

DENTON COUNTY, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended

September 30, 2014



DENTON COUNTY AUDITOR

DENTON COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

Prepared By the
DENTON COUNTY AUDITOR'S OFFICE
James A. Wells, CPA, County Auditor



**DENTON COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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DENTON COUNTY AUDITOR

March 27, 2015

JAMES A. WELLS, C.P.A.

The Honorable District Judges of Denton County and
The Honorable Members of the Denton County Commissioners Court:

Chapter 114.025 and chapter 115.045 of the Local Government Code of the State of Texas require that Denton County publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Per that requirement, we hereby issue the comprehensive annual financial report of Denton County for the fiscal year ended September 30, 2014.

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

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unmodified (clean) opinion on Denton County's financial statements for the year ended September 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

The independent audit of the financial statements of Denton County was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are included in the Single Audit section of this report.

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

PROFILE OF DENTON COUNTY

The County of Denton, established in 1846, is located in the north central part of the state, which is considered to be a top growth area in the state, and one of the top growth areas in the country. The County of Denton currently occupies a land area of 911 square miles and serves a population of 713,200 according to the most recent estimates of the North Central Texas Council of Governments. The County of Denton is empowered to levy a property tax on both real and personal property located within its boundaries.

Policy-making authority is vested in the Commissioners Court, consisting of the County Judge and four County Commissioners. The Commissioners Court is responsible, among other things, for adopting the budget and for setting policies.

The County provides a full range of services authorized by statute. Such services include general governmental functions such as recording and licensing, maintaining the county and district court systems, maintaining public facilities, ensuring public safety, maintaining public health and welfare, aiding conservation, and maintaining county roads and bridges.

The annual budget serves as the foundation for Denton County's financial planning and control. All departments of the County are required to submit budget requests to the budget officer during May each year. The budget officer uses these requests to develop a proposed budget. The proposed budget is then presented to the Commissioners Court for review. The Commissioners Court is required to hold public hearings on the proposed budget. The County is required to adopt its budget by first day of the new fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department. All transfers of appropriations, either between departments or within an individual department's budget, require the approval of the Commissioners Court. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Denton County operates.

Local economy. Denton County is located in the north central part of Texas. With approximately 713,000 citizens, it is the ninth most populous county in the state. Major cities in the County include Denton which is the county seat, Lewisville, Flower Mound and Carrollton. Denton County's many advantages include climate, access to transportation, a young, skilled workforce, and its educational facilities.

Denton County continues to experience strong growth in population and in its economic base. The population has grown by almost 60% since the 2000 census and by nearly 120% since the 1990 census. During the same period, the County's tax base has grown from \$10 billion in 1990 to almost \$58 billion in 2014.

Denton County's economy and employment picture have rebounded strongly since the 2008 recession. Our September, 2014, unemployment rate of 4.5% compares favorably with the 5.0% statewide rate, and with the 5.7% national rate. During the 2014 year, the County had over \$1.80 billion in new property added to the tax rolls. This is a 33% increase in new construction in the County compared to the previous year, and it is almost equal to our pre-recession tax base growth. Also, in 2014, approximately 5,000 new housing starts were added in the County.

The economic outlook for Denton County remains very positive for the near future. Major industrial investments in the past, which include Alliance Airport, a Wal-Mart distribution center, and the Texas World Speedway, continue to attract additional development in the County. New housing developments such as Rayzor Ranch, the Hills of Denton, Hunter Ranch and Cole Ranch are expected to add over 28,000 new housing units in the next 20 years, and construction has rebounded from the recession. There also have been major investments in the County by the healthcare profession with several major hospitals undergoing significant expansions. These expansions have in turn spurred additional investment in office buildings and other medical services. Also, corporate expansions by Target and Schlumberger have been completed. The retail industry continues to expand throughout Denton County as the population of the County continues to grow steadily. Denton County's two universities, the University of North Texas and Texas Woman's University, and North Central Texas College continue to turn out a large number of skilled graduates each year, and enrollment at these schools continues to increase significantly each year. This labor supply, combined with air, rail and highway transportation centers, adds assurance to the County's continued economic growth.

Long-term Financial Planning. Denton County has adopted several financial management policies to provide guidelines to insure its long-term financial health. The General Fund Balance policy sets a minimum level for reserve funds in the General Fund at 12% of current budgeted expenditures. It also establishes guidelines for appropriate uses of excess reserves, and it sets out strategies for the County when compliance has not been maintained. The Debt Management Policy establishes guidelines for debt issuance, debt levels, appropriate types of debt to issue, and debt repayment schedules. These policies have been adopted in the last ten years, and the County has remained in compliance with them. To further strengthen our long-term financial planning,

Denton County adopted its first formal Capital Improvements Plan in 2009, and the plan has been updated each year since.

Relevant Financial Policies. The County's debt management policy sets out the parameters followed by the County for issuing debt. The policy prescribes the types of debt that the County will issue and the preferred method, competitive sales, for issuing debt. It also sets limits for total debt and for annual debt service expenditures. The policy also sets benchmarks to be used when considering opportunities to refund, or refinance, existing debt. The refunding policy has been used as a guide in nine transactions over the last decade, and it has helped the county reduce future debt service payments by almost \$15,000,000.

Major Initiatives. Continued implementation of the facilities and transportation improvements identified in the Capital Improvement Plan was the major priority of County management in 2014. Construction continued on the County's law enforcement center, and the juvenile detention center was completed in 2014 at a total cost of almost \$19 million. New projects initiated in 2014 included government centers in Frisco, Lewisville and Flower Mound.

A major portion of the funding from the 2013 and 2014 PI Bonds was dedicated to transportation improvements. The County was very active in finalizing contracts with municipalities in the County and with the State of Texas to insure that needed improvements were begun. We also hired several engineering firms to plan and design projects where the funding contracts were already in place. Both the facilities and the transportation initiatives will carry forward into the 2015 fiscal year.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Denton County for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2013. This was the twenty-third consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

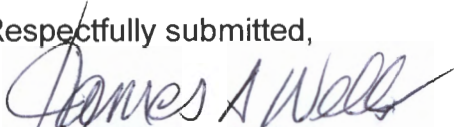
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2013. In

order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including serving as a policy document, a financial plan, an operations guide, and as a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the County Auditor's office. Credit also must be given to the County Treasurer, Budget Office, Purchasing Department and Human Resources Department for their support for maintaining the highest standards of professionalism in the management of the County's finances.

