

ANNUAL FINANCIAL REPORT

City of Aledo, Texas

*Year ended September 30, 2015*

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City of Aledo, Texas  
Annual Financial Report  
Year ended September 30, 2015

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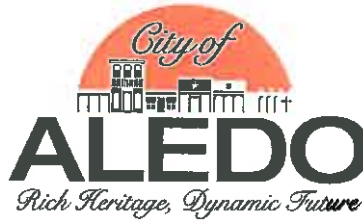
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# **Introductory Section**

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March 17, 2016

Honorable Mayor, City Council Members and Citizens of Aledo:

Chapter 103, Texas Municipal Code, requires that a city shall have an annual audit. Accordingly, the annual audit for the fiscal year ending September 30, 2015, was completed by Vail & Knauth, LLP, Independent Certified Public Accountants.

This audit report consists of management's representations concerning the finances of the City of Aledo. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. The goal of the independent audit was to provide reasonable assurance that the financial statements are free from material misstatements. Management provided a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management Discussion and Analysis (MD&A). This letter of transmittal complements the MD&A.

The City of Aledo has experienced an increase in both housing and business activity. New homes are being built in the Parks of Aledo, a residential Planned Development with 293 lots in Phases 1-3; and infrastructure installation will begin this spring on 70 new lots in Phase 4. Also, another residential Planned Development, Brookhollow, opened last April with 127 lots available for new home building as well. On the commercial side, a new office/retail center was completed on south FM 1187, and more retail centers are also planned in the near future. A new 42,000 sf medical office building will open this summer on Bailey Ranch Road since the widening of FM 1187 to 4 concrete lanes and the Downtown Aledo Trail highway projects are completed now.

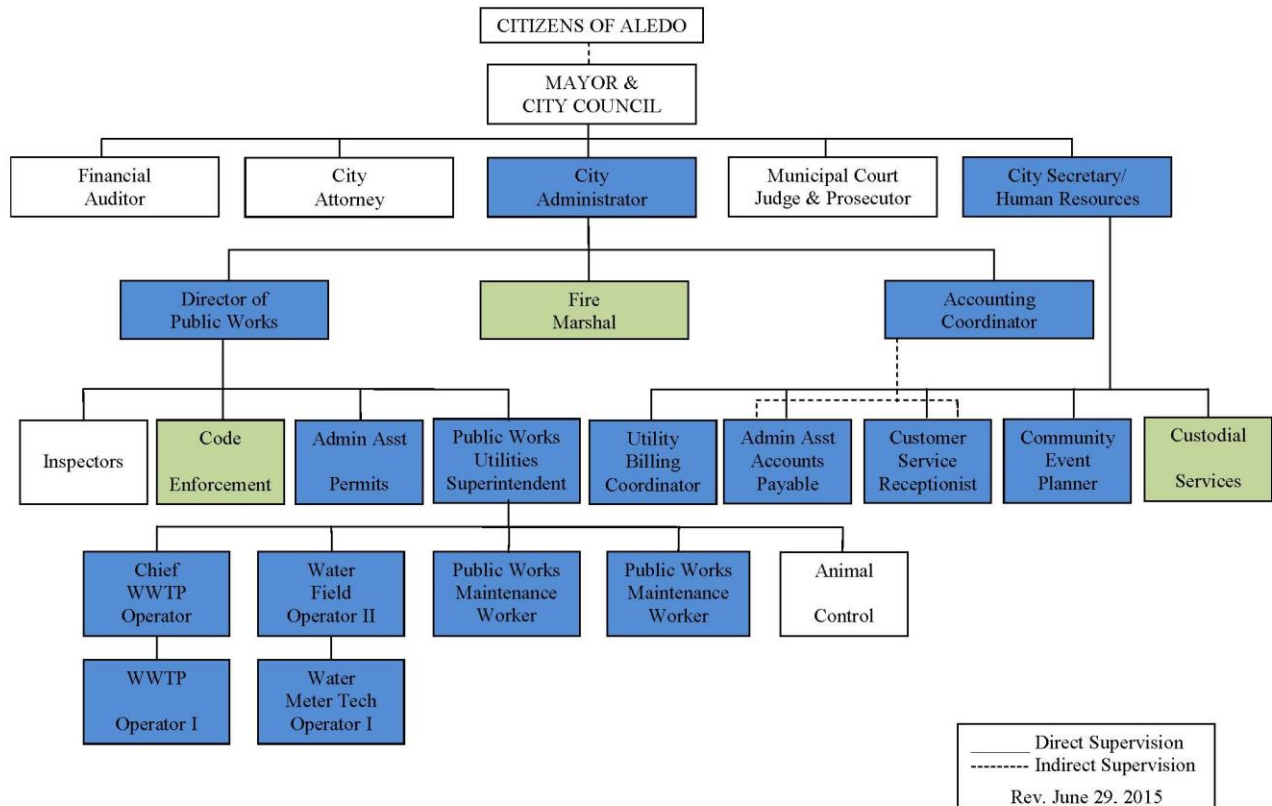
The City's property tax rate was previously lowered by almost one cent to \$0.3850 per \$100 of assessed property value, and remains one of the lowest tax rates in the area. Also, City revenues continue to increase due to the increased commercial and residential activity, and City government operation expenses have been reduced with the goal being a cost effective municipal organization.

The preparation of the annual audit report could not be accomplished without the efficient and dedicated services of City staff. I wish to express my appreciation to staff for their hard work. I also wish to thank our Mayor and City Council members for their guidance and support concerning the financial operations of the City.

Sincerely,

Ken Pfeifer  
City Administrator  
City of Aledo

# Aledo Organizational Chart





# **City of Aledo, Texas Principal Officials**

## **City Council**

Kit Marshall, Mayor

Kerby Smith – Place 1

Jean E. Bailey – Place 2

Robert Wood – Place 3

Kim Hiebert – Place 4 – Mayor Pro Tem

Paula Johns - Place 5

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## **Financial Section**

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## Report of Independent Auditors

To the Mayor and Members of the City Council  
City of Aledo, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and the aggregate remaining fund information of the City of Aledo (The “City”), Texas, as of and for the year ended September 30, 2015, 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.

### Auditors’ Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11 to the Basic Financial Statements, the City implemented GASB Statement No. 68 “Accounting and Financial Reporting for Pensions” during the current year. This resulted in a \$1,868 decrease in governmental activities net position and \$1,084 decrease in business-type activities net position as of September 30, 2014. Additionally, the City recorded a prior period adjustment to add donated assets for street infrastructure, storm water infrastructure, and water and sewer system to its capital assets. The noncash transactions resulted in \$1,311,948 increase in governmental activities net position and \$1,391,936 increase in business-type activities net position as of September 30, 2014. Accordingly, an adjustment has been made to beginning net position as of September 30, 2015.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 3 – 10, 42, and 43 – 45 and 48 – 49 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*

The introductory section on pages i – iii has not been subjected to the auditing procedures applied in the audit of the based financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2016, on our consideration of the City of Aledo’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 reports 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 *Governments Auditing Standards* in considering City of Aledo, Texas’ internal control over financial reporting and compliance.



