

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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***Please reply to Pleasanton address***

Honorable Mayor  
and City Council  
City of Elmendorf  
Elmendorf, Texas 78112

As a result of our observations concerning the accounting and financial aspects of the records of the City of Elmendorf, Texas during our audit for the year ended September 30, 2014, we noted certain immaterial matters and these matters are summarized below for your consideration. The following management points will be reviewed as part of next year's audit:

**Utilities:**

*Finding:*

1. We noted that one (1) of the eight (8) customer accounts tested in our test month was under billed by \$26.71.

*Recommendation:*

We recommend the City perform routine tests of utility accounts to ensure customers are being properly charged for utility services in accordance with City ordinances.

*Finding:*

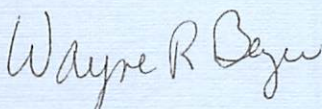
1. We noted that the City was delinquent in making payments to Tiger Sanitation, Inc. several times during the fiscal year.

*Recommendation:*

We recommend the City pay all invoices in a timely manner and prior to the due date in order to avoid late fee penalties.

These comments and recommendations are made in a constructive spirit and in the best interest of the City of Elmendorf, Texas. We will be glad to review and discuss them in more detail with the City personnel at your request.

Sincerely,



BEYER & CO.  
Certified Public Accountants  
March 12, 2015



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To the City Council  
City of Elmendorf, Texas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas as of and for the year ended September 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Elmendorf, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Elmendorf, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elmendorf, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

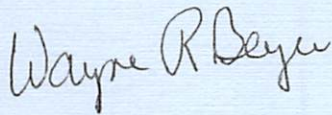
Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control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



A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

1. Segregation of Duties - due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible. The City should work to eliminate the lack of segregation of duties through a process of policy and action. **This comment was listed on the prior year's report.**

This communication is intended solely for the information and use of management City Council, and others within the City of Elmendorf, Texas, and is not intended to be, and should not be, used by anyone other than these specified parties.



BEYER & CO.  
Certified Public Accountants  
March 12, 2015

CITY OF ELMENDORF, TEXAS

ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended  
SEPTEMBER 30, 2014

CITY OF ELMENDORF, TEXAS  
Annual Financial Report  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

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FINANCIAL SECTION

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**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Elmendorf, Texas

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 Elmendorf, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elmendorf, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the Public Employees Retirement System on pages 3-12 and 44 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.



BEYER & CO.  
Certified Public Accountants  
March 12, 2015



## Management's Discussion and Analysis

As management of the City of Elmendorf, Texas, we offer readers of the City of Elmendorf, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Elmendorf, Texas for the fiscal year ended September 30, 2014.

### Financial Highlights

- . The assets of the City of Elmendorf, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$876,104 (Net Position). Of this amount, \$386,855 or 44% (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total Net Position increased by \$159,412. This increase is mainly attributable to an increase in charges for services of \$219,962 and careful budget management.
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$90,230 or 15 percent of total general fund expenditures.
- . The City of Elmendorf, Texas' restricted Net Assets at September 30, 2014 were \$84,341.
- . The City of Elmendorf, Texas' total debt increased by \$81,330 (6%) during the current fiscal year. The key factor in this increase was the issuance of \$100,832 of Capital Leases during the current year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Elmendorf, Texas' basic financial statements. The City of Elmendorf, Texas' 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 the City of Elmendorf, Texas' finances, in a manner similar to a private-sector business.

The *statement of Net Position* presents information on all of the City of Elmendorf, Texas' assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City of Elmendorf, Texas is improving or deteriorating.

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

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

The government-wide financial statements include only the City of Elmendorf, Texas itself (known as the *primary government*.)

The government-wide financial statements can be found on pages 13-14 for this report.

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Elmendorf, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All other funds of the City of Elmendorf, Texas can be divided into two categories: governmental funds and proprietary 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* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Elmendorf, Texas maintains one individual governmental fund. 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 City of Elmendorf, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.



The basic governmental fund financial statements can be found on pages 15-19 of this report.

***Proprietary funds:*** The City of Elmendorf, Texas maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Elmendorf, Texas uses enterprise funds to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer operations, which is considered to be a major fund of the City of Elmendorf, Texas. The basic proprietary fund financial statements can be found on pages 20-24 of this report.

**Notes to the financial statements:** The notes provided 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 statements can be found on pages 25-43 of this report.

### **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 the City of Elmendorf, Texas, assets exceeded liabilities by \$876,104 at the close of the most recent fiscal year.

A portion of the City of Elmendorf, Texas' Net Position (47 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Elmendorf, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Elmendorf, Texas' 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.

CITY OF ELMENDORF, TEXAS  
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$222,191	\$222,181	\$284,934	\$150,463	\$507,125	\$372,644
Restricted Assets:	84,341	97,966			84,341	97,966
Capital Assets:	1,574,203	1,498,603	145,562	103,147	1,719,765	1,601,750
Total Assets	1,880,735	1,818,750	430,496	253,610	2,311,231	2,072,360
Long-Term Liabilities	1,305,776	1,262,015	58,763	21,194	1,364,539	1,283,209
Other Liabilities (Payable from Restricted Assets)	0	0	0	5,785	0	5,785
Other Liabilities	21,823	31,962	48,765	34,712	70,588	66,674
Total Liabilities	1,327,599	1,293,977	107,528	61,691	1,435,127	1,355,668
Invested in Capital Assets, Net of Related Debt	274,451	240,603	130,457	97,325	404,908	337,928
Restricted	84,341	97,966	0	0	84,341	97,966
Unrestricted	194,344	186,204	192,511	94,594	386,855	280,798
Total Net Position	\$553,136	\$524,773	\$322,968	\$191,919	\$876,104	\$716,692

The remaining balance of *unrestricted Net Position* (\$386,855) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Elmendorf, Texas is able to report positive balances in two categories of Net Position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's total Net Position increased by \$159,412. This increase is mainly attributable to an increase in charges for services of \$219,962 and careful budget management.