Respectfully submitted,



James A. Wells, CPA
Denton County Auditor



Government Finance Officers Association

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

Presented to

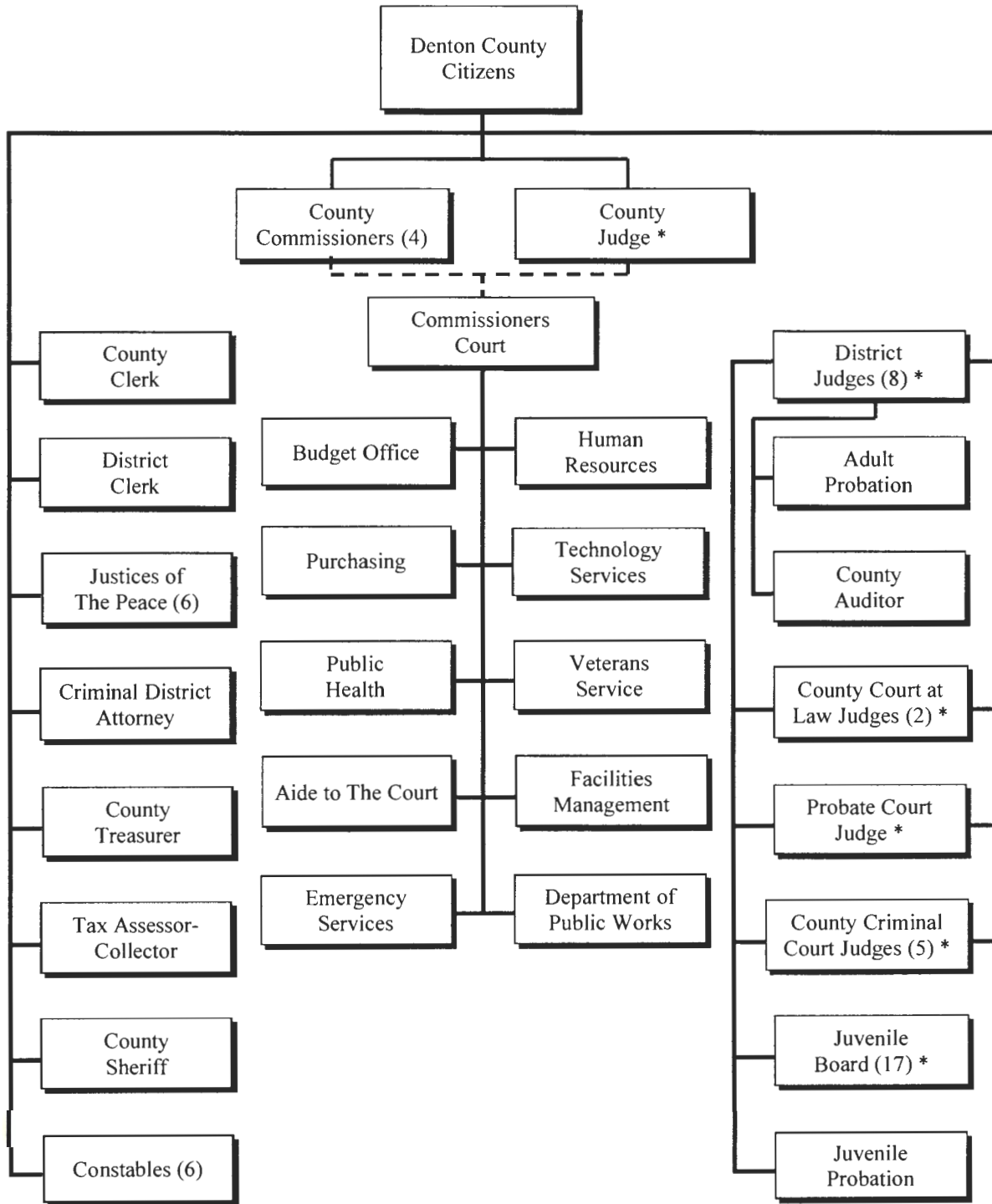
**Denton County
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

DENTON COUNTY ORGANIZATIONAL CHART



* Members of Juvenile Board

DENTON COUNTY, TEXAS

PRINCIPAL OFFICIALS

September 30, 2014

Commissioners Court

Mary Horn	County Judge
Hugh Coleman	Commissioner, Pct. 1
Ron Marchant	Commissioner, Pct. 2
Bobbie J. Mitchell	Commissioner, Pct. 3
Andy Eads	Commissioner, Pct. 4

Judicial

Sherry Shipman	Judge, 16th District Court
Steve Burgess	Judge, 158th District Court
L. Dee Shipman	Judge, 211th District Court
Bruce McFarling	Judge, 362nd District Court
Margaret Barnes	Judge, 367th District Court
Doug Robison	Judge, 393rd District Court
Jonathan Bailey	Judge, 431st District Court
Kimberly McCary	Judge, County Court-at-Law 1
Robert Ramirez	Judge, County Court-at-Law 2
Jim Crouch	Judge, County Criminal Court 1
Virgil Vahlenkamp	Judge, County Criminal Court 2
David Garcia	Judge, County Criminal Court 3
Joe Bridges	Judge, County Criminal Court 4
Richard Podgorski	Judge, County Criminal Court 5
Bonnie Robison	Judge, Probate Court

Law Enforcement

William B. Travis	County Sheriff
Paul Johnson	Criminal District Attorney
Peggy Carr*	Community Supervision Director
Ken Metcalf*	Juvenile Probation Director

Financial Administration

James Wells *	County Auditor
Cindy Brown	County Treasurer
Michelle French	Tax Assessor-Collector
Beth Flerning *	Director of Purchasing
Donna Stewart *	Budget Officer

Recording Officials

Sherri Adelstein	District Clerk
Cynthia Mitchell	County Clerk

* Designates appointed officials. All others listed are elected officials.



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
Commissioners' Court
Denton County, Texas

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton County, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Denton County, Texas, as of September 30, 2014, 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.

Change in Accounting Principle

As discussed in Note III to the financial statements, in 2014 the County adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedule of Funding Progress for the employees' retirement system and other post-employment benefit plans on pages 4–14 and 56 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 Denton County, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations*, and the *State of Texas Uniform Grant Management Standards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal and state awards 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 nonmajor fund financial statements and schedules and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of the Denton County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denton County, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 27, 2015

Denton County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Denton County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2014. The MD&A should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- Denton County's liabilities exceeded its assets and deferred outflows, at the close of the most recent fiscal year by \$(127,043,027) (*net position*). Of this amount \$18,237,107 is restricted for specific purposes. Unrestricted net position is \$(345,818,075).
- As of the close of the current fiscal year, Denton County's governmental funds reported combined ending fund balances of \$287,292,810, a decrease of \$(87,393) in comparison with the prior year. Of this total amount, \$37,280,558 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$37,289,484 or 29.91 percent of the total general fund expenditures.
- Denton County's total bonded debt increased by \$18,730,000 (3.1 percent) during the current fiscal year. The key factors in this increase are that the County issued \$40,210,000 in new bonded debt in 2014 while over \$21 million in previously issued debt was retired during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Denton County's basic financial statements. Denton County's basic financial statements comprise 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 Denton County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of Denton County's assets, liabilities, and deferred inflows/outflows of resources, with the difference

between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Denton County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Denton County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Denton County include general government, public safety, roads and bridges, public health and judicial.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Denton County, like other state and local governments, uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. All of the funds of Denton County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

Denton County maintains 40 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the 2010 PI Bond Project Fund, 2012 PI Bond Fund, the 2013 PI Bond Fund, and the 2014 PI Bond Fund, all of which are considered to be major funds. Data from the other 34 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Denton County adopts an annual appropriated budget for the General Fund, the Debt Service Fund and for certain of the Special Revenue Funds. Budgetary comparison schedules have been provided for all budgeted funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-23 of this report.