Richardson, Texas  
April 11, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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# City of Aledo, Texas

## Management Discussion and Analysis

For the Fiscal Year Ended September 30, 2015

Management's discussion and analysis (MD&A) of the City of Aledo's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

### FINANCIAL HIGHLIGHTS

The assets of the City exceeded liabilities at the close of the 2015 fiscal year by \$18,260,294 (net position, page 11). Of this amount, \$2,479,758 is restricted for specific purposes and \$3,360,480 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB Statement No. 34, net position also reflects \$12,420,056 that is the net investment in capital assets.

In contrast to the government-wide statements, the governmental fund statements report combined fund balances at year-end on page 15 of \$2,967,460 of which \$339,721 represents restricted fund balance for Economic Development. Unassigned fund balance in the General Fund is maintained as emergency reserves. The General Fund unassigned fund balance of \$2,627,739 equals 158% of total General Fund expenditures.

Following is a table of the City's designated uses of unrestricted cash balances as of September 30, 2015.

City of Aledo, Texas Designated Uses of Unrestricted Cash Balances September 30, 2015					
	General Fund	W/WW Operating Fund	Impact Fees	EDC Fund	TOTAL
Reserved Cash and Cash Equivalents in TexStar	\$ 1,334,575	\$ 841,511	\$ 917,039	\$ 239,259	\$ 3,332,384
Reserved Cash and Cash Equivalents in FFB	18,713	-	325,607	76,439	420,759
Unrestricted Cash and Cash Equivalents	1,218,443	166,436	-	-	1,384,879
Cash and Cash Equivalents	\$ 2,571,731	\$ 1,007,946	\$ 1,242,646	\$ 315,698	\$ 5,138,022
Designated Uses of Unrestricted Cash					
90 Days Reserves	525,285	522,925	-	-	1,048,210
Emergency Reserves	100,000	100,000	-	-	200,000
Gas Lease Bonus and Royalty Reserves	12,092	-	-	-	12,092
Municipal Court Reserves	6,620	-	-	-	6,620
Future Water Meter Change Outs	-	22,500	-	-	22,500
W/WW Rate Offset	-	19,000	-	-	19,000
Projects:					
6 Yard Dump Truck	55,000	-	-	-	55,000
Additional Street Repair	211,500	-	-	-	211,500
City Hall Grounds Projects	-	-	-	100,000	100,000
Community Center Pavilion	66,622	-	-	-	66,622
Elm Street Park Benches	3,816	-	-	-	3,816
Park Capital Improvements	100,000	-	-	-	100,000
TAP-Sidewalks	177,343	-	-	-	177,343
Water Tank Repair	-	60,000	-	-	60,000
Omitted Property Taxes	207,514	-	-	-	207,514
Total Designated Uses of Unrestricted Cash	\$ 1,465,793	\$ 724,425	\$ -	\$ 100,000	\$ 2,290,218
Remaining Reserved Cash and Equivalents and					
Undesignated Cash and Cash Equivalents	\$ 1,105,938	\$ 283,521	\$ 1,242,646	\$ 215,698	\$ 2,847,804

On page 34, the City's debt for certificates of obligation in the business-type activities decreased by \$655,000 due to principal portion of scheduled annual debt service payments. The City's debt for capital leases in the business-type activities decreased by \$13,178 due to the scheduled payment of principal on capital leases.

Management Discussion and Analysis

For the Fiscal Year Ended September 30, 2015

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the City (excluding infrastructure purchased or donated prior to October 1, 2003) as well as all liabilities. Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include Administration, Public Works and Streets, Municipal Court, Parks and Recreation, Animal Control and the Community Center. Appropriations with a contract are made to the East Parker County Library and the Parker County Sheriff's Office. The business-type activity of the City is Water and Sewer Operations and contracting for solid waste services. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government). The government-wide financial statements can be found on pages 11 and 12 of this report.

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

Management Discussion and Analysis

For the Fiscal Year Ended September 30, 2015

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

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

The City maintains two governmental funds, the general fund and the economic development corporation fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the economic development corporation fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement (original versus final) has been provided in this report to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 13 through 16 of this report.

**Proprietary funds** - Proprietary funds can be further classified into two different types of funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City allocates costs directly to the operating departments and accordingly does not account or report any internal service funds.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 17 through 20 of this report.

**Notes to the basic 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 21 through 41 of this report.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pension benefits. The required supplementary information can be found starting on page 42 of this report.

## Management Discussion and Analysis

For the Fiscal Year Ended September 30, 2015

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$18,230,954 as of September 30, 2015.

<b>Net Position September 30, 2015</b>						
	Governmental Activities		Business-type Activities		Total	
	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14
Current and Other Assets	\$ 3,084,085	\$ 2,674,276	\$ 2,880,394	\$ 2,555,659	\$ 5,964,479	\$ 5,229,935
Capital Assets	5,506,106	2,180,931	20,917,084	18,654,338	26,423,190	20,835,269
Total Assets	8,590,191	4,855,207	23,797,478	21,209,997	32,387,669	26,065,204
Deferred Outflows of Resources	25,806	-	14,963	-	40,769	-
Long-term Liabilities Outstanding	19,557	16,881	13,585,958	14,253,934	13,605,515	14,270,815
Other Liabilities	129,667	66,895	430,565	319,939	560,232	386,834
Total Liabilities	149,224	83,776	14,016,523	14,573,873	14,165,747	14,657,649
Deferred Inflows of Resources	1,517	-	880	-	2,397	-
Net Position:						
Net investment in capital assets	5,506,106	2,180,931	6,913,950	4,070,803	12,420,056	6,251,734
Restricted for:						
Debt service	-	-	-	-	-	-
Economic Development	339,721	407,312	-	-	339,721	407,312
Capital improvements	-	-	1,013,786	1,015,604	1,013,786	1,015,604
Impact fees	-	-	1,126,251	845,779	1,126,251	845,779
Unrestricted	2,619,429	2,183,188	741,051	703,938	3,360,480	2,887,126
Total Net Position	<u>\$ 8,465,256</u>	<u>\$ 4,771,431</u>	<u>\$ 9,795,038</u>	<u>\$ 6,636,124</u>	<u>\$ 18,260,294</u>	<u>\$ 11,407,555</u>

The largest portion of the City's net position (68%) reflects its investment in capital assets (land, building, infrastructure, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses those assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$2,140,037 or 12% of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted assets of the City are being held for capital improvements, debt service requirements on the City's outstanding debt, and economic development. The remaining portion of the City's net position (20%) may be used to meet the City's ongoing obligations to citizens and creditors.