**Governmental activities:** Governmental activities increased the City of Elmendorf, Texas' Net Position by \$28,363 which accounted for 17 percent of the total growth in the Net Position of the City of Elmendorf, Texas. Key elements of this increase are as follows: This increase is mainly attributable to an increase in charges for services of \$15,888, an increase in sales taxes of \$25,281, an increase in franchise taxes of \$24,658, and careful budget management.

**CITY OF ELMENDORF, TEXAS  
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$100,610	\$84,722	\$986,618	\$782,544	\$1,087,228	\$867,266
Capital Grants and Contributions	0	66,300	0	0	0	66,300
General Revenues:						
Maintenance and Operations Taxes	179,648	173,244			179,648	173,244
Sales Taxes	106,403	81,122			106,403	81,122
Franchise Taxes	57,904	33,246			57,904	33,246
Licenses and Permits	12,706	12,418			12,706	12,418
Unrestricted Investment Earnings	0	0			0	0
Grants and Contributions Not Restricted to Specific Programs	0	0			0	0
Miscellaneous	733	51,218			733	51,218
Total Revenue	458,004	502,270	986,618	782,544	1,444,622	1,284,814
Expenses:						
General Administration	228,941	198,365			228,941	198,365
Public Safety	153,141	145,892			153,141	145,892
Public Facilities	794	5,091			794	5,091
Public Transportation	56,132	46,360			56,132	46,360
Interest and Fiscal Charges	42,143	34,188			42,143	34,188
Utility			804,059	648,343	804,059	648,343
Total Expenses	481,151	429,896	804,059	648,343	1,285,210	1,078,239
Increase in Net Position Before Transfers and Special Items	(23,147)	72,374	182,559	134,201	159,412	206,575
Transfers	51,510	107,151	(51,510)	(107,151)	0	0
Increase in Net Position	28,363	179,525	131,049	27,050	159,412	206,575
Net Position at 09/30/2013	524,773	345,248	191,919	164,869	716,692	510,117
Net Position at 09/30/2014	\$553,136	\$524,773	\$322,968	\$191,919	\$876,104	\$716,692

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary Government</b>			
Government Activities:			
General Administration	\$228,941	\$31,420	\$0
Public Safety	153,141	69,190	
Public Facilities	794		
Public Transportation	56,132		
Interest and Fiscal Charges	42,143		
Total Government Activities	<u>\$481,151</u>	<u>\$100,610</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$100,610	22%
Maintenance and Operations Taxes	179,648	39%
Sales Taxes	106,403	23%
Franchise Taxes	57,904	13%
Licenses and Permits	12,706	3%
Miscellaneous	733	0%
	<u>\$458,004</u>	<u>100%</u>

For the most part, increases and decreases in expenses closely paralleled inflation and growth/decline in the demand for services.



**Business-type activities:** Business-type activities increased the City of Elmendorf, Texas' Net Position by \$131,049, accounting for 83 percent of the total growth in the government's Net Position. Key elements of this increase are as follows: This increase is mainly attributable to an increase in charges for services of \$204,074 and careful budget management.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary government</b>			
Business-Type Activities:			
Utility	\$804,059	\$986,618	\$0
Total Business-Type Activities	\$804,059	\$986,618	\$0

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$986,618	100%
	\$986,618	100%

### Financial Analysis of the Government's Funds

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

**Governmental fund:** The focus of the City of Elmendorf, Texas' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Elmendorf, Texas' financing requirements. In particular, *uncommitted 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 of Elmendorf, Texas' governmental funds reported combined ending fund balances of \$174,571, an increase of \$4,416 in comparison with the prior year. Approximately 51% of this total amount \$90,230 constitutes *uncommitted, undesignated fund balance*, which is available for spending at the government's discretion. There is no fund balance that is *reserved or designated*.

The general fund is the chief operating fund of the City of Elmendorf, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$90,230 while total fund balance reached \$174,571. 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 15 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

The fund balance of the City of Elmendorf, Texas' general fund increased by \$4,416 during the current fiscal year. Key factor in this increase is as follows: This increase is minimal.

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

Unrestricted Net Position of the Utility fund at the end of the year amounted to \$192,511. The total increase in Net Position for the Utility fund was \$131,049. Key factors in this overall increase are as follows:

1. This increase is mainly attributable to an increase in charges for services of \$204,074 and careful budget management.

### **General Fund Budgetary Highlights**

During the year there was a decrease of \$22,820 in appropriations between the original and final amended budget for the general fund. The main decrease was in the police department which decreased by \$19,747. Overall, the total actual expenditures of \$488,068 were under the budgeted amount of \$584,166 by \$96,098.



