

**CITY OF VIDOR**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**SEPTEMBER 30, 2014**

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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**keri michutka**  
CERTIFIED PUBLIC ACCOUNTANT

**Unmodified Opinions on Basic Financial Statements Accompanied by  
Required Supplementary Information and Other Information**

Independent Auditor's Report

Mayor and City Council  
City of Vidor, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Vidor 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Vidor 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, Statement of Fiduciary Net Position and Texas Municipal Retirement System Schedule of Funding Progress on pages 3-10 and 37-38 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 City of Vidor's basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015 on our consideration of City of Vidor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Vidor's internal control over financial reporting and compliance.



Bridge City, Texas  
January 16, 2015

## **CITY OF VIDOR, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial Report, we, the management of the City of Vidor, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2014. Please read the independent auditors' report beginning on page 1, and the City's Basic Financial Statements which begin on page 11.

#### **FINANCIAL HIGHLIGHTS**

These financial highlights summarize the City's financial position and operations as presented in more detail in the Financial Statements, as listed in the accompanying Table of Contents.

- ▶ The City's net position increased \$1,599,602 comparing the prior year's net position with the current year as a result of this year's operations. While net position of our business-type activities increased by \$50,791 or 20.9 percent, net position of our governmental activities increased by \$1,548,811 or 19.2 percent.
- ▶ During the year, the City had net expenses that were \$480,180 less than the \$6,648,870 generated in tax and other revenues for governmental programs.
- ▶ In the City's business-type activities, revenues increased \$91,484 to \$1,044,358 while expenses decreased \$19,011 to \$989,642.
- ▶ The General Fund ended the year with a committed fund balance of \$1,365,183 and an unassigned fund balance of \$2,083,107.
- ▶ The resources available for appropriation were \$538,111 more than budgeted for the General Fund.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 11 through 13. These provide information about the activities of the City as a whole and present a long-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The City's Fund financial statements starting on page 14 report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements starting on page 22 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds. These statements are provided for additional understanding of the City's fiscal operations.

## **REPORTING THE CITY AS A WHOLE**

### ***The Statement of Net Position and the Statement of Activities***

The analysis of the City's overall financial condition and operations is presented below. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as fines and fees paid by individuals, and grants provided by the state and federal agencies, and revenues provided by the taxpayers (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, the City's property tax base, and the condition of the City's facilities.

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

- ▶ **Governmental activities**—Most of the City's basic services are reported here, including the police, public works, administration, city council, library, municipal court, streets, drainage, maintenance, animal control, and parks and recreation. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.

- ▶ **Business-type activities**—The City charges a fee to “customers” to help it cover all or most of the cost of services it provides in the sanitation department.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### ***Fund Financial Statements***

The fund financial statements begin on page 14 and provide detailed information about the most significant funds—not the City as a whole. Laws and contracts require the City to establish such funds. The City's administration establishes many other funds to help it control and manage money for particular purposes such as capital construction and debt service. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds—Most of the City's basic services are reported in governmental funds. These use modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciling schedules following each of the fund financial statements.

Proprietary funds—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

## **THE CITY AS TRUSTEE**

### ***Reporting the City's Fiduciary Responsibilities***

The City is the trustee for funds seized by the police. These funds are then held and kept separate until released as provided by law. Management excluded these funds from the City's other financial statements because the City cannot use these assets to finance its operations until it is determined by either the state or federal agencies what part will eventually be released to the City as additional resources to support law enforcement.

## **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 statements can be found on pages 24 to 37 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental and business-type activities.

Net position of the City's governmental activities increased from \$8,065,118 to \$9,613,929. The change is due to an increase in Net Position of \$1,548,811. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements were \$5,155,262 at September 30, 2014.

In 2014, net position of our business-type activities increased by \$50,791.

Table 1  
City of Vidor  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$5,304,216	\$4,938,939	\$241,020	\$160,665	\$5,545,236	\$5,099,604
Capital Assets	11,303,939	10,494,449	300,301	190,706	11,604,240	10,685,155
Total Assets	<u>16,608,155</u>	<u>15,433,388</u>	<u>541,321</u>	<u>351,371</u>	<u>17,149,476</u>	<u>15,784,759</u>
Long-Term Liabilities Outstanding	6,584,859	6,784,108	105,122	0	6,689,981	6,784,108
Other Liabilities	409,367	584,162	142,904	108,867	552,271	693,029
Total Liabilities	<u>6,994,226</u>	<u>7,368,270</u>	<u>248,026</u>	<u>108,867</u>	<u>7,242,252</u>	<u>7,477,137</u>
Net Position:						
Net Investment in						
Capital Assets	4,458,667	3,462,799	0	0	4,458,667	3,462,799
Restricted						
Unrestricted Net Position	<u>5,155,262</u>	<u>4,602,319</u>	<u>293,295</u>	<u>242,504</u>	<u>5,448,557</u>	<u>4,844,823</u>
Total Net Position	<u>\$9,613,929</u>	<u>\$8,065,118</u>	<u>\$293,295</u>	<u>\$242,504</u>	<u>\$9,907,224</u>	<u>\$8,307,622</u>

The unrestricted net position, \$5,448,557 may be used to meet the government's ongoing obligations to citizens and creditors.

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

As reflected in the following table (Table 2) the City's net position increased by \$1,599,602 during the current fiscal year. The difference is split between both the governmental activities and the business-type activities. Net position for the governmental activities increased \$1,548,811 and net position for the business-type activities increased \$50,791.