*The accompanying notes are an integral part of this statement*

City of Aledo, Texas

Management Discussion and Analysis

For the Fiscal Year Ended September 30, 2015

Changes in Net Position September 30, 2015						
	Governmental Activities		Business-type Activities		Total	
	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14
Revenue						
Program revenue						
Charges for Services	\$ 588,546	\$ 454,754	\$ 2,191,982	\$ 1,880,737	\$ 2,780,528	\$ 2,335,491
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	1,982,869	-	1,464,905	-	3,447,774	-
General revenue						
Property Taxes	789,411	744,421	-	-	789,411	744,421
Sales Taxes	569,859	517,443	-	-	569,859	517,443
Franchise Taxes	291,316	278,755	-	-	291,316	278,755
Impact Fees	-	-	310,842	174,185	310,842	174,185
Interest on Investments	1,633	1,252	2,387	1,846	4,020	3,098
Miscellaneous	45,794	12,128	-	-	45,794	12,128
Total revenues	4,269,428	2,008,753	3,970,116	2,056,768	8,239,544	4,065,521
Expense						
Administration	694,862	801,243	-	-	694,862	556,075
Public works and city streets	718,547	479,403	-	-	718,547	378,122
Municipal court	10,701	12,178	-	-	10,701	5,555
Parks and recreation	151,846	49,074	-	-	151,846	46,139
Community center	60,406	64,833	-	-	60,406	41,325
Water and Sewer	-	-	2,451,375	2,169,233	2,451,375	1,393,000
Total expenses	1,636,362	1,406,731	2,451,375	2,169,233	4,087,737	3,575,964
Change in Net Position Before Transfers	2,633,066	602,022	1,518,741	(112,465)	4,151,807	489,557
Transfers	(249,321)	(187,890)	249,321	187,890	-	-
Change in Net Position	2,383,745	414,132	1,768,062	75,425	4,151,807	489,557
Net Position, beginning of year, as restated	6,081,511	4,357,299	8,026,976	6,560,699	14,108,487	10,917,998
Net Position, end of year	\$ 8,465,256	\$ 4,771,431	\$ 9,795,038	\$ 6,636,124	\$ 18,260,294	\$ 11,407,555

In total, the City's total net position increased by \$4,151,807 during the current fiscal year. The City's governmental activities increased net position by \$2,383,745. The total cost of all governmental activities this year was \$1,636,362. The amount that taxpayers paid for these activities through property taxes was \$789,411 or 48%. The City's business-type activities increased net position by \$1,768,062. The total cost of all business-type activities for fiscal year 2015 was \$2,451,375.

**Governmental activities** – Governmental activities increased the City's net position by \$2,383,745. The key elements of this increase are as follows:

- Donated assets of approximately \$2 million.
- Increase of charges to services for approximately \$133,000.

**Business-type activities** – Business-type activities increased the City's net position by \$1,768,062. The key element of this increase was the donated assets of approximately \$1.5 million.

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

*The accompanying notes are an integral part of this statement*

# City of Aledo, Texas

## Management Discussion and Analysis

For the Fiscal Year Ended September 30, 2015

**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 a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$2,967,460 (page 15), an increase of \$370,847 from the prior year. Unassigned fund balance reported in the general fund of \$2,627,739, an increase of \$438,438, represents amounts available for spending at the City’s discretion. The key factor in this increase was savings through efficient operation of various City Departments.

As a measure of the General Fund’s liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 158% of the total fund expenditures.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Adjustments to the original Fiscal Year 2014-2015 General Fund annual budget can be briefly summarized as early payoff of Series 2002 debt, street improvements, personnel costs, grounds maintenance, and storm debris removal.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets:** The City’s investments in total capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$26,423,190 (net of accumulated depreciation on page 11). Investments in capital assets related to governmental activities of \$5,506,106, includes land and land rights, buildings and improvements, street reconstruction, other improvements, vehicles, and office furniture and equipment. The City’s investments in capital assets related to business-type activities of \$20,917,084, includes land and land rights, the water and sewer systems, vehicles and other equipment. Major capital asset events during the current fiscal year include:

- Construction of a new community center pavilion.
- Aledo Trail historic street lights, north entryway monument sign, and North Front Street improvements.
- Six-yard dump truck and one new pickup

City of Aledo, Texas Capital Assets September 30, 2015						
	Governmental Activities		Business-type Activities		Total	
	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14	FY 2014-15	FY 2013-14
Land	\$ 102,855	\$ 102,855	\$ 334,604	\$ 334,604	\$ 437,459	\$ 437,459
Construction in Progress	-	52,256	-	-	-	52,256
Water system (restated)	-	-	11,300,663	7,913,822	11,300,663	7,913,822
Sewer system (restated)	-	-	14,061,171	10,300,467	14,061,171	10,300,467
Buildings and improvements	344,035	200,153	3,210	2,861	347,245	203,014
Street infrastructure (restated)	5,189,710	1,596,319	-	-	5,189,710	1,596,319
Vehicles	102,975	41,551	124,953	13,683	227,928	55,234
Machinery and equipment	123,298	25,208	229,623	88,901	352,921	114,109
Storm water drainage (restated)	932,733	93,035	-	-	932,733	93,035
Other improvements	191,672	69,554	-	-	191,672	69,554
Total	<u>\$ 6,987,278</u>	<u>\$ 2,180,931</u>	<u>\$ 26,054,224</u>	<u>\$ 18,654,338</u>	<u>\$ 33,041,502</u>	<u>\$ 20,835,269</u>

Additional information on the City’s capital assets can be found in Note 5 of this report.

# City of Aledo, Texas

## Management Discussion and Analysis

For the Fiscal Year Ended September 30, 2015

**Long-term debt** - At the end of the current fiscal year, the City had total debt outstanding of \$13,575,000. Of this amount, \$13,575,000 represents certificates of obligation secured by property tax collections. In total, the City's long term debt decreased by \$668,178 during the current fiscal year.

<b>City of Aledo, Texas</b>		
<b>Long Term Debt</b>		
<b>September 30, 2015</b>		
	Business-type Activities	
	<u>FY 2014-15</u>	<u>FY 2013-14</u>
Capital Leases	-	13,178
Certificates of Obligation	<u>13,575,000</u>	<u>14,230,000</u>
Total	<u><u>13,575,000</u></u>	<u><u>14,243,178</u></u>

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2014-15 was \$0.3850 per \$100 assessed valuation, of which \$0.1413185 was for annual water and sewer debt service. Additional information on the City's long-term debt can be found in Note 7 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES** – The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

In considering the fiscal year 2016 budget, City Council and management considered the following factors:

- The FY2016 adopted property tax rate was \$0.3850 per \$100 assessed valuation.
- The major expenditure categories, including debt service, were for water purchases from the City of Fort Worth, law enforcement contract expenses for two County deputies, animal control contract services with the City of Weatherford, City street improvements, park improvements, and sidewalk and outside warning system siren grant programs.

### REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, please contact the City Secretary at: 200 Old Annetta Road, Aledo TX 76008.

