b)	$ 71,018,518	$ 67,976,717	$ 75,304,750	$ 85,388,283	$ 86,834,224
Net pension liability - ending (a) - (b)	$ 13,868,816	$ 21,965,968	$ 19,593,428	$ 17,457,645	$ 22,620,604
Plan fiduciary net position as a percentage of total pension liability	83.66%	75.58%	79.35%	83.03%	79.33%
Covered payroll	$ 14,238,486	$ 14,310,032	$ 15,850,437	$ 17,007,857	$ 18,562,198
Net pension liability as a percentage of covered payroll	97.40%	153.50%	123.61%	102.64%	121.86%

(continued on the following page)

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

CITY OF DENTON, TEXAS **Exhibit XIII**
REQUIRED SUPPLEMENTARY INFORMATION
DENTON FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2019	Measurement Year 2020
Total pension liability:		
Service Cost	$ 3,723,960	$ 4,252,475
Interest (on the total pension liability)	7,497,583	8,293,527
Difference between expected and actual experience	1,526,958	-
Change of assumptions	3,446,011	-
Benefit payments, including refunds of employee contributions	(4,206,975)	(5,655,539)
Net change in total pension liability	11,987,537	6,890,463
Total pension liability - beginning	109,454,828	121,442,365
Total pension liability - ending (a)	$ 121,442,365	$ 128,332,828
Plan fiduciary net position:		
Contributions - employer	$ 3,639,740	$ 4,069,311
Contributions - employee	2,478,958	2,771,532
Net investment income	15,141,275	12,313,949
Benefit payments, including refunds of employee contributions	(4,206,975)	(5,655,539)
Administrative expense	(71,427)	(116,909)
Net change in plan fiduciary net position	16,981,571	13,382,344
Plan fiduciary net position - beginning	86,834,224	103,815,795
Plan fiduciary net position - ending (b)	$ 103,815,795	$ 117,198,139
Net pension liability - ending (a) - (b)	$ 17,626,570	$ 11,134,689
Plan fiduciary net position as a percentage of total pension liability	85.49%	91.32%
Covered payroll	$ 19,674,270	$ 21,996,287
Net pension liability as a percentage of covered payroll	89.59%	50.62%

(concluded)

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

CITY OF DENTON, TEXAS **Exhibit XIV**
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2012	$ 2,253,667	$ 2,253,667	$ -	$ 12,899,800	17.47%
2013	2,579,453	2,579,453	-	13,629,825	18.93%
2014	2,576,652	2,576,652	-	13,828,070	18.63%
2015	2,535,719	2,535,719	-	14,029,051	18.07%
2016	2,819,046	2,819,046	-	15,540,826	18.14%
2017	2,924,757	2,924,757	-	16,747,217	17.46%
2018	3,310,248	3,310,248	-	18,080,014	18.31%
2019	3,610,711	3,610,711	-	19,517,358	18.50%
2020	3,838,014	3,838,014	-	20,746,026	18.50%
2021	4,158,368	4,158,368	-	22,477,667	18.50%

Notes to Schedule:

Annual required contributions are not actuarially determined. In accordance with city ordinance since 2017, the City has contributed to the Firemen’s Relief and Retirement Fund at the rate of 18.5%, the assumed actuarial valuation rate over the unfunded liability amortization period.

While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy in the December 31, 2019 actuarial valuation:

Actuarial Cost Method	**Entry Age**
Amortization Method	**Level Percentage of Payroll, Open**
Remaining Amortization Period	**17.3 Years**
Asset Valuation Method	**5-year smoothing**
Inflation	**2.50%**
Salary Increases	**3.00% annual general compensation increase plus promotion, step, and longevity increases which average 1.98% per year over a 30-year career**
Investment Rate of Return	**6.75%, net of pension plan investment expense, including inflation**
Retirement Age	**Average expected age at retirement of 57**
Mortality	**PubS-2010 (public safety) total dataset mortality tables for employees and for retirees (sec distinct), projected for morality improvement generationally using the projection scale MP-2019**

CITY OF DENTON, TEXAS **Exhibit XV**
REQUIRED SUPPLEMENTARY INFORMATION
MEDICAL OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1,2]

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB liability:				
Service Cost	$ 1,750,172	$ 1,995,008	$ 2,052,606	$ 2,884,792
Interest (on the total OPEB liability)	1,360,179	1,329,949	1,507,925	1,186,428
Difference between expected and actual experience	-	(150,485)	(1,512,289)	329,072
Change of assumptions or other inputs	2,067,787	(1,724,923)	1,444,810	3,664,984
Benefit payments	(742,818)	(899,361)	(1,126,992)	(1,695,382)
Net change in total OPEB liability	4,435,320	550,188	2,366,060	6,369,894
Total OPEB liability - beginning	35,196,570	39,631,890	40,182,078	42,548,138
Total OPEB liability - ending	$ 39,631,890	$ 40,182,078	$ 42,548,138	$ 48,918,032
Covered-employee payroll	$ 104,783,403	$ 109,480,718	$ 118,063,295	$ 130,944,182
Net pension liability as a percentage of covered-employee payroll	37.82%	36.70%	36.04%	37.36%

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

[2]There are no assets accumlated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2021:

Actuarial cost method	Individual Entry-Age Normal
Discount rate	2.00% (Based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2020.) The prior year discount rate was 2.75%.
Inflation rate	2.50%
Projected salary increases	3.5% to 11.5% for TMRS and 3.00% to 9.18% for Fire, including inflation
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS) and the assumptions used in the December 31, 2019 actuarial valuation for the Denton Firemen's Relief and Retirement Fund.
Healthcare trend rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years.
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. Fire: For healthy retirees, the gender-distinct PubS-2010 (safety employees) total data set mortality tables are used. The rates are projected on a fully generational basis using the project scale MP-2019.
Participation rates	60% for employees retiring at age 65 or older; 45% for employees retiring between the ages of 50 and 64; 5% for employees retiring between the ages of 45 and 49; 0% for employees retiring before the ages of 45.