Table 2  
City of Vidor  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 808,180	\$ 672,015	\$ 1,044,358	\$ 952,874	\$ 1,852,538	\$ 1,624,889
Operating Grants and Contributions	129,484	244,471	-	-	129,484	244,471
General Revenues:						
Property Taxes	2,398,722	2,347,091	-	-	2,398,722	2,347,091
Sales Taxes	2,417,350	2,272,640	-	-	2,417,350	2,272,640
Franchise Taxes	579,660	559,831	-	-	579,660	559,831
Other Taxes	118,551	88,270	-	-	118,551	88,270
Penalty and Interest	66,477	55,094	-	-	66,477	55,094
Grants and Contributions	4,904	3,556	-	-	4,904	3,556
Other	191,500	139,786	-	-	191,500	139,786
Investment Earnings	6,106	7,463	211	257	6,317	7,720
Special Item (Resource)	1,055,541	(27,197)	-	-	1,055,541	(27,197)
Total Revenues	<u>7,776,475</u>	<u>6,363,020</u>	<u>1,044,569</u>	<u>953,131</u>	<u>8,821,044</u>	<u>7,316,151</u>
Expenses:						
City Council	343,848	319,666	-	-	343,848	319,666
Municipal Court	218,080	172,940	-	-	218,080	172,940
City Manager	154,903	88,724	-	-	154,903	88,724
Financial Administration	293,854	305,498	-	-	293,854	305,498
City Secretary	94,618	78,868	-	-	94,618	78,868
Police	3,038,024	2,784,031	-	-	3,038,024	2,784,031
Animal Control	105,325	123,836	-	-	105,325	123,836
Streets, Drainage and Maintenance	983,504	914,626	-	-	983,504	914,626
Public Works	182,708	162,757	-	-	182,708	162,757
Tourism	111,020	118,000	-	-	111,020	118,000
Parks and Recreation	164,298	162,159	-	-	164,298	162,159
Library	231,461	253,596	-	-	231,461	253,596
Bond Interest	305,521	328,055	-	-	305,521	328,055
Fiscal Agent's Fees	500	1,302	-	-	500	1,302
Other Business-type Activities	-	-	993,778	1,010,486	993,778	1,010,486
Total Expenses	<u>6,227,664</u>	<u>5,814,058</u>	<u>993,778</u>	<u>1,010,486</u>	<u>7,221,442</u>	<u>6,824,544</u>
Increase (Decrease) in Net Position	1,548,811	548,962	50,791	(57,355)	1,599,602	491,607
Net Position at 9/30/13	<u>8,065,118</u>	<u>7,516,156</u>	<u>242,504</u>	<u>299,859</u>	<u>8,307,622</u>	<u>7,816,015</u>
Net Position at 9/30/14	<u>\$ 9,613,929</u>	<u>\$ 8,065,118</u>	<u>\$ 293,295</u>	<u>\$ 242,504</u>	<u>\$ 9,907,224</u>	<u>\$ 8,307,622</u>

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **GOVERNMENTAL FUNDS**

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,124,061 an increase of \$480,180 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,083,107. The committed fund balance of the general fund was \$1,365,183. The committed fund balance is calculated at 25% based on three months of general fund expenditures of the total fund balance at the end of each fiscal year and it also includes \$2,143 remaining for a new street department building. The total general fund balance was \$3,448,290.

The total fund balance of the City's general fund increased by \$427,478 during the current fiscal year.

The debt service fund has a total fund balance of \$170,517, an increase of \$9,398, all of which is reserved for the payment of debt service.

### **PROPRIETARY FUNDS**

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

Unrestricted net position of the Sanitation Fund at the end of the fiscal year amounted to \$293,295. Net position of the Sanitation Fund increased by \$50,791. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS** - The City's investment on capital assets for its governmental and business-type activities as of September 30, 2014, amount to \$11,303,939 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, machinery and equipment, and construction in progress. Capital assets held by the City at the end of the current year are summarized as follows: (Table 3)

Table 3  
City of Vidor  
Capital Assets at Year-End  
(Net of Depreciation)

	Governmental Activities 2014	Business-Type Activities 2014	Total 2014
Land	\$ 1,567,145	\$ -	\$ 1,567,145
Infrastructure	3,090,073	-	3,090,073
Buildings	6,164,725	-	6,164,725
Machinery and Equipment	481,996	300,301	782,297
Construction in Progress	-	-	-
	<u>\$ 11,303,939</u>	<u>\$ 300,301</u>	<u>\$ 11,604,240</u>

During the current year, major capital additions for governmental activities were as follows:

❑ Acquisition of Machinery and Equipment \$160,083

In addition, the following major acquisitions were made for the business-type activities:

❑ Investment in Machinery and Equipment \$204,183

Additional information about the City's capital assets is presented in Note E of the financial statements.

**LONG-TERM DEBT** - At the end of the current fiscal, the City had total bonds outstanding of \$6,812,080 and a capital lease for a sanitation truck with a balance of \$149,634. The City also has long-term liabilities related to compensated absences.

The debt position of the City is summarized below and is more fully analyzed in Note F of the financial statements.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2014 budget tax rates. One of those factors is the economy. The City's increase in property values, population, and sales tax revenue project a small, but healthy growth in the City. The City Council has traditionally resisted increasing taxes and as a result only projected a minimal increase in property taxes.

These indicators were taken into account when adopting the General Fund budget for 2015. Amounts available for appropriation in the General Fund budget are \$5,493,561, an increase of 2.8% over the final 2014 budget of \$5,341,529. There is a projected increase in sales tax revenue and fines and fees. The City will use its revenues to finance programs it currently offers. Budgeted expenditures are expected to increase nearly 1.4 percent to \$5,723,778 from \$5,644,750 in the final adopted budget for 2014. The City has added no major new programs or initiatives to the 2015 budget.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Supervisor of Accounting and Finance, at the City of Vidor, 1395 North Main, Vidor, Texas.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE STATEMENTS

CITY OF VIDOR  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

EXHIBIT A-1

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,816,475	\$ 211,607	\$ 4,028,082
Receivables (net of allowance for uncollectibles)	1,487,741	29,413	1,517,154
Capital Assets:			
Land	1,567,145	-	1,567,145
Infrastructure, net	3,090,073	-	3,090,073
Buildings, net	6,164,725	-	6,164,725
Machinery and Equipment, net	481,996	300,301	782,297
Total Assets	<u>16,608,155</u>	<u>541,321</u>	<u>17,149,476</u>
<b>LIABILITIES</b>			
Accounts Payable	102,798	22,668	125,466
Intergovernmental Payable	6,910	5,584	12,494
Accrued Interest Payable	37,925	-	37,925
Deferred Revenues	-	27,290	27,290
Other Current Liabilities	1,321	42,850	44,171
Noncurrent Liabilities			
Due Within One Year	260,413	44,512	304,925
Due in More Than One Year	6,584,859	105,122	6,689,981
Total Liabilities	<u>6,994,226</u>	<u>248,026</u>	<u>7,242,252</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,458,667	-	4,458,667
Unrestricted Net Position	5,155,262	293,295	5,448,557
Total Net Position	<u>\$ 9,613,929</u>	<u>\$ 293,295</u>	<u>\$ 9,907,224</u>

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

**CITY OF VIDOR  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
City Council	\$ 343,848	\$ -	\$ -
Municipal Court	218,080	654,380	-
City Manager	154,903	-	-
Financial Administration	293,854	75,000	-
City Secretary	94,618	-	-
Police	3,038,024	-	110,335
Animal Control	105,325	-	-
Streets	818,625	-	-
Maintenance	164,879	-	-
Public Works	182,708	59,963	-
Tourism	111,020	-	-
Parks and recreation	164,298	16,240	-
Library	231,461	2,597	19,149
Bond Interest	305,521	-	-
Fiscal Agent's Fees	500	-	-
Total Governmental Activities:	6,227,664	808,180	129,484
<b>BUSINESS-TYPE ACTIVITIES:</b>			
	993,778	1,044,358	-
Total Business-Type Activities:	993,778	1,044,358	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 7,221,442</b>	<b>\$ 1,852,538</b>	<b>\$ 129,484</b>