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## BASIC FINANCIAL STATEMENTS

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City of Aledo, Texas  
Statement of Net Position

September 30, 2015

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 1,218,443	\$ 166,441	\$ 1,384,884
Restricted cash and cash equivalents - current	1,668,986	2,084,152	3,753,138
Restricted cash and cash equivalents - non current	-	302,236	302,236
Receivables (net of allowance for uncollectible)	72,260	299,366	371,626
Due from other governments	115,162	-	115,162
Prepaid Expense	9,234	3,905	13,139
Inventory	-	5,756	5,756
Bond issuance costs	-	18,538	18,538
Capital Assets:			
Land	102,855	334,604	437,459
Construction in progress	-	-	-
Buildings and improvements	344,035	3,210	347,245
Automobiles	102,975	124,953	227,928
Machinery and equipment	123,298	229,623	352,921
Water and sewer system	-	25,361,834	25,361,834
Other improvements	191,672	-	191,672
Street infrastructure	5,189,710	-	5,189,710
Storm Water Drainage	932,733	-	932,733
Accumulated depreciation	(1,481,172)	(5,137,140)	(6,618,312)
Total capital assets	5,506,106	20,917,084	26,423,190
Total assets	8,590,191	23,797,478	32,387,669
<b>Deferred outflows of resources</b>			
Deferred outflows of resources	25,806	14,963	40,769
Total deferred outflows of resources	25,806	14,963	40,769
<b>Liabilities</b>			
Accounts payable and accrued liabilities	103,559	230,268	333,827
Payable from restricted assets:			
Accrued interest	-	68,665	68,665
Customer deposits	-	116,494	116,494
Noncurrent liabilities:			
Net pension liability	26,108	15,138	41,246
Due within one year	19,557	480,958	500,515
Due in more than one year	-	13,105,000	13,105,000
Total liabilities	149,224	14,016,523	14,165,747
<b>Deferred inflows of resources</b>			
Deferred inflows of resources	1,517	880	2,397
Total deferred inflows of resources	1,517	880	2,397
<b>Net Position</b>			
Net investment in capital assets	5,506,106	6,913,950	12,420,056
Restricted for:			
Economic development	339,721	-	339,721
Capital improvement	-	1,013,786	1,013,786
Impact fees	-	1,126,251	1,126,251
Unrestricted	2,619,429	741,051	3,360,480
Total net position	\$ 8,465,256	\$ 9,795,038	\$ 18,260,294

*The accompanying notes are an integral part of this statement*

City of Aledo, Texas  
Statement of Activities

September 30, 2015

Program Activities	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
Administration	\$ 694,862	\$ 411,129	\$ -	\$ -
Public works	375,489	131,938	-	484,230
City streets	343,058	-	-	1,498,639
Municipal court and other fees	10,701	22,168	-	-
Parks and recreation	151,846	16,746	-	-
Community center	60,406	6,565	-	-
Total governmental activities	1,636,362	588,546	-	1,982,869
Business-type activities:				
Water and sewer	2,451,375	2,191,982	-	1,464,905
Total business-type activities	2,451,375	2,191,982	-	1,464,905
Total primary government	<u>\$ 4,087,737</u>	<u>\$ 2,780,528</u>	<u>\$ -</u>	<u>\$ 3,447,774</u>
General revenues:				
Taxes				
Property taxes				
Sales taxes				
Franchise taxes				
Interest on investments				
Impact fees				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior period adjustments				
Net position - ending				

*The accompanying notes are an integral part of this statement*

City of Aledo, Texas  
Statement of Activities

September 30, 2015

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (283,733)	\$ -	\$ (283,733)
240,679	-	240,679
1,155,581	-	1,155,581
11,467	-	11,467
(135,100)	-	(135,100)
(53,841)	-	(53,841)
935,053	-	935,053
-	1,205,512	1,205,512
-	1,205,512	1,205,512
\$ 935,053	\$ 1,205,512	\$ 2,140,565
\$ 789,411	\$ -	\$ 789,411
569,859	-	569,859
291,316	-	291,316
1,633	2,387	4,020
-	310,842	310,842
45,794	-	45,794
(249,321)	249,321	-
1,448,692	562,550	2,011,242
2,383,745	1,768,062	4,151,807
4,771,431	6,636,124	11,407,555
1,310,080	1,390,852	2,700,932
\$ 8,465,256	\$ 9,795,038	\$ 18,260,294

*The accompanying notes are an integral part of this statement*

City of Aledo, Texas  
Balance Sheet - Governmental Funds

September 30, 2015

	General Fund	Economic Development Fund	Total Governmental Funds
<b>Assets</b>			
Deposits and investments	\$ 2,571,731	\$ 315,698	\$ 2,887,429
Receivables:			
Property taxes, net of allowance for uncollectible of \$2,434	13,793	-	13,793
Accounts receivable	58,467	-	58,467
Due from other governments - sales tax	76,775	38,387	115,162
Prepaid expenses	9,234	-	9,234
Total assets and other debits	<u>2,730,000</u>	<u>354,085</u>	<u>3,084,085</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	75,294	14,364	89,658
Accrued liabilities	13,901	-	13,901
Deferred income	13,066	-	13,066
Total liabilities	<u>102,261</u>	<u>14,364</u>	<u>116,625</u>
Fund balances:			
Restricted	-	339,721	339,721
Unassigned	2,627,739	-	2,627,739
Total fund balances	<u>2,627,739</u>	<u>339,721</u>	<u>2,967,460</u>
Total liabilities and fund balances	<u>\$ 2,730,000</u>	<u>\$ 354,085</u>	<u>\$ 3,084,085</u>

*The accompanying notes are an integral part of this statement.*

City of Aledo, Texas  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position

September 30, 2015

Total fund balances - governmental funds	\$ 2,967,460
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	5,506,106
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Revenues earned but not available within sixty days of the year end are not recognized as revenue in the fund financial statements.	13,066
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Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the fund financial statements.	<u>(21,376)</u>
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Net assets of governmental activities	<u><u>\$ 8,465,256</u></u>
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*The accompanying notes are an integral part of this statement.*

City of Aledo, Texas  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds

Year ended September 30, 2015

	General Fund	Economic Development Fund	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 787,113	\$ -	\$ 787,113
Sales	379,906	189,953	569,859
Franchise	291,316	-	291,316
Building permits	411,129	-	411,129
Court fines and fees	22,168	-	22,168
Construction fees	131,938	-	131,938
Rental revenue	6,565	-	6,565
Event revenue	3,196	13,550	16,746
Credit card revenue	493	-	493
Interest income	1,440	193	1,633
Miscellaneous	22,968	22,333	45,301
Total revenues	<u>2,058,232</u>	<u>226,029</u>	<u>2,284,261</u>
Expenditures			
Current:			
Administration	610,911	18,401	629,312
Public works	364,436	-	364,436
City streets	101,970	-	101,970
Municipal court	10,150	-	10,150
Parks and recreation	119,443	-	119,443
Community center	60,406	-	60,406
Event expense	5,267	23,109	28,376
Credit card expense	551	-	551
Capital outlay	176,599	172,850	349,449
Total expenditures	<u>1,449,733</u>	<u>214,360</u>	<u>1,664,093</u>
Excess (deficiency) of revenues over expenditures	608,499	11,669	620,168
Other financing sources (uses)			
Transfers in	243,190	-	243,190
Transfers out	(413,251)	(79,260)	(492,511)
Total other financing sources (uses)	<u>(170,061)</u>	<u>(79,260)</u>	<u>(249,321)</u>
Net change in fund balances	438,438	(67,591)	370,847
Fund balances - beginning	2,189,301	407,312	2,596,613
Fund balances - ending	<u>\$ 2,627,739</u>	<u>\$ 339,721</u>	<u>\$ 2,967,460</u>

*The accompanying notes are an integral part of this statement.*



City of Aledo, Texas  
Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities

Year ended September 30, 2015

Net changes in fund balances - total governmental funds	\$ 370,847
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	2,379,956
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(366,729)
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	(2,676)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	<u>2,347</u>
Change in net assets of governmental activities	<u><u>\$ 2,383,745</u></u>

*The accompanying notes are an integral part of this statement.*

City of Aledo, Texas  
Statement of Net Position - Proprietary Funds

September 30, 2015

	Business Type Activities - <u>Enterprise Fund</u>
<b>Assets</b>	
Current assets:	
Deposits and investments	\$ 166,441
Accounts receivable, net of allowance for uncollectible of \$28,207	299,366
Prepaid expense	3,905
Inventory	<u>5,756</u>
Total current assets	475,468
Restricted deposits and investments:	
Restricted assets - current	2,084,152
Restricted assets - non current	<u>302,236</u>
Total restricted assets	2,386,388
Non-current assets:	
Deferred bond issuance cost	18,538
Capital assets	
Land	334,604
Buildings and improvements	3,210
Automobiles	124,953
Machinery and equipment	229,623
Water and sewer system	25,361,834
Less accumulated depreciation	<u>(5,137,140)</u>
Net capital assets	<u>20,917,084</u>
Total noncurrent assets	<u>20,935,622</u>
Total Assets	<u>23,797,478</u>
<b>Deferred outflows of resources</b>	
Deferred outflows of resources	<u>14,963</u>
Total deferred outflows of resources	<u>\$ 14,963</u>

*The accompanying notes are an integral part of this statement.*

City of Aledo, Texas  
Statement of Net Position - Proprietary Funds

September 30, 2015

	Business Type Activities - Enterprise Fund
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 222,892
Accrued expenses	7,376
Compensated absences	10,958
Current portion of certificates of obligation payable	470,000
Total current liabilities	<u>711,226</u>
Current liabilities payable from restricted assets:	
Accrued interest	68,665
Customer deposits	116,494
Total current liabilities payable from restricted assets	<u>185,159</u>
Noncurrent liabilities:	
Net pension liability	15,138
Certificates of obligation payable - long term	13,105,000
Total noncurrent liabilities	<u>13,120,138</u>
Total Liabilities	<u>14,016,523</u>
<b>Deferred inflows of resources</b>	
Deferred inflows of resources	880
Total deferred inflows of resources	<u>880</u>
<b>Net position</b>	
Net investment in capital assets	6,985,694
Restricted for:	
Capital projects	1,013,786
Impact fees	1,126,251
Unrestricted	669,307
Total Net Position	<u><u>\$ 9,795,038</u></u>

*The accompanying notes are an integral part of this statement.*

City of Aledo, Texas  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Funds

Year ended September 30, 2015

	Business Type Activities - Enterprise Fund
Operating revenues:	
Water and sewer service	\$ 1,962,902
Credit card fees	4,804
Refuse revenue	161,852
Other revenues	62,424
Total operating revenues	<u>2,191,982</u>
Operating expenses	
Administrative costs	329,071
Supplies and maintenance	538,884
Utilities	110,586
Professional and contract services	39,998
Refuse expenses	161,067
Credit card expense	5,315
Other operating expenses	16,033
Depreciation	680,169
Total operating expenses	<u>1,881,123</u>
Operating income	<u>310,859</u>
Non-operating revenues (expenses):	
Interest income	2,387
Impact fees	310,842
Bond issue cost	(1,426)
Donated assets	1,464,905
Interest expense and fiscal agent fee	(568,826)
Total nonoperating revenues (expense)	<u>1,207,882</u>
Income (loss) before transfers	<u>1,518,741</u>
Transfers in	413,251
Transfers out	(163,930)
Net transfer in	<u>249,321</u>
Change in net assets	<u>1,768,062</u>
Net assets - beginning	6,636,124
Prior period adjustments	1,390,852
Net assets - ending	<u><u>\$ 9,795,038</u></u>

*The accompanying notes are an integral part of this statement.*

City of Aledo, Texas  
Statement of Cash Flows – Proprietary Funds

Year ended September 30, 2015

	Business Type Activities - Enterprise Fund Water and Sewer
<b>Operating Activities</b>	
Cash received from customers	\$ 1,965,478
Payments to vendors	(615,311)
Employee payroll	(344,881)
Net cash provided by operating activities	<u>1,005,286</u>
<b>Noncapital Financing Activities</b>	
Transfers to other funds	(163,930)
Transfers from other funds	413,251
Net cash provided by noncapital financing activities	<u>249,321</u>
<b>Capital and Related Financing Activities</b>	
Capital expenditures	(86,074)
Repayment of debt	(653,040)
Impact fees	310,842
Interest paid on debt	(568,825)
Net cash used in capital and related financing activities	<u>(997,097)</u>
<b>Investing Activities</b>	
Change in restricted assets	(232,388)
Interest received	2,387
Net cash provided by investing activities	<u>(230,001)</u>
Net increase (decrease) in cash and cash equivalents	27,509
Cash and cash equivalents - beginning	138,932
Cash and cash equivalents - ending	<u><u>\$ 166,441</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 310,859
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	680,169
Change in assets and liabilities:	
Prepaid expense	(1,391)
Accounts receivable	(65,437)
Accounts payable and accrued liabilities	87,714
Deferred outflows and inflows of resources	(6,628)
Net cash provided by operating activities	<u><u>\$ 1,005,286</u></u>

*The accompanying notes are an integral part of this statement.*

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City of Aledo, Texas  
Notes to Basic Financial Statements  
September 30, 2015

**1. Summary of Significant Accounting Policies**

The City of Aledo, Texas was incorporated in 1963 and has a population of approximately 3,210. The City operates under a General Law - Type A City and provides the following services: administration, public works and streets, water and sewer, municipal court, parks and recreation, and community center.

The financial statements of the City of Aledo are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**A. Financial Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of service performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government. Complete financial statements for the individual component units may be obtained at the City's office.

The following entity was found to be a component unit of the City and is included in the combined financial statements:

Blended Component Unit - Aledo Economic Development Corporation - On May 10, 2008, the voters approved the creation of this Corporation for the purpose of projects and improvements that promote economic development within the City. Funding for the Economic Development Corporation is generated

# City of Aledo, Texas

## Notes to Basic Financial Statements

### **A. Financial Reporting Entity (continued)**

from 0.50% sales tax. The Corporation's governing body is substantially the same as the governing body of the City of Aledo. There are seven directors appointed by the City Council. At least three of the directors must not be employees, officers, or members of the City Council. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City of Aledo, Texas. The Corporation provides all of its services to the City of Aledo, Texas.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of Net Position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes while business type activities rely, to a significant extent, on fees and charges for support.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

#### *Governmental-Wide Financial Statements*

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

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings and various other revenues.

#### *Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be



# City of Aledo, Texas

## Notes to Basic Financial Statements

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Expenditures generally are recorded when a fund liability is incurred.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Economic Development Fund is used to account for the accumulation of financial resources to promote economic development within the City. The fund balance is reserved to signify the amounts are restricted for the development and improvements that will promote economic growth.

#### *Proprietary Fund Financial Statements*

The City reports the following major proprietary fund:

Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the City is that the costs (expenses) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel, contractual and operational services, supplies, maintenance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

### **D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The General Fund and the other governmental fund are accounted for using the modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets.

Gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

# City of Aledo, Texas

## Notes to Basic Financial Statements

### **D. Basis of Accounting (continued)**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: principal and interest on general long-term debt which is recognized when due.

The Water and Sewer Fund is accounted for using the accrual basis of accounting. Its revenues are recognized when they are earned, and its expenses are recognized when they are incurred.

### **E. Budgets and Budgetary Accounting**

The City maintains control over expenditures in the General Fund, the Economic Development Corporation, the Water and Sewer Fund, and the Water and Sewer Debt Service Fund by the establishment of an annual budget. The annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget, as formally adopted by the City Council, establishes the maximum authorization of operating funds to be expended by any fund. Any subsequent amendment thereto must be approved by the Council.

Unused appropriations for all of the budgeted funds lapse at the end of the year. The amended budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

### **F. Cash Equivalents**

For purposes of the statement of cash flows, the City considers all unrestricted highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

### **G. Allowance for Uncollectible Accounts**

The allowance for doubtful accounts is calculated using prior bad debt experience and takes into account management's estimate of specific uncollectible accounts through review of individual accounts and other information available.

### **H. Inventory**

The enterprise fund inventories are stated at the lower of cost or market. Cost is determined primarily by the first-in, first-out method.

### **I. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, sidewalks, curbs and drainage systems) 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 \$3,000 or more and an estimated useful life in excess of one year. 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 asset lives are not capitalized.

City of Aledo, Texas  
Notes to Basic Financial Statements

**I. Capital Assets (continued)**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest of approximately \$0 was capitalized during the year ended September 30, 2015.

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

Buildings and improvements	15-30 Years
Water and sewer system infrastructure	5-40 Years
Machinery and equipment	3-15 Years
Vehicles	3-15 Years
Other improvements	3-15 Years
Street infrastructure	15 Years

Infrastructure acquired prior to October 1, 2003 has not been recorded. The City has elected not to report major general infrastructure assets retroactively in accordance with GASB Statement No. 34.

**J. Nature and Purpose of Designations of Fund Equity**

The City has implemented Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) during the year ending September 30, 2011. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance that can be more consistently applied and by clarifying the existing governmental fund type definitions. Fund balance categories under GASB 54 are Nonspendable and Spendable. Classifications under the Spendable category are Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the City classifies governmental fund balances effective with its financial statement ended September 30, 2011, and thereafter, as follows:

1. Nonspendable Fund Balance – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.
2. Spendable Fund Balance
  - a. Restricted Fund Balance – Includes amounts that can be spent only for the specific purposes as imposed by law, or imposed by creditors, grantors, contributors, or other governments' laws and regulations. Examples include federal and state grant programs, retirement of long-term debt, and construction.
    - i. The aggregate fund balance of the Economic Development Corporation is legally restricted for the promotion of economic development within the City.

## City of Aledo, Texas

### Notes to Basic Financial Statements

#### **J. Nature and Purpose of Designations of Fund Equity (continued)**

- b. Committed Fund Balance – Includes amounts that can be used only for the specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The City Council must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.
- c. Assigned Fund Balance – Includes amounts intended to be used by the City for specific purposes. Pursuant to GASB 54, this intent can be expressed by an official or body to which the governing body delegates that authority. Examples take on the similar appearance as those enumerated for committed fund balance, including the appropriation of existing fund balance to eliminate a deficit in next year's budget.
- d. Unassigned Fund Balance – Includes the residual classification of the general fund and includes all amounts not contained in other classifications. By accounting for amounts in other funds, the City has implicitly assigned the funds for the purposes of those particular funds.

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be extended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

#### **K. Net Position**

Net position represents the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted Net Position will be fully utilized first followed by unrestricted as necessary.

#### **L. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **M. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains risk of loss up to \$1,000,000 for property and liability

City of Aledo, Texas  
Notes to Basic Financial Statements

**M. Risk Management (continued)**

insurance and up to \$1,500,000 for workers' compensation and obtains independent coverage for losses in excess of these amounts. The City retains no risk except for deductible amounts. There have been no significant reductions in coverage in the past fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

**2. Deposits, Securities, and Investments**

Chapter 2256 of the Texas Government Code, known as the Public Funds Investment Act (the "Act") authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, liquidity, diversification, availability of cash to meet the City's obligations and maximization of interest earnings. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by City Council. The Investment Policy includes a list of authorized investments and a maximum allowable maturity of any individual investment. In addition it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the diversification, management of maturities, pooling of deposits and investments, depository bank relationships, and maximizing investable cash balances.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities, excluding mortgage backed securities;
3. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or respective agencies and instrumentalities, excluding mortgage-related securities;
4. Collateralized Certificates of Deposit issued by a state or national bank domiciled in the state or a federal credit union domiciled in the state that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or as further described in the Investment policy;
5. Eligible Local Government Investment Pools;
6. Repurchase agreements, reverse repurchase agreements, bankers' acceptances and commercial paper that are described in more detail in the Investment policy; and
7. Regulated No-Load Money Market Mutual Funds.

All investments held by the City at September 30, 2015 were in the TexSTAR Investment Pool.

# City of Aledo, Texas

## Notes to Basic Financial Statements

### 2. Deposits, Securities, and Investments (continued)

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR is managed by a five member Board of Directors. In accordance with the Public Funds Investment Act, TexSTAR maintains an advisory board composed of participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Advisory board members are appointed and serve at the will of the Board of Directors. J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors, which may be extended periodically to a term of two years or less. JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co. The business and affairs of TexSTAR are managed by the Board in accordance with its bylaws.

The bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAM by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexSTAR is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured.

Cash and cash equivalents as of September 30, 2015, consist of the following:

Deposits with financial institutions	\$ 1,760,288
Investments	<u>3,679,970</u>
	<u>\$ 5,440,258</u>
Governmental activities	\$ 2,887,429
Business-type activities	<u>2,552,829</u>
	<u>\$ 5,440,258</u>

### A. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexSTAR	\$ 3,679,970	47 days

City of Aledo, Texas  
Notes to Basic Financial Statements

**2. Deposits, Securities, and Investments (continued)**

**B. Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment.

State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2015, the TexSTAR investment pool was rated AAA by Standard and Poor's.

**C. Concentration of Credit Risk**

In accordance with the City's Investment policy, the City limits their exposure of concentration of credit risk by restricting investments in the following investment instruments:

	<u>Maximum Percentage of Portfolio</u>
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
Authorized Local Government Investment Pools	100%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	10%
SEC-Regulated No-Load Money Market Mutual Funds	50%

**D. Custodial Credit Risk**

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or uncollateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At year end, the City's cash and cash equivalents were not exposed to custodial credit risk.

**3. Delinquent Property Taxes Receivable and Revenue**

Delinquent taxes are prorated between General and the Water and Sewer Funds based on rates adopted for the year of the levy. The Parker County Appraisal District appraises, assesses and collects taxes on behalf of the City.

Property taxes are levied by October 1 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 of the year following the year in which imposed. On January 1 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 when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the City's fiscal year.