Proprietary fund. Denton County maintains one type of proprietary fund. The *internal service fund* is an accounting device used to accumulate and to allocate costs internally among Denton County's various functions. Denton County uses an internal service fund to account for its self-insurance program for employee health and dental benefits. Because this program predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support Denton County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statement can be found on page 27 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.

The notes to the financial statement can be found on pages 28-55 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary*

information and combining and individual fund statements for the Debt Service Fund and the Special Revenue Funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Denton County, liabilities exceeded assets and deferred outflows of resources by \$127,043,027 at the close of the most recent fiscal year.

The largest portion of Denton County's net position represents cash and investments that are to be used for capital improvements for the County. The County's investment in capital assets (e.g., land, buildings, machinery, and equipment) is more than offset by the related debt used to acquire those assets that is still outstanding. This results in a negative number for the County's total net position. Although Denton County'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.

Denton County Net Position

The County's net position for the fiscal years ended September 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 319,840,704	\$ 320,067,266
Capital assets (net of depreciation)	<u>253,265,319</u>	<u>228,690,114</u>
Total assets	<u>573,106,023</u>	<u>548,757,380</u>
Deferred outflows of resources	<u>6,468,699</u>	<u>-</u>
Current and other liabilities	19,405,493	23,377,055
Long-term liabilities	<u>687,212,253</u>	<u>651,996,862</u>
Total Liabilities	<u>706,617,746</u>	<u>675,373,917</u>
Net position:		
Net investment in capital assets	200,537,941	174,975,888
Restricted	18,237,107	17,229,999
Unrestricted	<u>(345,818,075)</u>	<u>(318,822,424)</u>
Total net position	<u>\$ (127,043,027)</u>	<u>\$ (126,616,537)</u>

About 3.18% of Denton County's total assets represent resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants and granting conditions. Also, in many instances, liabilities that have affected the County's net assets in a negative manner have financed non-County road projects and therefore have not resulted in a corresponding increase in County assets.

The County's net position increased by \$588,582, excluding a prior period adjustment during the current fiscal year. Key components of this increase include the following:

- Unrestricted net position decreased by nearly \$38 million as a result of expenses financed by long-term debt proceeds for infrastructure improvements not owned by the County. Expenses from debt proceeds generally also increase county assets, but Denton County has voluntarily lent its support to improving state and city-owned roads and highways. Without these types of expenses, Denton County would have experienced a greater increase in net position during 2014.
- An increase in net position in the internal service fund of \$3.67 million is due to increased plan premiums and a smaller increase in overall claims paid in 2014.
- A reporting requirement for debt in government-wide statements is that the principal debt payments of \$21,480,000 are expenditures in the traditional fund statements and a reduction of debt (which increases net position) in the government-wide financial statements.
- Capital assets increased by \$25 million as the County continued implementing its adopted capital improvement plan. The County made significant improvements to county buildings and infrastructure in 2014.
- Net position was decreased by \$1.015 million due to required adjustment to ending position in FY 2013. This was necessary due to Governmental Accounting Standards Board Statement 65 which requires that issuance costs relating to bonds and notes, which had previously been capitalized and amortized over the life of the related debt, be expensed in the year incurred.

Governmental activities. Governmental activities, which are the County's only activities, increased Denton County's net position by \$588,582. Key elements of this increase are as follows:

	<u>2014</u>	<u>2013</u>
Revenues:		
Net Program Revenues:		
Charges for services	\$ 24,029,212	\$ 24,126,115
Operating grants and contributions	30,051,949	26,912,531
Capital grants and contributions	293,872	673,691
General Revenues:		
Property taxes	165,644,534	155,505,737
Unrestricted investment earnings	346,610	536,010
Total revenues	<u>220,366,177</u>	<u>207,754,084</u>
Expenses:		
General government	25,138,657	20,755,105
Judicial	21,147,853	20,043,132
Legal	12,965,216	12,414,856
Financial management	6,652,765	6,586,692
Public Facilities	12,180,426	10,907,349
Public Safety	71,202,091	70,230,759
Health and welfare	11,255,219	9,333,897
Conservation	387,494	357,272
Contractual	3,148,163	3,079,664
Roads Maintenance	31,121,422	38,433,544
Interest on long-term debt	24,578,290	23,003,214
Total expenses	<u>219,777,595</u>	<u>215,145,484</u>
Changes in net position	588,582	(7,391,400)
Net position - beginning	<u>(126,616,537)</u>	<u>(113,250,029)</u>
Prior Period Adjustment	<u>(1,015,072)</u>	<u>(5,975,108)</u>
Net position - ending	<u>\$ (127,043,027)</u>	<u>\$ (126,616,537)</u>

Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Property tax revenues increased by \$10.1 million (6.1%) during the year. This increase is the result of increases to the tax base that totaled \$1.8 billion and a 2.85% increase in the effective tax rate. Taxes were increased to fund salary and benefit increases for county employees; to fund the opening of jail and juvenile detention expansion; and for increased debt service.
- Charges for services increased by a significant amount as the county's increased population and stronger economy resulted in an increased

- demand for county services. Also, statutory changes authorized an increase in the fees for document management and archiving.
- Total expenses increased by only 2.1% during the year. Increases in spending general government and public health were offset by declines in road maintenance expenses. The County continues to increase efficiency of service provision to offset increases in mandated costs such as in the criminal justice system. Also, 2014 was the sixth year for Denton County to implement the provisions of GASB 45, and this resulted in additional recognition of expenses for other post-employment benefits that totaled \$9.3 million.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general governmental functions are reported in the General, Special Revenue, Debt Service and Capital Projects funds. The focus of Denton County's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Denton County's annual financing and budgeting requirements. In particular, *unassigned fund balance* may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Denton County's governmental funds reported combined ending fund balances of \$287,292,810, a decrease of less than \$100,000 in comparison with the prior year. Approximately 12.9 percent of this total amount (\$37.3 million) constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is divided among *assigned fund balance of \$0, committed fund balance of \$0, restricted fund balance of \$249,864,286 and non-spendable fund balance of \$147,966*. The County's ability to spend each of these types of fund balance is more limited than with unassigned fund balance, and the limitations on spending are discussed more fully in the notes to the financial statements.

The general fund is the chief operating fund of Denton County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$37,289,484, while total fund balance was \$37,437,450. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29.90% of total general fund expenditures, and total fund balance represents 30.02% of that same amount.

The fund balance of Denton County's general fund increased by \$3.7 million during the current fiscal year, even though \$4.4 million was transferred to other governmental funds. Key factors that enabled the County to increase the level of fund balance are as follows:

- Total revenues from taxes increased over the prior year by \$5.1 million. Taxes increased due to a 2.5% increase in the tax rate, and because of an increase in taxable property. No other types of General Fund revenues showed significant increases from 2013.
- Expenditures in the General Fund increased by almost \$6 million (5.0%) over prior year totals. Spending increased due to higher salary and benefit personnel costs and due to the County adding over 50 new employees to staff the jail and juvenile detention expansions.
- Fund balances in capital projects funds remained stable as spending from debt proceeds was offset by the County's issuance of \$40 million in new debt during the year. Numerous road and building construction projects that were initiated in prior years continued, and several new projects were begun.