**General Revenues:**

**Taxes:**

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Other Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Special Item - resource

**Total General Revenues and Special Items**

Change in Net Position

Net Position - Beginning

Net Position--Ending

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



Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (343,848)	\$ -	\$ (343,848)
436,300	-	436,300
(154,903)	-	(154,903)
(218,854)	-	(218,854)
(94,618)	-	(94,618)
(2,927,689)	-	(2,927,689)
(105,325)	-	(105,325)
(818,625)	-	(818,625)
(164,879)	-	(164,879)
(122,745)	-	(122,745)
(111,020)	-	(111,020)
(148,058)	-	(148,058)
(209,715)	-	(209,715)
(305,521)	-	(305,521)
(500)	-	(500)
(5,290,000)	-	(5,290,000)
-	50,580	50,580
-	50,580	50,580
(5,290,000)	50,580	(5,239,420)
1,880,849	-	1,880,849
517,873	-	517,873
2,417,350	-	2,417,350
579,660	-	579,660
118,551	-	118,551
66,477	-	66,477
4,904	-	4,904
191,500	-	191,500
6,106	211	6,317
1,055,541	-	1,055,541
6,838,811	211	6,839,022
1,548,811	50,791	1,599,602
8,065,118	242,504	8,307,622
\$ 9,613,929	\$ 293,295	\$ 9,907,224

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF VIDOR  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	General Fund	Disaster Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,140,620	\$ -	\$ 675,855	\$ 3,816,475
Taxes Receivable	550,373	-	-	550,373
Receivables (Net)	3,222	-	-	3,222
Intergovernmental Receivables	415,393	-	-	415,393
Total Assets	<u>\$ 4,109,608</u>	<u>\$ -</u>	<u>\$ 675,855</u>	<u>\$ 4,785,463</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 102,714	\$ -	\$ 84	\$ 102,798
Intergovernmental Payable	6,910	-	-	6,910
Other Current Liabilities	1,321	-	-	1,321
Total Liabilities	<u>110,945</u>	<u>-</u>	<u>84</u>	<u>111,029</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	550,373	-	-	550,373
Total Deferred Inflows of Resources	<u>550,373</u>	<u>-</u>	<u>-</u>	<u>550,373</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance	-	-	675,771	675,771
Committed Fund Balance	1,365,183	-	-	1,365,183
Unassigned Fund Balance	2,083,107	-	-	2,083,107
Total Fund Balances	<u>3,448,290</u>	<u>-</u>	<u>675,771</u>	<u>4,124,061</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,109,608</u>	<u>\$ -</u>	<u>\$ 675,855</u>	<u>\$ 4,785,463</u>

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

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

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 4,124,061</b>
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$15,184,923 and the accumulated depreciation was \$4,690,474. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	3,462,799
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase net position.	1,508,648
The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(513,051)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	1,031,472
<b>Net Position of Governmental Activities</b>	<b>\$ 9,613,929</b>

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

CITY OF VIDOR  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT C-3

	General Fund	Disaster Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,855,092	\$ -	\$ 508,926	\$ 2,364,018
General Sales and Use Taxes	2,417,350	-	-	2,417,350
Franchise Tax	579,660	-	-	579,660
Other Taxes	-	-	118,551	118,551
Penalty and Interest on Taxes	51,571	-	14,906	66,477
Licenses and Permits	54,263	-	-	54,263
Intergovernmental Revenue and Grants	67,167	-	62,317	129,484
Charges for Services	99,537	-	-	99,537
Fines and Forfeitures	555,209	-	61,811	617,020
Investment Earnings	4,700	-	1,406	6,106
Contributions & Donations from Private Sources	3,626	-	1,278	4,904
Other Revenue	191,465	-	35	191,500
Total Revenues	5,879,640	-	769,230	6,648,870
<b>EXPENDITURES:</b>				
Current:				
General Government:				
City Council	190,957	-	-	190,957
Municipal Court	180,847	-	47,379	228,226
City Manager	154,903	-	-	154,903
Financial Administration	293,854	-	-	293,854
City Secretary	94,618	-	-	94,618
Public Safety:				
Police	2,937,676	-	24,125	2,961,801
Animal Control	103,752	-	133	103,885
Streets	786,367	-	-	786,367
Maintenance	167,529	-	-	167,529
Public Works	182,217	-	-	182,217
Tourism	-	-	111,020	111,020
Culture and Recreation:				
Parks and Recreation	153,529	-	-	153,529
Library	205,913	-	19,151	225,064
Debt Service:				
Bond Principal	-	-	208,000	208,000
Bond Interest	-	-	306,220	306,220
Fiscal Agent's Fees	-	-	500	500
Total Expenditures	5,452,162	-	716,528	6,168,690
Excess of Revenues Over Expenditures	427,478	-	52,702	480,180
<b>EXPENDITURES:</b>				
Extraordinary Item - Resource	-	1,055,541	-	1,055,541
Extraordinary Item - (Use)	-	(1,055,541)	-	(1,055,541)
Net Change in Fund Balances	427,478	-	52,702	480,180
Fund Balance - October 1 (Beginning)	3,020,812	-	623,069	3,643,881
Fund Balance - September 30 (Ending)	\$ 3,448,290	\$ -	\$ 675,771	\$ 4,124,061

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

## CITY OF VIDOR

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 480,180</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase the change in net position.	1,508,648
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(513,051)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase the change in net position.	73,034
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 1,548,811</b>