# City of Aledo, Texas

## Notes to Basic Financial Statements

### 4. Interfund Balances and Transfers

Inter-fund transfers are reported in the governmental funds and proprietary fund financial statements. In the government-wide statements, inter-fund transfers are eliminated within the governmental activities column and business-type activities column, as appropriate.

Transfers are used to (1) move revenues collected in the special revenue funds to finance various programs in accordance with budgetary authorizations, (2) move receipts restricted for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, (3) reimburse one fund for services provided to another fund, (4) move unrestricted General Fund revenues to Capital Improvement Project Fund as determined by the Council for capital projects, and (5) transfer payments for economic development agreements to the Economic Development Fund.

There were no Interfund receivables or payables at September 30, 2015.

Primary Government	Transfers To Funds	Transfers From Funds
General Fund (Fund 100):		
Transfer from W/S fund	\$ -	\$ 163,950
Transfer to W/S Debt Service fund	413,251	-
Transfer from EDC	-	79,260
EDC Fund (Fund 700):		
Transfer to General fund	79,260	-
W/S Fund (Fund 200):		
Transfer to General Fund	163,930	-
Transfer to W/S Debt Service Fund	762,055	-
W/S Debt Service Fund (Fund 300):		
Transfer from General Fund	-	413,251
Transfer from W/S fund	-	762,055
Transfer to Capital Improvement fund	459,905	-
Capital Improvement Fund (Fund 500):		
Transfer from W/S Debt Service Fund	-	459,905
	<u>\$ 1,878,401</u>	<u>\$ 1,878,421</u>



City of Aledo, Texas  
Notes to Basic Financial Statements

**5. Capital Assets**

Capital Asset Activities for the year ended September 30, 2015 was as follows:

	Balance September 30, 2014	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2015
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 102,855	\$ -	\$ -	\$ 102,855
Construction in progress	52,256	-	(52,256)	-
	<u>155,111</u>	<u>-</u>	<u>(52,256)</u>	<u>102,855</u>
Total capital assets not being depreciated	155,111	-	(52,256)	102,855
Capital assets being depreciated				
Buildings and improvements	340,535	3,500	-	344,035
Street infrastructure (restated)	3,274,803	1,862,651	52,256	5,189,710
Storm water drainage (restated)	448,503	484,230	-	932,733
Vehicles	81,970	21,005	-	102,975
Machinery and equipment	123,298	-	-	123,298
Other improvements	183,102	8,570	-	191,672
	<u>4,452,211</u>	<u>2,379,956</u>	<u>52,256</u>	<u>6,884,423</u>
Total capital assets being depreciated	4,452,211	2,379,956	52,256	6,884,423
Less accumulated depreciation				
Buildings and improvements	140,382	13,163	(98,146)	55,399
Street infrastructure (restated)	703,517	255,971	17,615	977,103
Storm water drainage (restated)	18,487	14,553	-	33,040
Vehicles	40,419	12,648	98,146	151,213
Machinery and equipment	98,090	11,995	28,187	138,272
Other improvements	113,548	12,597	-	126,145
	<u>1,114,443</u>	<u>320,927</u>	<u>45,802</u>	<u>1,481,172</u>
Total accumulated depreciation	1,114,443	320,927	45,802	1,481,172
Total capital assets being depreciated, net	<u>3,337,768</u>	<u>2,059,029</u>	<u>6,454</u>	<u>5,403,251</u>
Governmental activities capital assets, net	<u>\$ 3,492,879</u>	<u>\$ 2,059,029</u>	<u>\$ (45,802)</u>	<u>\$ 5,506,106</u>

City of Aledo, Texas  
Notes to Basic Financial Statements

**5. Capital Assets (continued)**

Governmental activities depreciation expense was charged as a direct expense to the following programs:

Administration	\$ 51,793
City streets	255,971
Community center	13,163
Total depreciation expense - Governmental activities	<u>\$ 320,927</u>

	Balance September 30, 2014	Additions/ Completions	Retirements/ Adjustments	Balance September 30, 2015
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 334,604	\$ -	\$ -	\$ 334,604
Total capital assets not being depreciated	334,604	-	-	334,604
Capital assets being depreciated				
Water system (restated)	10,621,940	678,723	-	11,300,663
Sewer system (restated)	13,188,915	872,256	-	14,061,171
Buildings	3,210	-	-	3,210
Vehicles	124,953	-	-	124,953
Machinery and equipment	229,623	-	-	229,623
Total capital assets being depreciated	24,168,641	1,550,979	-	25,719,620
Less accumulated depreciation				
Water system (restated)	2,045,412	291,208	-	2,336,620
Sewer system (restated)	2,159,217	350,327	-	2,509,544
Buildings	349	107	-	456
Vehicles	111,270	8,479	-	119,749
Machinery and equipment	140,722	30,049	-	170,771
Total accumulated depreciation	4,456,970	680,170	-	5,137,140
Total capital assets being depreciated, net	19,711,671	870,809	-	20,582,480
Business-type capital assets, net	<u>\$ 20,046,275</u>	<u>\$ 870,809</u>	<u>\$ -</u>	<u>\$ 20,917,084</u>

Business-type activities depreciation expense was all charged to the City's water and sewer operations.

Water and sewer	\$ 680,170
Total depreciation expense - Business-type activities	<u>\$ 680,170</u>

City of Aledo, Texas  
Notes to Basic Financial Statements

**5. Capital Assets (continued)**

During the year ended September 2015, the City discovered certain donated assets were not recorded in the previous years. These donated assets consisting of street infrastructure, storm water infrastructure, and water and sewer system were as follows:

Year ended September 30,	Governmental activities	Business-type activities
2005	\$ 349,242	\$ 270,710
2006	-	153,100
2007	-	154,620
2008	-	305,420
2014	1,228,934	699,907
Total prior years	\$ 1,578,176	\$ 1,583,757
2015	\$ 1,982,869	\$ 1,464,904

**6. Business-Type Activities Restricted Cash and Investments**

The Water and Sewer Fund maintains an interest and sinking account/certificate fund, which had a balance of \$129,961 at September 30, 2015. The property tax collections accumulated in this account are restricted to pay the water and sewer fund's bond requirements and are divided ratably between the bond issues.

The Certificates of Obligation require that certificate funds be established for the payment of debt service. The City is in compliance with the reserve requirements of these certificates of obligation as of September 30, 2015.

The Water and Sewer Fund maintains a customer deposit security account for the purposes of segregating liabilities payable to customers for security deposits. The account balance at September 30, 2015 amounted to \$116,395.

The Water and Sewer Fund has \$1,126,251 in restricted impact fees for the purpose of funding facility expansions and capital improvements. These restricted impact fees consist of \$800,644 in a TexSTAR investment account and \$325,607 in a bank account.

The Water and Sewer Fund also has \$1,013,786 in restricted cash and investment accounts that is to be used for the improvements and construction activities specified in the 2007, 2009, 2010, 2011 and 2012 Certificates of Obligation.