## Capital Asset and Debt Administration

**Capital assets:** The City of Elmendorf, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$1,719,765 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Elmendorf, Texas' investment in capital assets for the current fiscal year was 7 percent (a 5 percent increase for governmental activities and a 41 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following: The government completed a municipal building project in the 2013-2014 year.

### CITY OF ELMENDORF, TEXAS CAPITAL ASSETS (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$54,388	\$54,388	\$30	\$30	\$54,418	\$54,418
Construction in Progress	0	1,327,958	0	0	0	1,327,958
Building and Improvements	1,352,934	14,500	19,180	19,990	1,372,114	34,490
Machinery and Equipment	98,635	31,253	126,352	83,127	224,987	114,380
Intangible	0	0			0	0
Infrastructure	68,246	70,504			68,246	70,504
Distribution System			0	0	0	0
Total	<u>\$1,574,203</u>	<u>\$1,498,603</u>	<u>\$145,562</u>	<u>\$103,147</u>	<u>\$1,719,765</u>	<u>\$1,601,750</u>

Additional information of the City of Elmendorf, Texas' capital assets can be found in note IV.C on pages 36-37 of this report.

**Long-term debt:**

At the end of the current fiscal year, the City of Elmendorf, Texas had the following bonded debt.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
Bonds Payable	\$1,258,000	\$0	\$14,000	\$1,244,000	\$14,000	\$1,230,000
Grand Total	<u>\$1,258,000</u>	<u>\$0</u>	<u>\$14,000</u>	<u>\$1,244,000</u>	<u>\$14,000</u>	<u>\$1,230,000</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 25 percent of its total assessed valuation. The current debt limitation for the City of Elmendorf, Texas is \$9,239,401, which is significantly in excess of the City of Elmendorf, Texas' outstanding general obligation debt.

Additional information on the City of Elmendorf, Texas' long-term debt can be found in note IV.F on page 38-40 of this report.

**Economic Factors:** None

**Requests for Information**

This financial report is designed to provide a general overview of the City of Elmendorf, Texas' 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 Office of the Finance Department, P.O. Box 247, Elmendorf, Texas 78112.

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS



CITY OF ELMENDORF, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$85,674	\$203,362	\$289,036
Receivables (net of allowance for uncollectibles)	136,517	81,572	218,089
Restricted Assets:			
Cash and Cash Equivalents	84,341		84,341
Capital Assets Not Being Depreciated:			
Land	54,388	30	54,418
Total Capital Assets Being Depreciated, Net			
Building and Improvements	1,352,934	19,180	1,372,114
Machinery and Equipment	98,635	126,352	224,987
Intangible	0		0
Infrastructure	68,246		68,246
Total Assets	<u>\$1,880,735</u>	<u>\$430,496</u>	<u>\$2,311,231</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$13,267	\$46,717	\$59,984
Accrued Wages	1,558	2,048	3,606
Accrued Interest	6,998		6,998
Noncurrent Liabilities:			
Due Within One Year	31,907	18,315	50,222
Due in More Than One Year	1,273,869	40,448	1,314,317
Total Liabilities	<u>1,327,599</u>	<u>107,528</u>	<u>1,435,127</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	274,451	130,457	404,908
Restricted			
Butterfield Ranch PID No. 1	1,114		1,114
Construction	632		632
Debt Service	79,637		79,637
PEG Fund	2,958		2,958
Unrestricted	194,344	192,511	386,855
Total Net Position	<u>\$553,136</u>	<u>\$322,968</u>	<u>\$876,104</u>

The accompanying notes are an integral part of this statement.

CITY OF ELMENDORF, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense)
		Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	Revenue and
						Changes in
						Changes in Revenue and
						Total
<b>Primary government</b>						
Government Activities:						
General Administration	\$228,941	\$31,420	\$0	(\$197,521)		(\$197,521)
Public Safety	153,141	69,190		(83,951)		(83,951)
Public Facilities	794			(794)		(794)
Public Transportation	56,132			(56,132)		(56,132)
Interest and Fiscal Charges	42,143			(42,143)		(42,143)
Total Government Activities	481,151	100,610	0	(380,541)	0	(380,541)
Business-Type Activities:						
Utility (Water, Garbage, and Sewer)	804,059	986,618			182,559	182,559
Total Business-Type Activities	804,059	986,618	0	0	182,559	182,559
Total Primary Government	\$1,285,210	\$1,087,228	\$0	(380,541)	182,559	(197,982)
General Revenues						
Property Taxes, Levies for General Purposes				179,648		179,648
Sales Taxes				106,403		106,403
Franchise Taxes				57,904		57,904
Licenses and Permits				12,706		12,706
Unrestricted Investment Earnings						0
Miscellaneous				733		733
Transfers				51,510	(51,510)	0
Total General Revenues and Transfers				408,904	(51,510)	357,394
Change in Net Position				28,363	131,049	159,412
Net Position - Beginning				524,773	191,919	716,692
Net Position - Ending				\$553,136	\$322,968	\$876,104

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF ELMENDORF, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$85,674	\$85,674
Receivables (net of allowance for uncollectibles)	52,743	52,743
Restricted Assets:		
Cash and Cash Equivalents	84,341	84,341
<b>Total Assets</b>	<b>\$222,758</b>	<b>\$222,758</b>
<b>LIABILITIES AND FUND BALANCES:</b>		
Accounts Payable	\$13,267	\$13,267
Accrued Wages	1,558	1,558
<b>Total Liabilities</b>	<b>14,825</b>	<b>14,825</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Property Taxes	33,362	33,362
<b>Fund Balances:</b>		
Restricted		
Butterfield Ranch PID No. 1	1,114	1,114
Construction	632	632
Debt Service	79,637	79,637
PEG Fund	2,958	2,958
Unassigned	90,230	90,230
<b>Total Fund Balance</b>	<b>174,571</b>	<b>174,571</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$189,396</b>	<b>\$189,396</b>

The accompanying notes are an integral part of this statement.