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

CITY OF VIDOR  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,807,848	\$ 1,807,848	\$ 1,855,092	\$ 47,244
General Sales and Use Taxes	2,200,000	2,200,000	2,417,350	217,350
Franchise Tax	577,500	577,500	579,660	2,160
Penalty and Interest on Taxes	42,000	42,000	51,571	9,571
Licenses and Permits	57,450	57,450	54,263	(3,187)
Intergovernmental Revenue and Grants	48,321	48,321	67,167	18,846
Charges for Services	99,950	99,950	99,537	(413)
Fines and Forfeitures	474,810	474,810	555,209	80,399
Investment Earnings	3,500	3,500	4,700	1,200
Contributions & Donations from Private Sources	2,600	2,600	3,626	1,026
Other Revenue	27,550	27,550	191,465	163,915
Total Revenues	5,341,529	5,341,529	5,879,640	538,111
EXPENDITURES:				
Current:				
General Government:				
City Council	223,054	200,521	190,957	9,564
Municipal Court	202,374	197,131	180,847	16,284
City Manager	174,347	174,347	154,903	19,444
Financial Administration	328,882	316,788	293,854	22,934
City Secretary	77,741	100,066	94,618	5,448
Public Safety:				
Police	2,841,883	2,879,180	2,937,676	(58,496)
Animal Control	123,254	125,854	103,752	22,102
Streets	890,130	910,707	786,367	124,340
Maintenance	171,603	176,803	167,529	9,274
Public Works	187,575	189,849	182,217	7,632
Culture and Recreation:				
Parks and Recreation	164,387	164,387	153,529	10,858
Library	191,407	209,117	205,913	3,204
Total Expenditures	5,576,637	5,644,750	5,452,162	192,588
Net Change	(235,108)	(303,221)	427,478	730,699
Fund Balance - October 1 (Beginning)	3,020,812	3,020,812	3,020,812	-
Fund Balance - September 30 (Ending)	\$ 2,785,704	\$ 2,717,591	\$ 3,448,290	\$ 730,699

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

## PROPRIETARY FUND FINANCIAL STATEMENTS



CITY OF VIDOR  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	Business Type Activities
<hr/>	
ASSETS	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 211,607
Accounts Receivable-Net of Uncollectible Allowance	29,413
Total Current Assets	<u>241,020</u>
<b>Noncurrent Assets:</b>	
Capital Assets:	
Machinery and Equipment	993,507
Accumulated Depreciation - Machinery & Equipment	(693,206)
Total Noncurrent Assets	<u>300,301</u>
Total Assets	<u>541,321</u>
LIABILITIES	
<b>Current Liabilities:</b>	
Accounts Payable	22,668
Intergovernmental Payable	5,584
Unearned Revenue	27,290
Capital Leases Payable - Current	44,512
Other Current Liabilities	42,850
Total Current Liabilities	<u>142,904</u>
<b>NonCurrent Liabilities:</b>	
Capital Leases Payable - Noncurrent	105,122
Total Noncurrent Liabilities	<u>105,122</u>
Total Liabilities	<u>248,026</u>
NET POSITION	
Unrestricted Net Position	293,295
Total Net Position	<u>\$ 293,295</u>

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

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

	Business Type Activities
<hr/>	
OPERATING REVENUES:	
Charges for Sanitation Service	\$ 1,044,358
Total Operating Revenues	<u>1,044,358</u>
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	327,592
Personnel Services - Employee Benefits	180,229
Purchased Property Services	270,062
Other Operating Expenses	39,281
Supplies	77,891
Depreciation	94,587
Total Operating Expenses	<u>989,642</u>
Operating Income	<u>54,716</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	211
Interest Expense - Non-Operating	(4,136)
Total Non-operating Revenue (Expenses)	<u>(3,925)</u>
Change in Net Position	50,791
Total Net Position -October 1 (Beginning)	<u>242,504</u>
Total Net Position September 30 (Ending)	<u>\$ 293,295</u>

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

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

	Business Type Activities
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,040,282
Cash Payments to Employees for Services	(507,821)
Cash Payments for Goods and Services	(382,673)
Net Cash Provided by Operating Activities	<u>149,788</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Interest Expense	<u>(4,136)</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Capital Assets	(204,183)
Increase in Capital Lease	134,599
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(69,584)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>211</u>
Net Increase in Cash and Cash Equivalents	76,279
Cash and Cash Equivalents at Beginning of the Year:	<u>135,328</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 211,607</u>
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income:	\$ 54,716
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	94,587
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(4,076)
Increase (decrease) in Accounts Payable	2,673
Increase (decrease) in Deferred Revenue	120
Increase (decrease) in Other Payables	1,768
Net Cash Provided by Operating Activities	<u>\$ 149,788</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

CITY OF VIDOR, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The City of Vidor is a Home Rule City governed by an elected Mayor and six councilmen. The City provides law enforcement, streets and drainage, code enforcement, animal control, municipal court, and several cultural activities such as a library and parks. The City is located in the western portion of Orange County, Texas and is the economic center of Ward 4 of the County.

The City of Vidor, Texas is a primary government as defined by Governmental Accounting Standards Board Statement (GASB) No. 14. The City does not have any component units as defined in GASB 14.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Vidor nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, federal and state grants, charges for services, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" columns include amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

## **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Council pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

## **D. FUND ACCOUNTING**

The City reports the following major governmental funds:

1. **General Fund** – The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Fund** - The Capital Projects Fund is used to provide resources for capital projects.

The City reports the following major enterprise fund:

**Sanitation Fund** - The Sanitation Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing sanitation services to the general public on a continuing basis are financed through user charges.

The City reports one fiduciary fund:

**Agency Fund** – The Agency Fund is used for custody of seized money for which the City does not have ownership.

Additionally, the City reports the following fund types:

Governmental Funds:

1. **Debt Service Fund** – The Debt Service Fund accounts for the accumulation of resources to pay interest and principal on long-term debt.
2. **Special Revenue Funds** - The Special Revenue Funds account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance often is accounted for in a Special Revenue Fund.

**E. OTHER ACCOUNTING POLICIES**

1. **Budgets and Budgetary Accounting** The City Council adopts an annual budget for the various funds. The legally adopted budgets for the Governmental Funds are prepared, generally, in accordance with the basis of accounting utilized by that fund. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the City Council. Each amendment must have Council approval and amendments are reflected in the minutes of the Council. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All budgeted appropriations lapse at year end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end lapse. Encumbrances do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

2. **Cash and Investments** For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
3. **Inventories** The City does not maintain any inventories of material significance.
4. **Long-term Debt** 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.

5. **Capital Assets** Capital assets, which include land, buildings, furniture and equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 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.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Infrastructure	20-40
Furniture & Fixtures	10
Machinery & Equipment	7-12

6. **Interfund Transactions** Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the City are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements for expenditures or expenses initially made from that fund; but which are properly attributable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expenses in the fund that is reimbursed.

Non-recurring or non-routine transfers of equity between funds are reported as additions to, or reductions of, the fund balance of governmental funds. Transfers of equity to proprietary funds are reported as additions to, or reductions in, retained earnings or contributed capital as is appropriate in the circumstances. All other legally authorized transfers are treated as operating transfers and are included in the results of operation of both governmental and proprietary funds.