CITY OF DENTON, TEXAS **Exhibit XVI**

REQUIRED SUPPLEMENTARY INFORMATION

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT FUND

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST FOUR FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1,2]

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB liability:				
Service Cost	$ 144,886	$ 176,359	$ 152,989	$ 236,668
Interest (on the total OPEB liability)	106,885	110,831	130,143	115,434
Difference between expected and actual experience	-	155,143	(284,991)	(28,782)
Change of assumptions or other inputs	270,541	(247,941)	680,198	720,927
Benefit payments	(17,045)	(17,636)	(28,686)	(32,273)
Net change in total OPEB liability	505,267	176,756	649,653	1,011,974
Total OPEB liability - beginning	2,763,726	3,268,993	3,445,749	4,095,402
Total OPEB liability - ending	$ 3,268,993	$ 3,445,749	$ 4,095,402	$ 5,107,376
Covered-employee payroll	$ 85,227,078	$ 88,179,581	$ 95,618,386	$ 107,576,172
Net pension liability as a percentage of covered-employee payroll	3.84%	3.91%	4.28%	4.75%

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

[2]There are no assets accumlated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Methods and assumptions used to determine contribution rate for 2021:

Inflation rate	2.50% per annum
Discount rate	2.00% (Based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2020.) The prior year discount rate was 2.75%.
Actuarial cost method	Entry Age Normal
Projected salary increases	3.5% to 11.5% including inflation
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF DENTON, TEXAS **Exhibit XVII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 27,153,185	$ 27,153,185	$ 27,174,294	$ -	$ 27,174,294	$ 21,109
Investment revenue	300,000	300,000	155,984	-	155,984	(144,016)
Total revenues	27,453,185	27,453,185	27,330,278	-	27,330,278	(122,907)
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	90,312,780	90,312,780	28,741,212	61,076,051	89,817,263	495,517
Bond issuance costs	-	-	10,123	(10,123)	-	-
Total expenditures	90,312,780	90,312,780	28,751,335	61,065,928	89,817,263	495,517
Excess (deficiency) of revenues over (under) expenditures	(62,859,595)	(62,859,595)	(1,421,057)	(61,065,928)	(62,486,985)	372,610
OTHER FINANCING SOURCES (USES):						
Refunding bonds issued	-	-	1,415,000	(1,415,000)	-	-
Payment to refunded bond escrow agent	-	-	(1,691,409)	1,691,409	-	-
Premium on debt issuance	-	-	290,223	(290,223)	-	-
Transfers in	62,109,595	62,109,595	762,923	61,076,051	61,838,974	(270,621)
Total other financing sources (uses)	62,109,595	62,109,595	776,737	61,062,237	61,838,974	(270,621)
Net change in fund balance	(750,000)	(750,000)	(644,320)	(3,691)	(648,011)	101,989
Fund balance at beginning of year	5,325,062	5,325,062	5,325,062	-	5,325,062	-
Fund balance at end of year	$ 4,575,062	$ 4,575,062	$ 4,680,742	$ (3,691)	$ 4,677,051	$ 101,989

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds.
Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.

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APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.

[Issue Date]

CITY OF DENTON, TEXAS
CERTIFICATES OF OBLIGATION
SERIES 2022
DATED JUNE 15, 2022
IN THE PRINCIPAL AMOUNT OF $112,155,000

AS BOND COUNSEL FOR THE CITY OF DENTON, TEXAS (the "*Issuer*") in connection with the issuance of the Certificates of Obligation described above (the "*Certificates*"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates. Terms used herein and not otherwise defined shall have the meaning given in the Ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "*Ordinance*").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Certificates, including the Ordinance and other documents authorizing and relating to the issuance of the Certificates; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Certificates (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights generally, or by general principles of equity or governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Certificates will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from limited surplus revenues (not to exceed $1,000) of the Issuer's Utility System (consisting of the Issuer's combined waterworks system, sanitary sewer system, drainage system and electric light and power system), remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the Net Revenues of the Issuer's Utility System.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the

Internal Revenue Code of 1986 (the "*Code*"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged surplus net revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

[Issue Date]

CITY OF DENTON, TEXAS
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT BONDS
SERIES 2022
DATED JUNE 15, 2022
IN THE PRINCIPAL AMOUNT OF $71,285,000

AS BOND COUNSEL FOR THE CITY OF DENTON, TEXAS (the "*Issuer*") in connection with the issuance of the bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "*Ordinance*").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Bonds, including the Ordinance and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, or by general principles of equity or governmental immunity of political subdivisions which permit the exercise of judicial discretion, the Bonds will constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "*Code*"). In expressing the aforementioned opinions, we have relied on certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed and refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "*Service*"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Respectfully,

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