The debt service fund has a total fund balance of \$2,763,689 all of which will be used for the payment of debt service.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County budget is prepared in accordance with financial policies approved by the Commissioners Court, and in accordance with accounting principals generally accepted in the United States. The budget is prepared by the Budget Officer and approved by the Commissioners Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure line item level. Budgetary transfers between departments must be approved by the Commissioners Court.

Differences between the original budget and the final amended budget were moderate (a \$2,452,000 increase in appropriations), and were primarily for the following:

- The re-appropriation of funds for prior year-end encumbrances (\$730,000), and,
- The appropriation of funds received during the budget year from grant programs (\$1,906,000)

During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates. Major variances include:

- Property tax revenue exceeded budget by 2.4% (\$2.3 million) due to higher than expected collection rates and to increased penalties and interest on collections of delinquent taxes.
- Licenses and intergovernmental revenues exceeded budgeted amounts by over 17% due to increases in vehicle sales, mixed beverage taxes, grant programs and communications contract fees.
- Total general fund expenditures were 95.0% of the amended budget, and most functional areas of expenditures varied less than 5% from the amended budget. Major savings were realized in the Public Safety, Public Facilities and General Governmental areas of the budget. Salary, operational expenditures, and insurance savings offset increased expenditures for employee health insurance, prisoner related expenses, and court related expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Denton County's investment in capital assets for its governmental activities as of September 30, 2014 totals over \$253 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, roads, and bridges.

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

- A variety of transportation construction projects were initiated or continued at a cost of \$23 million, financed by road bonds.
- A project to construct an expansion of the county jail was initiated in 2013 and continued in 2014. This project has a cost of almost \$30 million and is being funded by the 2012 PI Bond Fund.
- The replacement and upgrade of the Sheriff's communication system was begun in 2014. The system is vital for receiving calls for assistance and dispatching the appropriate officers throughout the county. This project has a budget of almost \$10 million, and it is funded by the 2014 Tax Note Fund.
- A formal capital improvements planning process for the County was continued by a county official committee chaired by the Budget Director. The first five-year plan was adopted by the Commissioners Court in the summer of 2007, and implementation continued in fiscal 2014. The plan is updated annually by the County. Design and construction for the jail expansion, juvenile probation expansion, Frisco government center, and Lewisville government center expansion projects in this plan continued during fiscal 2014.

Denton County's Capital Assets

Governmental Activities:	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Land	\$ 11,446,362	\$ -	\$ 11,446,362
Buildings and Improvements	181,430,881	35,728,923	145,701,958
Machinery & Equipment	43,788,512	32,859,839	10,928,673
Infrastructure	181,952,486	144,026,273	37,926,213
Construction in Progress	47,262,113	-	47,262,113
Total	<u>\$ 465,880,354</u>	<u>\$ 212,615,035</u>	<u>\$ 253,265,319</u>

Additional information of Denton County's capital assets can be found in note IV.C of this report.

Long-term debt. At the end of the current fiscal year, Denton County had total bonded debt outstanding of \$614,975,000. Article 3, Section 52e of the Texas Constitution establishes the County's outstanding debt limit at an amount no greater than 25% of its real property valuation.

Denton County's total bonded debt increased by \$18,730,000 (3.14 percent) during the current fiscal year. Denton County issued bonds and notes totaling \$40,210,000, and a total of \$21,480,000 in debt was retired.

Denton County's bond ratings were upgraded in 2009 from "AA+" to "AAA" by Standard & Poor's and in 2010 from "Aa1" to "Aaa" by Moody's for general obligation debt. Both ratings agencies cited the County's growing tax base, growing population, and strong financial management policies as rationale for their ratings upgrades.

Additional information on Denton County's long-term debt can be found in note IV-F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for Denton County is currently 4.5 percent, which is significantly improved over the rate of 5.5 percent a year ago. The County's rate compare favorably to the state's average unemployment rate of 5.0 percent and the national average rate of 5.7 percent.
- New construction and improvements to the County's tax rolls provided an additional \$5.5 million in property tax revenues for 2015 without requiring a tax rate increase over the County's effective tax rate.

- By limiting other increases in spending and due to the larger than expected additional tax revenue, salary increases of 4% were approved for county employees in the FY 2015 budget.
- Increases in costs for health and dental care continued to ease in 2014. Because of this, the increase in the County's funding to the employee benefit plan for 2015 was only \$525 per employee per year. This is the second year in a row where only a small annual increase in budgeted health insurance was required.
- A \$2.5 million expenditure increase for debt service was included in the 2015 budget due to the new bonded debt issued in 2014. In preparation for the full operations of the jail and juvenile detention expansions, and for a new district court, budgetary funding was approved for 31 new employees county-wide.
- The County's tax base increased by \$6 billion for 2015. This increase was the result of over \$1.8 billion in new property being added to the tax roll. Also, increases in the value of land and existing improvements offset decreases in the valuations of mineral property and business personal property.

All of these factors were considered in preparing Denton County's budget for the 2015 fiscal year.

At the end of the current fiscal year, fund balances in the governmental funds totaled \$287.3 million. Denton County has appropriated \$18 million of this amount for spending in the 2015 fiscal year budget. \$4 million of fund balance in the Capital Improvement Fund is appropriated for expenditures in 2015. This is a decision of County management to fund certain capital expenditures from reserve funds and to forego issuing debt for them. Over \$1.5 million in the Debt Service Fund is appropriated for 2015. It is expected that conservative revenue budgets and the historical spending of less than 100% of budgeted expenditures will serve to make the actual decrease in fund balance far less than budgeted.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Denton County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 401 W. Hickory, Suite 423, Denton, Texas, 76201.

BASIC FINANCIAL STATEMENTS

Denton County, Texas
STATEMENT OF NET POSITION

September 30, 2014

Governmental
Activities

ASSETS

Cash	\$	17,393,420
Investments		293,749,928
Receivables:		
Taxes		3,241,213
Accrued Interest		12,750
Other Receivables		136,909
Fines Receivable		7,564,300
Less Allowance for Uncollectables		(4,759,193)
Due from Other Governments		2,353,410
Inventories		147,966
Capital Assets:		
Land		11,446,362
Buildings		181,430,881
Depreciation on Buildings		(35,728,923)
Equipment		43,788,512
Depreciation on Equipment		(32,859,839)
Infrastructure		181,952,486
Depreciation on Infrastructure		(144,026,273)
Construction in Progress		47,262,113
TOTAL ASSETS	\$	<u>573,106,023</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Charge on Refundings		<u>6,468,699</u>
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LIABILITIES

Accounts Payable		9,615,719
Wages Payable		2,352,568
Interest Payable		4,486,085
Due to Other Governments		1,215,649
Unearned Revenue		1,735,472
Non Current Liabilities:		
Due within One Year		26,088,370
Due in More than One Year		661,123,883
TOTAL LIABILITIES		<u>706,617,746</u>

NET POSITION

Net Investment in Capital Assets		200,537,941
Restricted for Road and Bridge		6,127,070
Restricted for Records Management		2,110,623
Restricted for Juvenile Probation		1,320,932
Restricted for Indigent Health		5,236,664
Restricted for Law Enforcement		1,011,334
Restricted for Technology & Security		624,755
Restricted for Other Purposes		1,805,729
Unrestricted		(345,818,075)
Total Net Position	\$	<u>(127,043,027)</u>

See the notes to the financial statement.