CITY OF ELMENDORF, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2014

Total Fund Balances - governmental funds balance sheet	\$174,571
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Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:

Capital assets used in governmental activities are not reported in the funds.	1,574,203
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	33,362
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	83,774
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(1,312,774)

Net Position of governmental activities - statement of Net Position	<u>\$553,136</u>
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The accompanying notes are an integral part of this statement.

CITY OF ELMENDORF, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Total Governmental Funds
<b>REVENUES</b>		
Taxes		
Property	\$177,764	\$177,764
Sales	106,403	106,403
Franchise	57,904	57,904
Licenses and Permits	12,706	12,706
Charges for Services	56,848	56,848
Fines and Forfeitures	53,616	53,616
Miscellaneous	733	733
Total Revenues	465,974	465,974
<b>EXPENDITURES</b>		
Current:		
General Administration	222,101	222,101
Public Safety	247,744	247,744
Public Facilities	14,869	14,869
Public Transportation	27,885	27,885
Debt Service		
Principal Retirement	14,000	14,000
Interest Retirement	42,221	42,221
Total Expenditures	568,820	568,820
Excess (Deficiency) of Revenues Over (Under) Expenditures	(102,846)	(102,846)
<b>OTHER FINANCING SOURCES (USES):</b>		
Other Financing Sources - Bond Principal	55,752	55,752
Operating Transfers In	51,510	51,510
Total Other Financing Sources (Uses)	107,262	107,262
Net Changes in Fund Balances	4,416	4,416
Fund Balances - Beginning	170,155	170,155
Fund Balances - Ending	\$174,571	\$174,571

The accompanying notes are an integral part of this statement.

CITY OF ELMENDORF, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2014

Net Changes in Fund Balances - total governmental funds \$4,416

Amounts reported for governmental activities in the statement of Net Position  
("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	75,600
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(9,854)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,884
(Increase) decrease in compensated absences from beginning of period to end of period.	(2,009)
(Increase) decrease in Accrued Interest Payable from beginning of period to end of period.	78
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(55,752)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	14,000
Change in Net Position of governmental activities - statement of activities	<u>\$28,363</u>

The accompanying notes are an integral part of this statement.

## CITY OF ELMENDORF, TEXAS

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$181,230	\$220,114	\$177,764	(\$42,350)
Sales	76,644	76,644	106,403	29,759
Franchise	34,400	34,400	57,904	23,504
Intergovernmental	75,000	75,000		(75,000)
Licenses and Permits	13,782	13,782	12,706	(1,076)
Charges for Services	42,804	64,804	56,848	(7,956)
Fines and Forfeitures	69,300	69,300	53,616	(15,684)
Miscellaneous	10,530	10,530	733	(9,797)
Total Revenues	503,690	564,574	465,974	(98,600)
<b>EXPENDITURES</b>				
Current:				
General Administration				
General Administration	117,060	117,060	103,288	13,772
Insurance	8,220	8,220	7,989	231
Operations	6,740	6,740	5,191	1,549
Miscellaneous	9,780	15,780	15,284	496
Non Departmental	96,285	96,285	90,349	5,936
Public Safety				
Police	169,325	137,905	157,652	(19,747)
Jail	0	0	650	(650)
Municipal Court	36,120	36,120	8,690	27,430
Public Facilities				
Building	80,500	81,200	14,869	66,331
Public Transportation				
Streets	3,800	5,700	4,402	1,298
Public Transportation	22,156	22,156	23,483	(1,327)
Debt Service				
Principal Retirement	14,000	14,000	14,000	0
Interest and Fiscal Charges	43,000	43,000	42,221	779
Total Expenditures	606,986	584,166	488,068	96,098
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(103,296)	(19,592)	(22,094)	(2,502)
<b>OTHER FINANCING SOURCES (USES):</b>				
Other Financing Sources - Bond Proceeds	0	0	55,752	55,752
Operating Transfers In	113,145	113,145	51,510	(61,635)
Total Other Financing Sources (Uses)	113,145	113,145	107,262	(5,883)
Net Changes in Fund Balances - Budgetary Basis	9,849	93,553	85,168	(8,385)
<b>Reconciliation from Budgetary Basis to Modified Accrual:</b>				
Police Vehicles			(80,752)	
Net Changes in Fund Balances - Modified Accrual Basis			4,416	
Fund Balances - Beginning			170,155	
Fund Balances - Ending			\$174,571	

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



CITY OF ELMENDORF, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

ASSETS

Current Assets

Cash and Cash Equivalents  
Accounts Receivables (net of allowance  
for uncollectibles)

Total Current Assets

Capital Assets

Land  
Construction in Progress  
Buildings and Improvements  
Machinery and Equipment  
Infrastructure

Total Capital Assets

Less Accumulated Depreciation

Total Capital Assets (net of  
accumulated depreciation)