7. **Deferred Revenue** Deferred revenue accounted for on the balance sheet of the general fund statement relates to uncollected property taxes. Deferred revenue is not presented in the entity wide Statements of Net Position of Statement of Activity because tax revenues are recognized when levied and not when collected. Deferred revenue presented in the proprietary fund represents pre-payment of service fees and is carried as a liability until the fee is earned.
8. **Fund Balance** Restricted fund balance includes the portion of net resources on which limitations are imposed by external parties, constitutional provisions, or enabling legislation. Committed fund balance includes the portion of net resources upon which the City Council has imposed limitation on use. Commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint. Unassigned fund balance is the residual classification for the general fund, available for any purpose.



The City Council is the City's highest level of decision-making authority and the formal action that is required to be taken to establish, modify or rescind a fund balance commitment is a resolution approved by the Council. When multiple categories of fund balance are available for expenditure, the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds. The City's goal is to achieve and maintain an unassigned fund balance in the general fund equal to 50% of expenditures. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent years to restore the balance. The City's policy is to maintain a committed fund balance equal to 25% (based on three months) of general fund expenditures at the end of each fiscal year. At year end the committed fund balance included \$1,363,040 and \$2,143 for a new Street Department building. As of September 30, 2014, the general fund committed fund balance was \$1,365,183 and unassigned was \$2,083,107. The total general fund balance was \$3,448,290.

## **II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

### **A. 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 substantial compliance with the requirements of the Act and with local policies.

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash balances for most individual funds are maintained in a pooled cash account, except where the City is legally required to maintain separate bank cash accounts. The earnings on the pooled cash account are prorated to the individual funds. For accounting purposes, the cash balances for each fund related to the pooled cash account are maintained as if they were separate cash accounts and displayed on the combined balance sheet within the financial statement caption Cash. Any overdraft balances for pooled cash, if any, for an individual fund is reported as "Due to" for the fund providing the money and as "Due from" for the fund that provided the money.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or Investments that are insured, registered or held by the City or by its agent in the City's name.

Category 2 - Cash or Investments that are uninsured and unregistered held by the counter-party's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the City's name.

Based on these three levels of risk, all of the City's investments are classified as Category 1.

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,037,030. The City's cash deposits at September 30, 2014, and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The pledged collateral is categorized as follows:

Amount insured by FDIC coverage .....	\$ 250,000
Amount collateralized with securities held by a third party in the City's name .....	<u>4,535,082</u>
Total .....	<u>\$ 4,785,082</u>

#### Temporary Investment:

The City is authorized to invest in those securities and obligations authorized by the Public Funds Investment Act-Chapter 2256 of the Government Code.

The City's temporary investments at September 30, 2014, are shown below:

	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool Investment Pool	<u>\$ 1,528,285</u>	<u>\$ 1,528,285</u>

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term "short-term" refers to investments which have a remaining term of one year or less at time of changes. Nonnegotiable certificates of deposit and money market bank accounts are examples of nonparticipating interest-earning investment contracts. Certificates of Deposit and money market bank accounts are recorded as cash in these financial statements.

The City's investments in pools (TexPool) are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like pool, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

## **B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 31<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

### C. INTERFUND BALANCES

There were no interfund balances as of September 30, 2014.

### D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2014, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Other Receivables</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	\$ 550,373	\$ 415,393	\$ 3,222	\$ 968,988
Total - Governmental Activities	<u>\$ 550,373</u>	<u>\$ 415,393</u>	<u>\$ 3,222</u>	<u>\$ 968,988</u>
Business-Type Activities:				
Sanitation Fund	\$ -	\$ -	\$ 29,413	\$ 29,413
Total - Bus.-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,413</u>	<u>\$ 29,413</u>

Payables at September 30, 2014, were as follows:

	<u>Accounts Payable</u>	<u>Other Governments</u>	<u>Other Current</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	\$ 102,714	\$ 6,910	\$ 1,321	\$ 110,945
Nonmajor Gov. Funds	84	-	-	84
Total - Gov. Activities	<u>\$ 102,798</u>	<u>\$ 6,910</u>	<u>\$ 1,321</u>	<u>\$ 111,029</u>
Business-Type Activities:				
Sanitation Fund	\$ 22,668	\$ 5,584	\$ 42,850	\$ 71,102
Total - Bus.-Type Activities	<u>\$ 22,668</u>	<u>\$ 5,584</u>	<u>\$ 42,850</u>	<u>\$ 71,102</u>

## E. CAPITAL ASSET ACTIVITY

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

	Balance 10/1/13	Additions	Deletions	Balance 9/30/14
Governmental Activities:				
Land	\$ 1,567,145	\$	\$	\$ 1,567,145
Buildings	7,457,818			7,457,818
Infrastructure	2,760,019	1,162,458		3,922,477
Machinery and Equipment	3,399,941	160,083	(133,472)	3,426,552
Total	15,184,923	1,322,541	(133,472)	16,373,992
Accumulated Depreciation	(4,690,474)	(513,051)	133,472	(5,070,053)
Governmental Activities Capital Assets, Net	<u>\$ 10,494,449</u>	<u>\$ 809,490</u>	<u>\$ -</u>	<u>\$ 11,303,939</u>
Business-type Activities (Sanitation):				
Machinery and Equipment	\$ 871,469	\$ 204,183	\$ (82,145)	\$ 993,507
Accumulated Depreciation	(680,763)	(94,587)	82,145	(693,206)
Business-type Activities Capital Assets, Net	<u>\$ 190,706</u>	<u>\$ 109,596</u>	<u>\$ -</u>	<u>\$ 300,301</u>

Depreciation expense was charged to governmental functions as follows:

City Council	\$ 152,891
Municipal Court	7,495
Police Department	139,871
Animal Control	1,440
Streets and Drainage	172,448
Maintenance	5,514
Public Works	491
Library	22,132
Parks and Recreation	10,769
Total Depreciation Expense	<u>\$ 513,051</u>

A portion of the infrastructure in the amount of \$616,417 is attributable to land improvements, which are not depreciable. The improvements consist of purchasing land and clearing improvements to the land to facilitate drainage. It has not been determined if the City will be responsible for maintaining these land improvements in the future or if the land and obligation to maintain drainage in the future will be transferred to the Orange County Drainage District which has overall responsibility for the County's drainage.

## F. CHANGES IN LONG-TERM DEBT

A. Certificates of Obligation 2008 – On October 23, 2008, the City issued Tax and Revenue Certificates of Obligation Bonds in the amount of \$6,500,000 to build a new city hall.

B. Series 2013 Refunding Bonds – On May 21, 2013 the City issued Refunding Bonds to pay off the 2003 Certificates of Obligation.

C. Capital Lease – The City used a capital lease to pay for two Dodge Charger Patrol Cars and a 2010 Dump Truck.

D. Capital Lease – The City used a capital lease to pay for a 2010 Dodge Charger Patrol Car, 2011 Ford Maintenance Truck and New Sewer Cleaning Equipment.