Denton County, Texas
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
General Government	\$ 25,138,657	\$ 9,649,495	\$ 6,481,470		\$ (9,007,692)
Judicial	21,147,853	7,626,112	1,635,460		(11,886,281)
Legal	12,965,216	103,712	402,734		(12,458,770)
Financial	6,652,765	3,272,157	-		(3,380,608)
Public Facilities	12,180,426	-	-		(12,180,426)
Public Safety	71,202,091	2,867,143	5,857,670	293,872	(62,183,406)
Health & Welfare	11,255,219	454,984	6,379,171		(4,421,064)
Conservation	387,494	-	-		(387,494)
Contractual	3,148,163	-	1,160,990		(1,987,173)
Road Maintenance	31,121,422	55,609	6,377,354		(24,688,459)
Interest on Long-Term Debt	24,578,290	-	1,757,100	-	(22,821,190)
Total	\$ 219,777,595	\$ 24,029,212	\$ 30,051,949	\$ 293,872	\$ (165,402,562)
General Revenues:					
Property Taxes					165,644,534
Investment Earnings					346,610
Total General Revenues					165,991,144
Change in Net Position					588,582
Net Position - Beginning					(126,616,537)
Prior Period Adjustment					(1,015,072)
Net Position - Ending					\$ (127,043,027)

See the notes to the financial statements.

Denton County, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	General Fund	Debt Service	2010 PI Bond Project Fund	2012 PI Bond Project Fund	2013 PI Bond Project Fund	2014 PI Bond Project Fund	Nonmajor Governmental	Total Governmental
ASSETS								
Cash	\$ 1,332,538	\$ 10,707	\$ -	\$ -	\$ 600,000	\$ -	\$ 3,054,593	\$ 4,997,838
Investments	41,471,924	1,813,174	52,091,364	59,254,830	49,129,058	29,695,125	60,294,453	293,749,928
Receivables:								
Taxes	2,003,560	876,757	-	-	-	-	360,896	3,241,213
Accrued Interest	10,150	-	-	-	-	1,820	780	12,750
Other Receivables	107,038	-	-	11,050	-	-	18,821	136,909
Due from Other Funds	411,129	92,771	-	-	-	-	107,266	611,166
Due from Other Governments	700,513	878,077	-	-	-	-	774,820	2,353,410
Inventories	147,966	-	-	-	-	-	-	147,966
TOTAL ASSETS	\$ 46,184,819	\$ 3,671,485	\$ 52,091,364	\$ 59,265,879	\$ 49,729,058	\$ 29,696,946	\$ 64,611,630	\$ 305,251,181
LIABILITIES AND FUND EQUITY								
Accounts Payable	2,365,362	400	194,982	2,783,899	1,858,443	-	1,568,577	8,771,663
Wages Payable	1,892,048	-	-	-	-	-	460,520	2,352,568
Interest Payable	-	30,640	-	-	-	-	-	30,640
Due to Other Funds	2,530	-	-	-	-	-	608,636	611,166
Due to Other Governments	1,214,549	-	-	-	-	-	1,100	1,215,649
Unearned Revenue	1,269,318	-	-	-	-	-	466,154	1,735,472
TOTAL LIABILITIES	6,743,808	31,040	194,982	2,783,899	1,858,443	-	3,104,987	14,717,158
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Property Taxes	2,003,560	876,757	-	-	-	-	360,896	3,241,213
TOTAL DEFERRED INFLOWS OF RESOURCES	2,003,560	876,757	-	-	-	-	360,896	3,241,213
EQUITY								
Fund Balances:								
Nonspendable	147,966	-	-	-	-	-	-	147,966
Restricted	-	2,763,689	51,896,382	56,481,981	47,870,616	29,696,946	61,154,673	249,864,286
Unassigned	37,289,484	-	-	-	-	-	(8,926)	37,280,558
TOTAL FUND EQUITY	37,437,450	2,763,689	51,896,382	56,481,981	47,870,616	29,696,946	61,145,747	287,292,810
TOTAL LIABILITIES, EQUITY	\$ 46,184,819	\$ 3,671,485	\$ 52,091,364	\$ 59,265,879	\$ 49,729,058	\$ 29,696,946	\$ 64,611,630	

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 in the funds.	253,265,319
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds	12,515,017
Internal service funds are used by management to charge costs related to the trust. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	11,551,525
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not reported in the funds.	(691,667,698)
Net position of governmental activities	\$ (127,043,027)

See the notes to the financial statements.