Total Noncurrent Assets

TOTAL ASSETS

(continued)

BUSINESS TYPE ACTIVITIES  
- ENTERPRISE FUNDS

UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
\$203,362	\$67,657	\$203,362
81,572	82,806	81,572
284,934	150,463	284,934
30	30	30
0	0	0
40,500	40,500	40,500
279,846	219,956	279,846
0	0	0
320,376	260,486	320,376
(174,814)	(157,339)	(174,814)
145,562	103,147	145,562
145,562	103,147	145,562
\$430,496	\$253,610	\$430,496

(continued)

LIABILITIES, FUND EQUITY  
AND OTHER CREDITS

Liabilities

Current Liabilities (Payable from Current Assets)

Accounts Payable

Accrued Wages

Compensated Absences

Capital Lease Payable - Current

Total Current Liabilities (Payable from Current Assets)

Current Liabilities (Payable from Restricted Assets)

Consumer Meter Deposits

Total Current Liabilities

Payable from Restricted Assets

Noncurrent Liabilities

Capital Lease Payable

Total Noncurrent Liabilities

Total Liabilities

Invested in Capital Assets, Net of Related Debt

Unrestricted

Total Net Position

BUSINESS TYPE ACTIVITIES  
- ENTERPRISE FUNDS

UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
\$46,717	\$33,485	\$46,717
2,048	1,227	2,048
3,210	1,849	3,210
15,105	5,822	15,105
67,080	42,383	67,080
0	5,785	0
0	5,785	0
40,448	13,523	40,448
40,448	13,523	40,448
107,528	61,691	107,528
130,457	97,325	130,457
192,511	94,594	192,511
\$322,968	\$191,919	\$322,968

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

CITY OF ELMENDORF, TEXAS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
OPERATING REVENUES:			
Charges for Services (Water)	\$748,841	\$549,436	\$748,841
Charges for Services (Sewer)	14,382	13,404	14,382
Charges for Services (Garbage)	168,377	168,173	168,377
Miscellaneous	55,018	51,531	55,018
Total Operating Revenues	986,618	782,544	986,618
OPERATING EXPENSES:			
Personal Services	185,358	170,696	185,358
Supplies	8,687	10,559	8,687
Other Services and Charges	591,834	456,885	591,834
Depreciation	17,475	9,338	17,475
Total Operating Expenses	803,354	647,478	803,354
Operating Income (Loss)	183,264	135,066	183,264
NON-OPERATING REVENUES (EXPENSES):			
Interest and Fiscal Charges	(705)	(865)	(705)
Federal Grants and Contributions			0
Total Non-Operating Revenues (Expenses)	(705)	(865)	(705)
Income Before Transfers	182,559	134,201	182,559
Transfers In (Out) - Net	(51,510)	(107,151)	(51,510)
Change in Net Position	131,049	27,050	131,049
Total Net Position - Beginning	191,919	164,869	191,919
Total Net Position - Ending	\$322,968	\$191,919	\$322,968

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

CITY OF ELMENDORF, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$982,067	\$776,688	\$982,067
Payments to Suppliers	(587,289)	(493,962)	(587,289)
Payments to Employees	(183,176)	(169,993)	(183,176)
Net Cash Provided (Used) By Operating Activities	211,602	112,733	211,602
Cash Flows from Non-Capital and Related Financing Activities			
Transfers In (Out)	(51,510)	(107,151)	(51,510)
Federal Grants and Contributions	0	0	0
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(51,510)	(107,151)	(51,510)
Cash Flows from Capital and Related Financing Activities			
Interest and Fiscal Charges	(705)	(865)	(705)
Purchases of Capital Assets	(59,890)	(27,956)	(59,890)
Principal Payment on Revenue Bonds, Notes and Capital Leases	36,208	19,345	36,208
Net Cash Provided (Used) By Capital and Related Financing Activities	(24,387)	(9,476)	(24,387)
Net Increase (Decrease) in Cash Equivalents	135,705	(3,894)	135,705
Cash and Cash Equivalents at Beginning of Year	67,657	71,551	67,657
Cash and Cash Equivalents at End of Year	\$203,362	\$67,657	\$203,362

(continued)



(continued)

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$183,264	\$135,066	\$183,264
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	17,475	9,338	17,475
Changes in Current Items			
(Increase) Decrease in Accounts Receivable	1,234	(10,471)	1,234
Increase (Decrease) in Accounts Payable	13,232	(26,518)	13,232
Increase (Decrease) in Accrued Wages	821	680	821
Increase (Decrease) in Compensated Absences	1,361	23	1,361
Increase (Decrease) in Due to Other Funds	0	0	0
Increase (Decrease) in Consumer Meter Deposits	(5,785)	4,615	(5,785)
Net Cash Provided (Used) By Operating Activities	\$211,602	\$112,733	\$211,602
Noncash Investing, Capital, and Financing Activities:			
Capital Lease Proceeds	\$45,080	\$23,956	\$45,080

Note: The above funds are all Enterprise Funds.

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

CITY OF ELMENDORF, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**I. Summary of significant accounting policies**

**A. Reporting entity/ Basis of Accounting/Measurement Focus**

The City of Elmendorf, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Elmendorf, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting policies of the City of Elmendorf, Texas, (the City) conform to generally accepted accounting principles generally accepted in the United States of America. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements.