E. Capital Lease – The City used a capital lease to pay for two Dodge Charger Patrol Cars.

F. Capital Lease – The City used a capital lease to pay for a sanitation truck for the Sanitation Department. The lease is shown as debt in the Proprietary Fund.

G. Capital Lease – The City used a capital lease to pay for a sanitation truck for the Sanitation Department. The lease is shown as debt in the Proprietary Fund.

A summary of the City's long-term debt transactions for the year ended September 30, 2014, are included in the following table:

	<u>Maturity Dates</u>	<u>Interest Rates</u>	<u>Balance 10/1/12</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/13</u>
<b>Governmental Activities:</b>						
Bonds and Capital Lease Payable						
Certificates of Obligation,	Feb 15th &	3.5%-				
Tax & Revenue, Series 2008	Aug 15th	5.00%	\$ 6,065,000		\$ 130,000	\$ 5,935,000
Series 2013 Refunding Bonds	Feb 15th & Aug 15th	1.79%	863,000		78,000	785,000
Capital Lease - 2010	Quarterly	5.15%	22,592		18,931	3,661
Capital Lease - 2011	Quarterly	4.13%	47,595		20,611	26,984
Capital Lease - 2014	Quarterly	2.98%	-	74,790	13,355	61,435
Total Bonds & Capital Lease Payable			6,998,187	74,790	260,897	6,812,080
Other Liabilities						
Compensated Absences			33,463	28,023	28,294	33,192
Total Other Liabilities			33,463	28,023	28,294	33,192
Total Governmental Activities Long-term Liabilities			<u>7,031,650</u>	<u>102,813</u>	<u>289,191</u>	<u>6,845,272</u>
<b>Business-type Activities:</b>						
Capital Lease - 2009	Quarterly	5.52%	15,035		15,035	-
Capital Lease - 2014	Quarterly	2.98%	-	179,670	30,036	149,634
Total Business-type Activities Long-term Liabilities			<u>\$ 15,035</u>	<u>\$ 179,670</u>	<u>\$ 45,071</u>	<u>\$ 149,634</u>

Annual debt service requirements to maturity, including principal and interest, for general long-term debt at September 30, 2014, are as follows:

Certificates of Obligation Tax & Revenue, Series 2008			
Year Ending September 30,	Principal	Interest	Annual Debt Service
2015	\$ 135,000	\$ 285,574	\$ 420,574
2016	140,000	280,174	420,174
2017	145,000	274,574	419,574
2018	155,000	268,774	423,774
2019	160,000	262,380	422,380
Thereafter	5,200,000	2,959,768	8,159,768
Total	\$ 5,935,000	\$ 4,331,243	\$ 10,266,243

Series 2013 Refunding Bond			
Year Ending September 30,	Principal	Interest	Annual Debt Service
2015	\$ 82,000	\$ 14,052	\$ 96,052
2016	80,000	12,584	92,584
2017	83,000	11,152	94,152
2018	86,000	9,666	95,666
2019	89,000	8,127	97,127
Thereafter	365,000	16,379	381,379
Total	\$ 785,000	\$ 71,958	\$ 856,958

Capital Lease for (2) Dodge Patrol Cars and 2010 Dump Truck - 2010			
Year Ending September 30,	Principal	Interest	Annual Debt Service
2015	\$ 3,661	\$ 47	\$ 3,708
Total	\$ 3,661	\$ 47	\$ 3,708

Capital Lease for 2010 Dodge Patrol Car, 2011 Ford Maint Truck  
and New Sewer Cleaning Equipment - 2011

Year Ending September 30,	Principal	Interest	Annual Debt Service
2015	\$ 21,476	\$ 799	\$ 22,275
2016	5,507	60	5,568
Total	\$ 26,984	\$ 859	\$ 27,843

Capital Lease for (2) Dodge Charger Patrol Cars - 2014

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt</u> <u>Service</u>
2015	\$ 18,276	\$ 1,628	\$ 19,903
2016	18,826	1,077	19,903
2017	19,394	510	19,903
2018	<u>4,939</u>	<u>37</u>	<u>4,976</u>
Total	<u>\$ 61,435</u>	<u>\$ 3,251</u>	<u>\$ 64,686</u>

Total General Long-term Debt

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt</u> <u>Service</u>
2015	\$ 260,413	\$ 302,099	\$ 562,512
2016	244,333	293,895	538,228
2017	247,394	286,235	533,629
2018	245,939	278,477	524,416
2019	249,000	270,506	519,506
Thereafter	<u>5,565,000</u>	<u>2,976,146</u>	<u>8,541,146</u>
Total	<u>\$ 6,812,080</u>	<u>\$ 4,407,358</u>	<u>\$ 11,219,438</u>

Annual debt service requirements to maturity, including principal and interest, for sanitation fund long-term debt at September 30, 2014, are as follows:

Capital Lease for Sanitation Truck - 2014

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt</u> <u>Service</u>
2015	\$ 44,512	\$ 3,968	\$ 48,480
2016	45,855	2,625	48,480
2017	47,238	1,242	48,480
2018	<u>12,030</u>	<u>90</u>	<u>12,120</u>
Total	<u>\$ 149,634</u>	<u>\$ 7,926</u>	<u>\$ 157,560</u>

Total Sanitation Fund Long-Term Debt

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt</u> <u>Service</u>
2015	\$ 44,512	\$ 3,968	\$ 48,480
2016	45,855	2,625	48,480
2017	47,238	1,242	48,480
2018	<u>12,030</u>	<u>90</u>	<u>12,120</u>
Total	<u>\$ 149,634</u>	<u>\$ 7,926</u>	<u>\$ 157,560</u>

## G. EMPLOYEE'S RETIREMENT 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 from 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:

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate:	7%	7%
Matching ratio (city to employee):	2 to 1	2 to 1
Years required for vesting	10	10
Service requirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

**Contributions** Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and 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:

Annual Required Contribution (ARC)	\$ 547,890
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	547,890
Contributions Made	(547,890)
Increase (decrease) to net pension	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	\$ -

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 actuarial 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
GASB 25 Equivalent Single Amortization Period	25.8 years; closed period	24.7 years; closed period	22.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

#### ***Funded Status and Funding Progress***

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2013	\$ 13,113,398	\$ 16,442,763	79.8%	\$ 3,329,365	\$ 2,885,760	115.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

### ***Contributions***

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$6,317, \$5,392, and \$5,218, respectively, which equaled the required contributions each year.

## **H. RISK MANAGEMENT & LITIGATION**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City obtains insurance coverage through participation in a public entity risk pool, where risk is transferred to the pool within policy limits purchased.