Denton County, Texas
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	General Fund	Debt Service	2010 PI Bond Project Fund	2012 PI Bond Project Fund	2013 PI Bond Project Fund	2014 PI Bond Project Fund	Nonmajor Governmental	Total Governmental Funds
REVENUES								
Taxes	\$ 101,433,787	\$ 44,928,365	\$ -	\$ -	\$ -	\$ -	\$ 18,509,689	\$ 164,871,840
Licenses and Permits	3,597,147	-	-	-	-	-	6,160,402	9,757,549
Intergovernmental	8,441,258	1,757,100	55,178	-	-	-	10,097,909	20,351,445
Fees of Office	12,768,423	-	-	-	-	-	4,713,685	17,482,108
Fines	3,127,188	-	-	-	-	-	-	3,127,188
Interest	68,455	11,733	82,080	66,425	54,877	4,791	58,249	346,610
Miscellaneous	2,350,598	-	-	-	-	-	921,633	3,272,231
TOTAL REVENUES	131,786,855	46,697,198	137,258	66,425	54,877	4,791	40,461,566	\$ 219,208,971
EXPENDITURES								
Current:								
General Government	18,875,314	-	-	-	-	-	3,660,282	22,535,596
Judicial	19,313,650	-	-	-	-	-	1,341,936	20,655,585
Legal	12,304,311	-	-	-	-	-	234,476	12,538,786
Financial	6,299,816	-	-	-	-	-	12,290	6,312,107
Public Facilities	9,017,878	-	-	-	-	-	-	9,017,878
Public Safety	55,255,258	-	-	-	-	-	12,157,505	67,412,762
Health and Welfare	87,471	-	-	-	-	-	10,820,258	10,907,729
Conservation	378,764	-	-	-	-	-	-	378,764
Contract Services	3,148,163	-	-	-	-	-	-	3,148,163
Roads	-	-	-	-	-	-	10,369,531	10,369,531
Capital Outlay	-	-	18,135,163	22,372,107	2,855,633	137,845	9,068,500	52,569,247
Debt Service:								
Principal Retirement	-	21,480,000	-	-	-	-	-	21,480,000
Interest & Service Charges	-	25,416,667	-	-	-	-	-	25,416,667
TOTAL EXPENDITURES	124,680,625	46,896,667	18,135,163	22,372,107	2,855,633	137,845	47,664,777	262,742,815
Excess (Deficiency) of Revenues Over Expenditures	<u>7,106,231</u>	<u>(199,469)</u>	<u>(17,997,905)</u>	<u>(22,305,682)</u>	<u>(2,800,756)</u>	<u>(133,054.11)</u>	<u>(7,203,211)</u>	<u>(43,533,844)</u>
Other Financing Sources (Uses):								
Issuance of Debt	-	-	-	-	-	29,245,000	10,965,000	40,210,000
Bond Premium	-	-	-	-	-	585,000	315,000	900,000
Sale of Surplus Property	142,068	-	-	-	-	-	1,402,502	1,544,570
Capital Lease Financing	791,882	-	-	-	-	-	-	791,882
Transfers In	30,688	92,771	902,599	-	600,000	-	4,808,443	6,434,501
Transfers Out	(4,346,042)	-	-	-	-	-	(2,088,459)	(6,434,501)
Total Other Financing Sources (Uses)	(3,381,404)	92,771	902,599	-	600,000	29,830,000	15,402,486	43,446,452
NET CHANGE IN FUND BALANCES	3,724,827	(106,698)	(17,095,306)	(22,305,682)	(2,200,756)	29,696,946	8,199,275	(87,393)
FUND BALANCE - BEGINNING	<u>33,712,622</u>	<u>2,870,387</u>	<u>68,991,687</u>	<u>78,787,663</u>	<u>50,071,372</u>	<u>-</u>	<u>52,946,471</u>	<u>287,380,203</u>
FUND BALANCE - ENDING	<u>\$ 37,437,450</u>	<u>\$ 2,763,689</u>	<u>\$ 51,896,382</u>	<u>\$ 56,481,981</u>	<u>\$ 47,870,616</u>	<u>\$ 29,696,946</u>	<u>\$ 61,145,747</u>	<u>\$ 287,292,810</u>

See the notes to the financial statements.

Denton County, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2014

Amounts reported for governmental activities in the statement of activities (p. 16) are different because:

Net change in fund balances - total governmental funds (p. 18)	\$ (87,393)
--	-------------

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of some of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays for County owned assets were more than depreciation in the current period.	26,512,334
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The net effect of various miscellaneous transactions (deletions) involving capital assets.	(1,937,129)
--	-------------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,056,589
--	-----------

Some expenses reported in statement of activities are not fund expenditures (e.g. compensated absences and other post-employment benefits which are liabilities not normally liquidated with current financial resources).	(9,748,408)
--	-------------

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of of long-term debt and related items.	(18,877,970)
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Internal service funds are used by management to charge the costs to account for group medical self-insurance and flexible spending accounts of employees. The net revenue/(loss) is reported with governmental activities.	<u>3,670,559</u>
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Change in net position of governmental activities (p. 16)	<u><u>\$ 588,582</u></u>
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See the notes to the financial statements.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Budget Amounts			Variance Positive(Negative) With Final Budget
	Original	Revised	Actual	
REVENUES				
TAXES	\$ 99,110,512	\$ 99,110,512	\$ 101,433,787	\$ 2,323,275
LICENSES AND PERMITS	3,060,000	3,060,000	3,597,147	537,147
INTERGOVERNMENTAL	5,258,061	7,163,719	8,441,258	1,277,539
FEES OF OFFICE	13,600,500	13,600,500	12,768,423	(832,077)
FINES	3,565,000	3,565,000	3,127,188	(437,812)
INTEREST	151,000	151,000	68,455	(82,545)
MISCELLANEOUS	1,795,500	2,000,002	2,350,598	350,598
TOTAL REVENUES	126,540,573	128,650,733	131,786,855	3,136,122

EXPENDITURES

GENERAL GOVERNMENT

COMMISSIONERS COURT	120,048	120,119	116,260	3,859
COMMISSIONER, PRECINCT #1	224,253	224,872	224,557	315
COMMISSIONER, PRECINCT #2	229,160	229,567	228,109	1,458
COMMISSIONER, PRECINCT #3	243,662	243,861	240,526	3,335
COMMISSIONER, PRECINCT #4	229,516	229,516	221,463	8,053
COUNTY JUDGE	346,544	346,936	343,558	3,378
BAIL BOND BOARD	3,129	3,129	1,294	1,835
COUNTY CLERK	3,703,678	3,688,707	3,378,427	310,280
HUMAN RESOURCES	989,006	993,154	989,422	3,732
PURCHASING DEPARTMENT	941,834	942,518	932,820	9,698
VEHICLE MAINTENANCE DEPARTMENT	363,689	371,332	355,686	15,646
NON-DEPARTMENTAL	5,406,016	3,320,701	1,884,115	1,436,586
FINANCIAL INFORMATION SYSTEMS	112,833	112,833	61,092	51,741
TECHNOLOGY SERVICES	2,888,765	2,902,310	2,840,165	62,145
PRINT/MAIL DEPARTMENT	346,839	346,839	304,871	41,968
PUBLIC WKS/GEOGRAPHIC INFO SYS	417,645	420,045	392,645	27,400
DEPT OF PUBLIC WORKS/PLANNING	440,911	441,133	435,161	5,972
CHOS/BAYLESS-SELBY MUSEUM 2013	-	12,160	-	12,160
OFFICE OF HISTORY & CULTURE	416,696	467,024	459,223	7,801
RECORDS MANAGEMENT DEPARTMENT	280,566	289,524	278,509	11,015
CHOS/BAYLESS SELBY GRANT 2010	107,712	108,570	78,209	30,361
VETERANS SERVICE OFFICE	402,693	402,693	388,430	14,263
ELECTIONS ADMINISTRATION DEPT	1,512,213	1,537,289	1,502,888	34,401
CIVIL SERVICE COMMISSION	4,900	4,900	2,268	2,632
COUNTY WIDE TECHNOLOGY	2,406,066	2,561,526	2,423,734	137,792
Total General Government	22,138,374	20,321,258	18,083,432	2,237,826

JUDICIAL

JUDICIARY AND COURT SUPPORT	372,554	372,554	360,413	12,141
16TH DISTRICT COURT	705,707	874,999	886,016	(11,017)
158TH DISTRICT COURT	706,791	909,947	901,828	8,119
211TH DISTRICT COURT	720,233	1,034,233	997,993	36,240
362ND DISTRICT COURT	719,210	855,549	857,068	(1,519)
367TH DISTRICT COURT	720,008	784,981	802,430	(17,449)

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
For the Year Ended September 30, 2014