**B. Government-wide and fund financial statements**

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

#### C. Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are franchise taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

D. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

E. Assets, liabilities, and Net Position or equity

1. Deposits and investments

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The current trade accounts receivable allowance is equal to 1 percent, the trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding trade accounts receivable at September 30, 2014, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding trade accounts receivable at September 30, 2014, and the trade accounts receivable allowance in excess of 90 days and later is equal to 75 percent of outstanding trade accounts receivable at September 30, 2014. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2014, and 10 percent of delinquent outstanding property taxes at September 30, 2014.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2014.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items at September 30, 2014.

4. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by applicable contract covenants.

The restricted assets consist of the following:

Restricted	
Butterfield Ranch PID No. 1	\$1,114
Construction	632
Debt Service	79,637
PEG Fund	2,958

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The government completed a municipal building project in the 2013-2014 year.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.



7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

8. Fund Balances – Governmental Funds

As of September 30, 2014, fund balances of the governmental funds are classified as follows:

***Restricted*** — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

***Unassigned*** — all other spendable amounts.

As of September 30, 2014, fund balances are composed of the following:

Fund Balances:	
Restricted	
Butterfield Ranch PID No. 1	\$ 1,114
Construction	632
Debt Service	79,637
PEG Fund	2,958
Unassigned	90,230
Total Fund Balance	<u>\$174,571</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 to 33 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

12. New Pronouncements

In June 2011, the GASB issued Statement No. 65, ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES. GASBS No. 65 changes the reporting for bond issuance costs from capitalization and amortization to expensing in the current year. This Statement is effective for periods beginning after December 15, 2012. The adoption of GASBS No. 65 will have the effect of restating the beginning Net Position at the beginning of the year ended September 30, 2014. In subsequent years the costs will be expensed currently rather than being capitalized and amortized.

## II. Reconciliation of government-wide and fund financial statements

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$1,312,774 difference are as follows:

Bonds Payable	\$1,244,000
Capital Leases	55,752
Accrued Interest	6,998
Compensated Absences	6,024
	<u>\$1,312,774</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$33,362 difference are as follows:

Property Taxes Receivable	\$35,949
Allowance for Doubtful Accounts	<u>(2,587)</u>
Net	<u>\$33,362</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$1,574,203 difference are as follows:

Capital Assets Not Being Depreciated	\$54,388
Capital Assets Being Depreciated	1,756,863
Depreciation Expense	(237,048)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$1,574,203</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") The details of this \$83,774 difference are as follows:

Fines and Fees Receivable	\$226,561
Allowance for Doubtful Accounts	<u>(142,787)</u>
Net	<u><u>\$83,774</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in Net Position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that 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. The details of this \$75,600 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	(\$1,327,958)
Capital Outlay - Additions - Being Depreciated	1,461,372
Capital Outlay - Deletions	0
Depreciation Expense	<u>(57,814)</u>
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>\$75,600</u></u>

### III. Stewardship, compliance, and accountability

#### A. Budgetary information

The Mayor has been authorized by the council to prepare the budget. He is assisted by the City Administrator. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the City Administrator. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the City Administrator responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations as long as they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2014.

#### B. Excess of expenditures over appropriations

During the year there was a decrease of \$22,820 in appropriations between the original and final amended budget for the general fund. The main decrease was in the police department which decreased by \$19,747. Overall, the total actual expenditures of \$488,068 were under the budgeted amount of \$584,166 by \$96,098.

#### C. Deficit fund equity

The City had no deficit fund balances as of September 30, 2014.

IV. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in compliance with the requirements of the Act.

Policies Governing Deposits and Investments

The City has adopted a deposit and investment policy. That City does address the following risks:

**Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is not exposed to custodial credit risk because during the year the City was fully covered by either depository insurance and/or was fully collateralized by pledged securities in the City's depository in the City's name. The total amount of cash in the bank at September 30, 2014 is \$406,382 while the total pledged securities are \$172,500 and the FDIC insurance coverage is \$250,000. Thus the city was fully covered by depository insurance and pledged securities at September 30, 2014. The book amount of cash is \$373,377.

As of September 30, 2014, the City had no investments.

B. Receivables

Amounts are aggregated into a single account receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and utility funds in the aggregate, including the applicable allowances for uncollectible accounts:

	General	Utility	Total
<u>Receivables</u>			
Taxes	\$35,949		\$35,949
Accounts	2,640	114,733	117,373
Fines	226,561		226,561
Other	16,741		16,741
Gross Receivables	281,891	114,733	396,624
Less: Allowance for Uncollectibles	145,374	33,161	178,535
Net Total Receivables	<u>\$136,517</u>	<u>\$81,572</u>	<u>\$218,089</u>

## C. Capital assets

Capital asset activity for the year ended September 30, 2014 was as follows:

### Primary Government

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$54,388	\$0	\$0	\$54,388
Construction in Progress	1,327,958	14,075	1,342,033	0
Total capital assets not being depreciated:	1,382,346	14,075	1,342,033	54,388

Capital assets being depreciated:				
Building and Improvements	29,000	1,366,341	0	1,395,341
Machinery, Equipment and Vehicles	157,363	95,031	42,089	210,305
Intangible	25,338	0	0	25,338
Infrastructure	125,879	0	0	125,879
Total capital assets being depreciated:	337,580	1,461,372	42,089	1,756,863