Workers' compensation and auto liability insurance are also covered in the same manner. There have been no significant reductions in insurance coverage from the preceding year and settlement amounts have not exceeded insurance coverage for the current year.

The attorney for the City estimates that the amount of actual or potential claims against the City will not materially affect the financial condition of the City. Therefore, the General Fund contains no provision for estimated claims.

## **I. SUBSEQUENT EVENT**

Subsequent events have been evaluated by management through January 16, 2015, which is the date these financial statements were accepted by management.

## REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VIDOR  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2014

	Agency Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 8,948
Total Assets	<u>\$ 8,948</u>
<b>LIABILITIES</b>	
Due to Fiduciary Funds	\$ 8,948
Total Liabilities	<u>\$ 8,948</u>

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

TEXAS MUNICIPAL RETIREMENT SYSTEM  
SCHEDULE OF FUNDING PROGRESS  
(unaudited)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2011	\$ 11,336,548	\$ 14,209,973	79.8%	\$ 2,873,425	\$ 2,762,725	104.0%
12/31/2012	\$ 12,255,917	\$ 14,965,925	81.9%	\$ 2,710,008	\$ 2,836,579	95.5%
12/31/2013	\$ 13,113,398	\$ 16,442,763	79.8%	\$ 3,329,365	\$ 2,885,760	115.4%

ADDITIONAL SUPPLEMENTARY INFORMATION  
NOT REQUIRED

COMBINING FUND STATEMENTS  
NONMAJOR GOVERNMENTAL FUNDS



CITY OF VIDOR  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	Child Safety	Police Seizure	Municipal Court Bldg Security
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,135	\$ 17,792	\$ 66,722
Total Assets	<u>\$ 14,135</u>	<u>\$ 17,792</u>	<u>\$ 66,722</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance	14,135	17,792	66,722
Total Fund Balances	<u>14,135</u>	<u>17,792</u>	<u>66,722</u>
Total Liabilities and Fund Balances	<u>\$ 14,135</u>	<u>\$ 17,792</u>	<u>\$ 66,722</u>

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

## EXHIBIT H-1 (Cont'd)

Animal Shelter	Library	Municipal Court Technology	Step Fund Police	Emergency Management System Grant	LEOSE	Federal Forfeiture	Hotel Occupancy
\$ 6,608	\$ 8,656	\$ 35,185	\$ 982	\$ 109,134	\$ 17,278	\$ 83,138	\$ 108,518
<u>\$ 6,608</u>	<u>\$ 8,656</u>	<u>\$ 35,185</u>	<u>\$ 982</u>	<u>\$ 109,134</u>	<u>\$ 17,278</u>	<u>\$ 83,138</u>	<u>\$ 108,518</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6,608	8,656	35,185	982	109,134	17,278	83,138	108,518
<u>6,608</u>	<u>8,656</u>	<u>35,185</u>	<u>982</u>	<u>109,134</u>	<u>17,278</u>	<u>83,138</u>	<u>108,518</u>
<u>\$ 6,608</u>	<u>\$ 8,656</u>	<u>\$ 35,185</u>	<u>\$ 982</u>	<u>\$ 109,134</u>	<u>\$ 17,278</u>	<u>\$ 83,138</u>	<u>\$ 108,518</u>

CITY OF VIDOR  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	Juvenile Case Manager	Total Nonmajor Special Revenue Funds	Landfill Debt Service	City Hall Debt Service
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 37,190	\$ 505,338	\$ 34,915	\$ 135,602
Total Assets	<u>\$ 37,190</u>	<u>\$ 505,338</u>	<u>\$ 34,915</u>	<u>\$ 135,602</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 84	\$ 84	\$ -	\$ -
Total Liabilities	<u>84</u>	<u>84</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance	37,106	505,254	34,915	135,602
Total Fund Balances	<u>\$ 37,106</u>	<u>\$ 505,254</u>	<u>\$ 34,915</u>	<u>\$ 135,602</u>
Total Liabilities and Fund Balances	<u>\$ 37,190</u>	<u>\$ 505,338</u>	<u>\$ 34,915</u>	<u>\$ 135,602</u>

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

Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 170,517	\$ 675,855
\$ 170,517	\$ 675,855
\$ -	\$ 84
-	84
170,517	675,771
170,517	675,771
\$ 170,517	\$ 675,855

CITY OF VIDOR  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Child Safety	Police Seizure	Municipal Court Bldg Security
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ -	\$ -	\$ -
Other Taxes	-	-	-
Penalty and Interest on Taxes	-	-	-
Intergovernmental Revenue and Grants	-	-	-
Fines and Forfeitures	3,082	-	13,645
Investment Earnings	-	46	141
Contributions & Donations from Private Sources	-	-	-
Other Revenue	-	-	-
Total Revenues	<u>3,082</u>	<u>46</u>	<u>13,786</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
Municipal Court	-	-	2,164
Public Safety:			
Police	1,722	-	-
Animal Control	-	-	-
Tourism	-	-	-
Culture and Recreation:			
Library	-	-	-
Debt Service:			
Bond Principal	-	-	-
Bond Interest	-	-	-
Fiscal Agent's Fees	-	-	-
Total Expenditures	<u>1,722</u>	<u>-</u>	<u>2,164</u>
Net Change in Fund Balance	1,360	46	11,622
Fund Balance - October 1 (Beginning)	<u>12,775</u>	<u>17,746</u>	<u>55,100</u>
Fund Balance - September 30 (Ending)	<u>\$ 14,135</u>	<u>\$ 17,792</u>	<u>\$ 66,722</u>

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

Animal Shelter	Library	Municipal Court Technology	Step Fund Police	Emergency Management System Grant	LEOSE	Federal Forfeiture	Hotel Occupancy
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	118,551
-	-	-	-	-	-	-	-
-	19,149	-	-	41,038	2,130	-	-
-	-	19,205	-	-	-	4,322	-
15	12	112	3	254	46	208	216
1,278	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,293</u>	<u>19,161</u>	<u>19,317</u>	<u>3</u>	<u>41,292</u>	<u>2,176</u>	<u>4,530</u>	<u>118,767</u>
-	-	37,448	-	-	-	-	-
-	-	-	-	18,064	-	4,339	-
133	-	-	-	-	-	-	-
-	-	-	-	-	-	-	111,020
-	19,151	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>133</u>	<u>19,151</u>	<u>37,448</u>	<u>-</u>	<u>18,064</u>	<u>-</u>	<u>4,339</u>	<u>111,020</u>
1,160	10	(18,131)	3	23,228	2,176	191	7,747
5,448	8,646	53,316	979	85,906	15,102	82,947	100,771
<u>\$ 6,608</u>	<u>\$ 8,656</u>	<u>\$ 35,185</u>	<u>\$ 982</u>	<u>\$ 109,134</u>	<u>\$ 17,278</u>	<u>\$ 83,138</u>	<u>\$ 108,518</u>