	Budget Amounts			Variance
	Original	Revised	Actual	Positive(Negative) With Final Budget
393RD DISTRICT CT - FAMILY LAW	563,736	679,145	642,592	36,553
431ST DISTRICT COURT	575,788	590,788	589,428	1,360
COUNTY COURT AT LAW NO. 1	652,832	654,005	544,016	109,989
COUNTY CRIMINAL COURT #2	643,576	689,786	690,480	(694)
COUNTY COURT AT LAW #2 / CIVIL	415,128	415,128	399,369	15,759
PROBATE COURT	1,768,429	1,768,609	1,622,620	145,989
COUNTY CRIMINAL COURT #1	646,690	704,708	698,776	5,932
COUNTY CRIMINAL COURT #3	753,978	753,988	711,389	42,599
COUNTY CRIMINAL COURT #4	631,465	747,677	707,842	39,835
COUNTY CRIMINAL COURT #5	706,101	727,327	662,547	64,780
DISTRICT CLERK	1,726,563	1,725,827	1,674,795	51,032
COUNTY COURT ADMINISTRATOR	98,035	98,035	96,943	1,092
JUSTICE OF THE PEACE, PCT 1	512,344	512,596	458,861	53,735
JUSTICE OF THE PEACE, PCT 2	334,075	334,312	332,364	1,948
JUSTICE OF THE PEACE, PCT 3	462,856	462,856	458,964	3,892
JUSTICE OF THE PEACE, PCT 4	349,502	349,502	348,874	628
JUSTICE OF THE PEACE, PCT 5	519,195	519,233	511,648	7,585
JUSTICE OF THE PEACE, PCT 6	391,009	391,009	378,864	12,145
JUVENILE CASE MANAGER	58,420	58,420	41,582	16,838
DISTRICT COURT ADMINISTRATOR	192,611	192,754	192,771	(17)
JURY AND GRAND JURY	177,668	181,445	170,401	11,044
JUSTICE INFORMATION SYSTEM	1,359,125	1,346,551	1,319,549	27,002
DEATH INVESTIGATIONS/MED EXMNR	863,183	879,013	898,314	(19,301)
COLLECTIONS DEPARTMENT	372,206	395,595	354,913	40,682
Total Judicial	18,719,018	20,010,572	19,313,650	696,922
LEGAL				
CRIMINAL DISTRICT ATTORNEY	10,042,520	10,075,145	9,993,521	81,624
CRIMINAL DA - CPS DIVISION	800,726	800,726	772,628	28,098
CRIMINAL DA - CIVIL DIVISION	1,579,879	1,579,879	1,538,162	41,717
Total Legal	12,423,125	12,455,750	12,304,311	151,439
FINANCIAL				
COUNTY AUDITOR	1,278,602	1,278,602	1,209,928	68,674
COUNTY TREASURER	628,355	628,276	617,568	10,708
TAX ASSESSOR-COLLECTOR	4,051,986	4,201,455	4,001,723	199,732
BUDGET DIRECTOR	549,017	549,017	470,598	78,419
Total Financial	6,507,960	6,657,350	6,299,816	357,534
PUBLIC FACILITIES				
CARROLL BLDG-CO ADMINISTRATION	216,036	467,644	421,969	45,675
DENTON COUNTY COURTS BUILDING	596,612	760,762	581,083	179,679
CONSTRUCTION MANAGEMENT	327,830	328,053	314,746	13,307
DA ANNEX	28,500	31,070	23,810	7,260
COURTHOUSE ON THE SQUARE	167,445	167,445	125,347	42,098
EMERGENCY MANAGEMENT FACILITY	126,048	126,548	107,552	18,996

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
For the Year Ended September 30, 2014

	Budget Amounts		Actual	Variance Positive(Negative) With Final Budget
	Original	Revised		
DENTON COUNTY STORAGE BUILDING	20,740	20,740	13,400	7,340
HISTORICAL PARK FACILITIES	19,450	30,765	20,761	10,004
HISTORICAL PARKS PROJECTS	7,464	1,411	892	519
COURTHOUSE ANNEX	38,314	38,319	14,064	24,255
PRECINCT 3 GOVT CENTER	73,131	43,131	-	43,131
MARY & JIM HORN GOVT CENTER	151,550	173,547	115,866	57,681
LOOP 288 - ELECTIONS/TECHNOLOGY	134,290	251,388	237,249	14,140
LOOP 288 - FACILITIES/TABC/PARKS	41,299	41,374	32,392	8,982
LOOP 288 - CSCD	61,816	61,841	47,864	13,977
LEE WALKER GOVERNMENT CENTER	61,303	62,303	50,504	11,799
CPS-LEWISVILLE	25,522	27,391	16,879	10,512
LOOP 288 - PHASE I	127,215	139,993	122,322	17,671
LOOP 288 - CENTRAL PLANT	392,327	294,912	268,510	26,403
SANDY JACOBS GOVERNMENT CENTER	79,765	79,775	41,901	37,874
STEVEN E COPELAND GOVT CENTER	102,314	136,320	124,956	11,364
THE COLONY ANNEX	37,058	38,109	31,059	7,050
SANGER ANNEX	20,500	3,591	-	3,591
DENTON CO GOVT CENTER - DENTON	67,860	26,906	24,448	2,458
CHARLIE COLE BUILDING	374,451	385,666	307,669	77,997
LAW ENFORCEMENT FACILITY	2,706,884	2,730,032	2,403,732	326,300
FACILITIES MANAGEMENT	2,664,312	2,871,713	2,601,551	270,162
COUNTY LEASED BUILDINGS	145,301	145,301	134,081	11,220
VEHICLE MAINTENANCE FACILITY	27,625	27,625	22,492	5,133
OPERATIONS-RECYCLING DEPT	76,804	78,926	70,028	8,898
TELEPHONE DEPARTMENT	817,780	767,674	740,753	26,921
Total Public Facilities	9,737,546	10,360,275	9,017,878	1,342,397

PUBLIC SAFETY

COUNTY JAIL	25,543,659	25,589,654	25,229,202	360,452
JAIL HEALTH DEPARTMENT	4,418,180	4,422,629	4,068,666	353,963
SHERIFF'S COMMUNICATIONS DVSN	2,400,726	2,411,418	2,329,842	81,576
SHERIFF	13,277,439	13,485,539	13,237,581	247,958
DISD SCHOOL RESOURCE OFFICER	-	95,414	83,829	11,585
SHERIFF'S MENTAL HEALTH UNIT	799,925	804,603	779,007	25,596
SHERIFF'S RESERVE UNIT	56,534	61,897	48,469	13,428
VEHICLE EMISSIONS ENF GRANT	-	232,186	229,206	2,980
DCTA INTERLOCAL CONTRACT	-	87,333	82,322	5,011
SCHOOL RESOURCE OFFICER	-	363,868	290,563	73,305
COPPER CANYON INTERLOCAL CNTRT	-	190,321	170,830	19,491
CSCD (GENERAL FUND)	313,636	336,485	313,412	23,073
JUVENILE ACCOUNTABILITY GRANT	-	76,810	77,638	(828)
DENTON CO FRESHWATER CONTRACT	-	188,900	149,581	39,319
PALOMA CREEK	-	95,334	90,804	4,530
CONSTABLE, PCT. 1	899,351	911,077	841,496	69,581
CONSTABLE, PCT. 2	751,035	756,443	741,595	14,848
CONSTABLE, PCT. 3	723,775	726,532	724,268	2,264
CONSTABLE, PCT. 4	684,520	726,963	698,602	28,361
CONSTABLE, PCT. 5	654,737	698,399	652,245	46,154
CONSTABLE, PCT. 6	690,754	703,503	691,827	11,676
FIRE AND AMBULANCE SERVICES	2,191,125	2,239,125	2,167,423	71,702