Less: Accumulated Depreciation for:				
Building and Improvements	14,500	27,907	0	42,407
Machinery, Equipment and Vehicles	126,110	27,649	42,089	111,670
Intangible	25,338	0	0	25,338
Infrastructure	55,375	2,258	0	57,633
Total Accumulated Depreciation	221,323	57,814	42,089	237,048
Total Capital Assets Depreciated, Net	116,257	1,403,558	0	1,519,815
Governmental Activities capital assets, Net	\$1,498,603	\$1,417,633	\$1,342,033	\$1,574,203

Proprietary Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$30	\$0	\$0	\$30
Construction in Progress	0	0	0	0
Total capital assets not being depreciated:	30	0	0	30

Capital assets being depreciated:				
Building and Improvements	40,500	0	0	40,500
Machinery, Equipment and Vehicles	219,956	59,890	0	279,846
Total capital assets being depreciated:	260,456	59,890	0	320,346

Less: Accumulated Depreciation for:				
Building and Improvements	20,510	810	0	21,320
Machinery, Equipment and Vehicles	136,829	16,665	0	153,494
Total Accumulated Depreciation	157,339	17,475	0	174,814
Total Capital Assets Depreciated, Net	103,117	42,415	0	145,532
Proprietary Activities capital assets, Net	\$103,147	\$42,415	\$0	\$145,562



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

Governmental Activities	
General Administration	\$27,907
Public Safety	1,660
Public Transportation	<u>28,247</u>
Total Depreciation Expense - Governmental Activities	<u>\$57,814</u>
Business-Type Activities	
Utility	<u>\$17,475</u>
Total Depreciation Expense - Business-Type Activities	<u>\$17,475</u>

### Construction commitments

The government completed a municipal building project in the 2013-2014 year.

#### D. Interfund receivables, payables, and transfers

There are no due to or from at September 30, 2014.

The intrafund and interfund fund transfers for the year ended September 30, 2014 are as follows:

<u>PRIMARY GOVERNMENT</u>		
<u>ACCOUNT</u>	<u>AMOUNT</u>	<u>REASON</u>
<u>GENERAL FUND</u>		
TRANSFER FROM UTILITY FUND	\$51,510	GENERAL OPERATIONS - RECURRING
	<u>\$51,510</u>	

#### E. Leases

##### Operating Leases

The government leases equipment under noncancellable operating leases. Total costs for such leases were \$2,200 for the year ended September 30, 2014. The future minimum lease payments for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$1,100
2016	0
2017	0
2018	<u>0</u>
Total	<u>\$1,100</u>

F. Long-term debt

The City sold \$1,272,000 Combination Tax and Limited Pledge Revenue Certificates of Obligations Revenue Bonds in 2012 to USDA Rural Development. The proceeds are to be used for the Elmendorf Municipal Building Project. The projected payout of these bonds will be through the year 2051 at an interest rate of 3.375%.

Purpose	Original Amount	Series	Rate	Current Amount
Governmental activities	\$1,272,000	2012	3.375	\$1,244,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2015	\$15,000	\$42,204
2016	16,000	41,681
2017	16,000	41,141
2018	17,000	40,584
2019	18,000	39,994
2020-2024	99,000	190,367
2025-2029	120,000	171,956
2030-2034	147,000	149,529
2035-2039	181,000	121,922
2040-2044	221,000	88,104
2045-2049	270,000	46,744
2050-2051	124,000	4,928
TOTALS	<u>\$1,244,000</u>	<u>\$979,155</u>

Notes Payable

Notes payable, To Schertz Bank and Trust, Issued November 2012, Interest Rate: 4.5%, Maturity: October 2016, Amount Issued: \$23,955.75, Amount Outstanding: \$19,344.67.

The security for the Notes is Utility Revenues.

The annual requirements for the above general long-term debt outstanding at September 30, 2014 are as follows:

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2015	\$6,089	\$482
2016	6,369	202
2017	1,020	6
TOTALS	<u>\$13,478</u>	<u>\$690</u>

## Capital Leases

The Capital Leases consists of the following: The City also entered into a capital lease to purchase various equipment in 2014. The equipment includes a 2015 Ford Explorer, 2014 Ford Explorer in the Governmental Activities and a John Deere Tractor and Cutter in the Business-type Activities. The total amount debt is to be \$100,831.

The debt will be serviced by both the general fund and the utility fund.

The following for the above debt is a schedule of the future minimum lease payments and the present value of net minimum lease payments at September 30, 2014.

The accumulated depreciation of the above equipment is as follows:

ASSET	Governmental Activities		Business-type Activities		TOTAL
	2015 FORD EXPLORER	2014 FORD EXPLORER	JD TRACTOR AND LOADER	ROTARY CUTTER	
COST	\$39,892	\$40,860	\$47,390	\$12,500	\$140,642
ACCUMULATED DEPRECIATION	(7,978)	(8,172)	(9,478)	(2,500)	(28,128)
NET ASSET	\$31,914	\$32,688	\$37,912	\$10,000	\$112,514

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2014, were as follows:

YEAR	Governmental Activities		Business-type Activities	TOTAL
	2015 FORD EXPLORER	2014 FORD EXPLORER	JD TRACTOR, LOADER, AND CUTTER	
2015	\$7,507	\$7,772	\$9,016	\$24,295
2016	7,507	7,772	9,016	24,295
2017	7,507	7,772	9,016	24,295
2018	7,507	7,772	9,016	24,295
2019	626	648	6,010	7,284
Total Minimum Lease Payments	30,654	31,736	42,074	104,464
Less: Amount Representing Interest	3,262	3,376	0	6,638
Present Value of Net Minimum Lease Payments	\$27,392	\$28,360	\$42,074	\$97,826

The general fund and the utility fund are used to service the capital leases.