**CITY OF VIDOR**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Juvenile Case Manager	Total Nonmajor Special Revenue Funds	Landfill Debt Service	City Hall Debt Service
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ -	\$ -	\$ 97,934	\$ 410,992
Other Taxes	-	118,551	-	-
Penalty and Interest on Taxes	-	-	3,520	11,386
Intergovernmental Revenue and Grants	-	62,317	-	-
Fines and Forfeitures	21,557	61,811	-	-
Investment Earnings	67	1,120	197	89
Contributions & Donations from Private Sources	-	1,278	-	-
Other Revenue	35	35	-	-
Total Revenues	<u>21,659</u>	<u>245,112</u>	<u>101,651</u>	<u>422,467</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Municipal Court	7,767	47,379	-	-
Public Safety:				
Police	-	24,125	-	-
Animal Control	-	133	-	-
Tourism	-	111,020	-	-
Culture and Recreation:				
Library	-	19,151	-	-
Debt Service:				
Bond Principal	-	-	78,000	130,000
Bond Interest	-	-	15,446	290,774
Fiscal Agent's Fees	-	-	-	500
Total Expenditures	<u>7,767</u>	<u>201,808</u>	<u>93,446</u>	<u>421,274</u>
Net Change in Fund Balance	13,892	43,304	8,205	1,193
Fund Balance - October 1 (Beginning)	<u>23,214</u>	<u>461,950</u>	<u>26,710</u>	<u>134,409</u>
Fund Balance - September 30 (Ending)	<u>\$ 37,106</u>	<u>\$ 505,254</u>	<u>\$ 34,915</u>	<u>\$ 135,602</u>

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

Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds
\$ 508,926	\$ 508,926
-	118,551
14,906	14,906
-	62,317
-	61,811
286	1,406
-	1,278
-	35
<u>524,118</u>	<u>769,230</u>
-	47,379
-	24,125
-	133
-	111,020
-	19,151
208,000	208,000
306,220	306,220
500	500
<u>514,720</u>	<u>716,528</u>
9,398	52,702
<u>161,119</u>	<u>623,069</u>
<u>\$ 170,517</u>	<u>\$ 675,771</u>



## FEDERAL SECTION



# keri michutka

CERTIFIED PUBLIC ACCOUNTANT

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Mayor and City Council  
City of Vidor, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Vidor, as of and for the year ended September 30, 2014 which collectively comprise the City of Vidor's basic financial statements and have issued our report thereon dated January 16, 2015.

## **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Vidor's internal control over financial reporting as a basis for designing our auditing procedures 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 Vidor's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Vidor's internal control over financial reporting.

A *significant 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 of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Vidor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Bridge City, Texas  
January 16, 2015



**keri michutka**  
CERTIFIED PUBLIC ACCOUNTANT

**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance;  
and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

Mayor and Council  
City of Vidor, Texas

**Report on Compliance for Each Major Federal Program**

We have audited City of Vidor's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Vidor's major federal programs for the year ended September 30, 2014. City of Vidor's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Vidor's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Vidor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Vidor's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Vidor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

**Report on Internal Control Over Compliance**

Management of City of Vidor is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Vidor's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Vidor's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of City of Vidor as of and for the year ended September 30, 2014, and have issued our report thereon dated January 16, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Bridge City, Texas  
January 16, 2015

CITY OF VIDOR  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**I. Summary of the Auditor's Results:**

- a. The type of report issued on the financial statements of the City of Vidor was an unqualified opinion.
- b. There were no control deficiencies or significant deficiencies in internal control disclosed by the audit of the financial statements and no material weakness.
- c. The audit disclosed no instances of noncompliance which are material to the financial statements of the City of Vidor.
- d. There were no control deficiencies or significant deficiencies in internal control over major programs disclosed by the audit and no material weaknesses.
- e. The type of report the auditor issued on compliance for major programs was an unmodified opinion.
- f. The audit disclosed no audit findings, which the auditor is required to report under Section 510(a). These include:
  - 1. Control deficiencies or significant deficiencies in internal control over major programs.
  - 2. Material noncompliance with the provisions of laws, regulations, contracts, or grants agreements related to a major program.
  - 3. For a type of compliance requirement for a major program, known questioned costs when likely questioned costs are greater than \$10,000.
  - 4. Known question costs greater than \$10,000 for a Federal program which is not audited as a major program.
  - 5. The circumstances concerning why the auditor's report on compliance for major programs is other than an unqualified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for Federal awards.
  - 6. Known fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.
  - 7. Instances where audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding.
- g. The following was identified as a major program: Texas Community Development Block Grant – Hurricane Ike
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000 and above for Type A programs and a floor of \$100,000 for Type B programs.
- i. The City did not qualify as a low-risk auditee.

**II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.**

None noted.

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I. f. Above**

None noted.

CITY OF VIDOR  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

None noted.

CITY OF VIDOR  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

No corrective action is necessary for the City during the year ended September 30, 2014.



CITY OF VIDOR  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Federal Grantor/Pass-Through:	Federal CFDA Number	Federal Expenditures
<b>DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		
<u>Passed through General Land Office</u>		
Texas Community Development Block Grant - Hurricane Ike - DRS220251	14.228	\$ 1,055,541
<b>TOTAL DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</b>		<u>1,055,541</u>
<b>DEPARTMENT OF HOMELAND SECURITY (FEMA)</b>		
<u>Passed through State Department of Public Safety</u>		
Emergency Management Performance	97.042	\$ 28,266
Hurricane Rita Pass-Thru Project	97.039	<u>12,772</u>
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY (FEMA)</b>		<u>41,038</u>
<b>DEPARTMENT OF JUSTICE</b>		
<u>Direct Funding</u>		
Bulletproof Vest Partnership Program	16.607	<u>1,700</u>
Total Direct Funding		1,700
<u>Passed through Bureau of Justice Assistance</u>		
2010 COPS Hiring Program	16.710	48,321
DJ-Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>17,146</u>
Total Passed through Bureau of Justice Assistance		<u>65,467</u>
<b>TOTAL DEPARTMENT OF JUSTICE</b>		<u>67,167</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 1,163,745</u></u>

## NOTES:

The Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting rather than the modified accrual basis used in the preparation of the general purpose financial statements for the year ended September 30, 2014. Thus amounts above may not agree to amounts in the financial statements.