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (Continued)
For the Year Ended September 30, 2014

	<u>Budget Amounts</u>			Variance
	<u>Original</u>	<u>Revised</u>	<u>Actual</u>	<u>Positive(Negative) With Final Budget</u>
NWISD ASAP	-	3,799	3,579	220
DEPARTMENT OF PUBLIC SAFETY	198,520	199,579	194,952	4,627
ALCOHOLIC BEVERAGE COMMISSION	2,275	2,275	2,130	145
GAME WARDEN	4,058	4,233	3,603	630
DEPT OF EMERGENCY SERVICES	1,080,286	1,096,596	1,058,704	37,892
2006/2013 HOMELAND SEC GRANT	-	191,604	137,565	54,039
2005/2012 HOMELAND SEC GRANT	-	157,030	156,315	715
Total Public Safety	<u>54,690,535</u>	<u>56,859,549</u>	<u>55,255,258</u>	<u>1,604,291</u>
HEALTH & WELFARE				
CHILD PROTECTIVE SERVICES	<u>88,121</u>	<u>91,409</u>	<u>87,471</u>	<u>3,938</u>
Total Health & Welfare	<u>88,121</u>	<u>91,409</u>	<u>87,471</u>	<u>3,938</u>
CONSERVATION				
COUNTY EXTENSION	<u>421,235</u>	<u>421,328</u>	<u>378,764</u>	<u>42,564</u>
Total Conservation	<u>421,235</u>	<u>421,328</u>	<u>378,764</u>	<u>42,564</u>
INTERGOVERNMENTAL				
CONTRACT SERVICES	<u>3,203,313</u>	<u>3,203,313</u>	<u>3,148,163</u>	<u>55,150</u>
Total Intergovernmental	<u>3,203,313</u>	<u>3,203,313</u>	<u>3,148,163</u>	<u>55,150</u>
TOTAL EXPENDITURES	<u>127,929,227</u>	<u>130,380,804</u>	<u>123,888,743</u>	<u>6,492,061</u>
Excess of Revenues over Expenditures	<u>(1,388,654)</u>	<u>(1,730,071)</u>	<u>7,898,113</u>	<u>9,628,184</u>
Other Financing Sources and Uses:				
Sale of Surplus Property	45,000	45,000	142,068	97,068
Transfers In	-	30,688	30,688	-
Transfers Out	<u>(3,746,042)</u>	<u>(4,346,042)</u>	<u>(4,346,042)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(3,701,042)</u>	<u>(4,270,354)</u>	<u>(4,173,286)</u>	<u>97,068</u>
Net Change in Fund Balances	<u>(5,089,696)</u>	<u>(6,000,425)</u>	<u>3,724,827</u>	<u>9,725,252</u>
Fund Balances - Beginning	<u>33,712,622</u>	<u>33,712,622</u>	<u>33,712,622</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 28,622,926</u>	<u>\$ 27,712,197</u>	<u>\$ 37,437,450</u>	<u>\$ 9,725,252</u>

See the notes to the financial statements.

**Denton County, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2014**

**Governmental
Activities Internal
Service Fund**

ASSETS

Current Assets:

Cash	\$ 12,395,581
Investments	-
Receivables:	
Stop Loss Insurance	-
Accrued Interest	-
Other Assets	-
Due from Other Funds	-
Due from Other Governments	-
TOTAL ASSETS	\$ 12,395,581

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 844,056
Due to Other Funds	-
Due to Other Governments	-
Other Payables	-
Due to Beneficiaries	-
Deferred Revenues	-
TOTAL LIABILITIES	844,056

NET POSITION

Unrestricted	<u>11,551,525</u>
TOTAL NET POSITION	<u>\$ 11,551,525</u>

See the notes to the financial statements.

Denton County, Texas
STATEMENT OF REVENUES, EXPENSES
AND CHANGES FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2014

Governmental
Activities Internal
Service Fund

OPERATING REVENUES

Charges for Services	\$ 26,126,236
Other Revenue	<u>-</u>

TOTAL OPERATING REVENUES	<u>26,126,236</u>
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OPERATING EXPENSES

Incurred Claims	17,936,214
Estimated Claims	844,056
Administrative Expenses	3,038,689
Reinsurance Premiums	<u>639,803</u>

TOTAL OPERATING EXPENSES	<u>22,458,762</u>
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OPERATING INCOME (LOSS)	<u>3,667,474</u>
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NONOPERATING REVENUES(EXPENSES)

Interest Revenue	<u>3,085</u>
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INCOME BEFORE TRANSFERS	<u>3,670,559</u>
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Transfers From Other Funds	<u>-</u>
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CHANGES IN NET POSITION	<u>3,670,559</u>
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TOTAL NET POSITION - BEGINNING	<u>7,880,966</u>
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TOTAL NET POSITION - ENDING	<u><u>\$ 11,551,525</u></u>
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See the notes to the financial statements.

Denton County, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2014

**Governmental
Activities Internal
Service Fund**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts for Services	\$ 26,126,236
Receipts from Reinsurance and Refunds	-
Payments for Claims	(18,774,805)
Payments for Administrative Services	(3,678,492)
Payments for Reinsurance	-
Net Cash Provided by Operating Activities	<u>3,672,939</u>

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

Transfer of Funds	-
Repayment of Interfund Loans	-
Net Cash Provided by Noncapital Financing Activities	<u>-</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Revenue	<u>3,085</u>
Net Cash Provided by Investing Activities	<u>3,085</u>

Net Increase (Decrease) in Cash 3,676,024

Cash, Beginning of Year 8,719,557
Cash, End of Year \$ 12,395,581

**Reconciliation of Operating Income
Net Cash Provided (Used) by Operations**

Operating Income	<u>\$ 3,667,474</u>
(Increase) Decrease in Other Assets	-
Increase (Decrease) in Accounts Payable	5,465
Increase (Decrease) in Other Payables	-
Total Adjustments	<u>5,465</u>
Net Cash Provided (Used) by Operations	<u>\$ 3,672,939</u>

See the notes to the financial statements.

Denton County, Texas
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 10,180,858
Investments	25,464,855
Accrued Interest	-
Other Assets	294,399
Due from Other Funds	4
Due from Other Govts	-
	<hr/>
TOTAL ASSETS	<u>\$ 35,940,116</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 139,859
Due to Other Funds	4
Due to Other Governments	11,690,274
Due to Beneficiaries	24,109,979
	<hr/>
TOTAL LIABILITIES	<u>35,940,116</u>
NET ASSETS	<u>\$ -</u>

See the notes to the financial statements.