Changes in long-term liabilities are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>						
Bonds Payable	\$1,258,000	\$0	\$14,000	\$1,244,000	\$14,000	\$1,230,000
Capital Lease	0	55,752	0	55,752	11,883	43,869
Compensated Absences	4,015	6,024	4,015	6,024	6,024	0
	<u>1,262,015</u>	<u>61,776</u>	<u>18,015</u>	<u>1,305,776</u>	<u>31,907</u>	<u>1,273,869</u>
<u>Business-Type activities:</u>						
Notes Payable	19,345	0	5,867	13,478	6,090	7,388
Capital Lease	0	45,080	3,005	42,075	9,015	33,060
Compensated Absences	1,849	3,210	1,849	3,210	3,210	0
	<u>21,194</u>	<u>48,290</u>	<u>10,721</u>	<u>58,763</u>	<u>18,315</u>	<u>40,448</u>
Grand Total	<u>\$1,283,209</u>	<u>\$110,066</u>	<u>\$28,736</u>	<u>\$1,364,539</u>	<u>\$50,222</u>	<u>\$1,314,317</u>

Interest expense of \$42,926 on long-term debt has been shown separately on the government-wide statement of activities. There was no interest expense capitalized into the capital assets. The government-wide statement of activities includes \$50,222 as "noncurrent liabilities, due within one year".

The current amount of compensated absences at September 30, 2014 is \$5,864.

## V. Other information

### A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year ended 09/30/13</u>	<u>Year ended 09/30/14</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	-0-	-0-
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

### ***General Liability Insurance***

The City is insured for general, police officers and automobile liability. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses. TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas. The City carries commercial fidelity bonds for elected officials and for management.

### ***Property and Casualty Insurance***

Property, casualty, mobile equipment, boiler and machinery insurance is provided by TML.

### ***Workers' Compensation Insurance***

The City insures against workers' compensation claims through TML.

### ***Group Health and Life Insurance***

The City maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

### ***Unemployment Compensation Insurance***

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

#### **B. Related party transaction**

There were no related party transactions during the year.

#### **C. Contingent liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

*Moreno v Austin TCEQ Lic#WG0012682* No. 40S1300329 suit for property damages settled in the amount of \$283.64 on January 1, 2014.

#### **D. Subsequent Events**

There were no subsequent requiring disclosure.

#### **E. Pension Plan**

### Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

PLAN YEAR	2013	2014
EMPLOYEE DEPOSIT RATE	5.00%	5.00%
MATCHING RATIO (city to employee)	1 to 1	1 to 1
YEARS REQUIRED FOR VESTING	5	5
SERVICE RETIREMENT ELIGIBILITY (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
UPDATED SERVICE CREDIT	0%	0%
ANNUITY INCREASE (to retirees)	00% of CPI	00% of CPI

### Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by actuary, using the Projected Unit Credit actuarial Method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that City. Both the normal cost and the prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the

City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09-30-12	\$6,513	100%	-0-
09-30-13	2,443	100%	-0-
09-30-14	1,886	100%	-0-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest valuation, December 31, 2013, also follows:

VALUATION DATE	12/31/2011	12/31/2012	12/31/2013
ACTUARIAL COST METHOD	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
AMORTIZATION METHOD	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
REMAINING AMORTIZATION PERIOD	25.1 years; closed period	23.5 years; closed period	25.1 years; closed period
ASSET VALUATION METHOD	10 year smoothed market	10 year smoothed market	10 year smoothed market
AMORTIZATION PERIOD FOR NEW GAINS/LOSES	19 years	18 years	25 years
ACTUARIAL ASSUMPTIONS:			
INVESTMENT RATE OF RETURN	7.00%	7.00%	7.00%
PROJECTED SALARY INCREASES	Varies by age and service	Varies by age and service	Varies by age and service
INCLUDES INFLATION AT	3.00%	3.00%	3.00%
COST-OF-LIVING ADJUSTMENTS	0.00%	0.00%	0.00%

The funded status as of December 31, 2013, the most actuarial valuation date, is as follows:

#### ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2013	\$99,294	\$93,733	(\$5,561)	105.9%	\$310,183	(1.8)%

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.



REQUIRED SUPPLEMENTARY INFORMATION

### ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
2009	\$30,814	\$40,002	\$ 9,188	77.0%	\$197,337	4.7%
2010	45,683	56,385	10,702	81.0%	195,760	5.5%
2011	62,051	68,677	6,626	90.4%	236,886	2.8%
2012	84,167	90,281	6,114	93.2%	326,790	1.9%
2013	99,294	93,733	(\$5,561)	105.9%	310,183	(1.8)%

**Funded Status and funding Progress** – In June, 2014, SB was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial study that was adopted by the TMRS Board at their May, 2014 meeting (the review compared actual to expected experience for the four year period of January 1, 2006 through December 31, 2009). for a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please refer to the December 31, 2010 TMRS Comprehensive Annual financial Report (CAFR).