The following is a recap of the restricted cash and investments of the Water and Sewer Fund at September 30, 2015:

	As of September 30, 2015
Total cash and investments restricted for debt service	\$ 129,961
Customer security deposits	116,395
Water and wastewater impact fees	1,126,251
Future construction total restricted assets	1,013,786
	<u>\$ 2,386,393</u>

City of Aledo, Texas  
Notes to Basic Financial Statements

**7. Long-Term Debt**

The following is a summary of changes in non-current liabilities for the year ended September 30, 2015:

	Beginning of Year	Increase	(Decrease)	End of Year	Due Within One Year
Governmental Activities					
Compensated absences	\$ 16,881	\$ 21,929	\$ (19,253)	\$ 19,557	\$ 19,557
Total governmental activities	<u>\$ 16,881</u>	<u>\$ 21,929</u>	<u>\$ (19,253)</u>	<u>\$ 19,557</u>	<u>\$ 19,557</u>
Business-type Activities					
Certificates of Obligation	\$ 14,230,000	\$ -	\$ (655,000)	\$ 13,575,000	\$ 470,000
Capital Lease Obligation	13,178	-	(13,178)	-	-
Compensated Absences	10,757	12,736	(12,535)	10,958	10,958
Total business-type activities	<u>\$ 14,253,935</u>	<u>\$ 12,736</u>	<u>\$ (680,713)</u>	<u>\$ 13,585,958</u>	<u>\$ 480,958</u>

The annual requirements to amortize Water and Sewer Fund debt as of September 30, 2015 are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	-	-	-	470,000	549,323	1,019,323
2017	-	-	-	480,000	537,903	1,017,903
2018	-	-	-	500,000	525,374	1,025,374
2019	-	-	-	505,000	511,318	1,016,318
2020	-	-	-	530,000	496,548	1,026,548
2021-2025	-	-	-	2,885,000	2,216,552	5,101,552
2026-2030	-	-	-	2,650,000	1,677,014	4,327,014
2031-2035	-	-	-	1,980,000	1,207,757	3,187,757
2036-2040	-	-	-	2,510,000	666,682	3,176,682
2041-2042	-	-	-	1,065,000	78,899	1,143,899
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,575,000</u>	<u>\$ 8,467,370</u>	<u>\$ 22,042,370</u>

There are no Water and Sewer Fund capital lease obligations as of September 30, 2015.

City of Aledo, Texas  
Notes to Basic Financial Statements

**7. Long-Term Debt (Continue)**

A summary of long-term debt as of September 30, 2015 is as follows:

Description	Original Amount	Interest Rate	Payment Terms	Final Year of Maturity	Outstanding Balance as of September 30, 2015	Governmental Activities	Business-type Activities
<b>Certificates of Obligation</b>							
Combination Tax and Waterworks and Sewer System Revenue CO, Series 2002	\$ 720,000	5.55%	Bond payments due in semi-annual installments on February 15 and August 15	2015	\$ -	\$ -	\$ -
Tax and Waterworks and Sewer System Surplus Revenue CO, Series 2007	\$ 5,765,000	2.35% - 3.10%	Bond payments due in semi-annual installments on February 15 and August 15	2028	\$ 4,080,000	\$ -	\$ 4,080,000
Tax and Waterworks and Sewer System Surplus Revenue CO, Series 2009	\$ 675,000	2.30% - 5.55%	Bond payments due in semi-annual installments on February 15 and August 15	2042	\$ 645,000	\$ -	\$ 645,000
Tax and Waterworks and Sewer System Surplus Revenue CO, Series 2010A	\$ 2,110,000	1.30% - 4.80%	Bond payments due in semi-annual installments on February 15 and August 15	2042	\$ 1,990,000	\$ -	\$ 1,990,000
Tax and Waterworks and Sewer System Surplus Revenue CO, Series 2010B	\$ 360,000	1.94% - 5.59%	Bond payments due in semi-annual installments on February 15 and August 15	2041	\$ 340,000	\$ -	\$ 340,000
Tax and Waterworks and Sewer System Surplus Revenue CO, Series 2011A	\$ 3,345,000	1.00% - 5.45%	Bond payments due in semi-annual installments on February 15 and August 15	2042	\$ 3,150,000	\$ -	\$ 3,150,000
Tax and Waterworks and Sewer System Surplus Revenue CO, Series 2011B	\$ 1,700,000	2.24% - 5.59%	Bond payments due in semi-annual installments on February 15 and August 15	2041	\$ 1,605,000	\$ -	\$ 1,605,000
Tax and Waterworks and Sewer System Surplus Revenue CO, Series 2012	\$ 1,900,000	0.30% - 4.45%	Bond payments due in semi-annual installments on February 15 and August 15	2042	\$ 1,765,000	\$ -	\$ 1,765,000
					<u>\$ 13,575,000</u>	<u>\$ -</u>	<u>\$ 13,575,000</u>

City of Aledo, Texas  
Notes to Basic Financial Statements

**8. Accumulated Unpaid Vacation and Sick Leave Benefits**

The City's policy allows employees to accumulate up to 20 days of vacation and 30 days of sick leave. Sick leave is paid only upon illness while in the employment of the City.

Therefore, no accrual is reflected in the financial statements for sick pay. Vacation is earned in varying amounts. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for accrued vacation payable as of September 30, 2015 was \$30,515.

**9. Employee Retirement System**

**Plan Description**

The City provides pension benefits for all of its eligible full-time employees through a nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS), an agent multiple employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act). The TMRS Act places the general administration and management of the system with a six-member Board of Trustees. TMRS's defined benefit plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. All eligible employees of the City are required to participate in TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes finance 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.tmr.com](http://www.tmr.com).

**Benefits Provided**

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

Plan provisions for the City were as follows:

	Plan Year 2014	Plan Year 2015
Deposit rate:	7%	7%
Matching ratio (Town to Employee):	2 to 1	2 to 1
A member is vested after	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity to increase (to retirees)	0% of CPI	0% of CPI

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City of Aledo, Texas  
Notes to Basic Financial Statements

**9. Employee Retirement System (continued)**

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>2013</u>	<u>2014</u>
Inactive employees or beneficiaries currently receiving benefits	4	4
Inactive employees entitled to but not yet receiving benefits	5	7
Active employees	<u>15</u>	<u>16</u>
	24	27

**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) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Both the City and the employees make contributions monthly.

The City needs to know its contribution rate in advance for budgetary purposes; therefore, 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 (i.e. the December 31, 2014 valuation will determine the contribution rate beginning January 1, 2016).

During the fiscal year employees were required to contribute 7% of their annual gross earnings. The contribution rates for the City were 4.12% and 6.87% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$41,784, and were equal to the required contributions.

**Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2014 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

City of Aledo, Texas  
Notes to Basic Financial Statements

**9. Employee Retirement System (continued)**

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

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period of January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation ) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
<b>Total</b>	<b>100%</b>	



City of Aledo, Texas  
Notes to Basic Financial Statements

**9. Employee Retirement System (continued)**

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the net pension liability for the City are summarized in the following table:

	Changes in the Net Pension Liability		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 562,530	\$ 539,267	\$ 23,263
Changes for the year:			
Service cost	81,325	-	81,325
Interest	41,475	-	41,475
Change of benefit terms	-	-	-
Difference between expected and actual experience	(2,848)	-	(2,848)
changes of assumptions	-	-	-
Contributions-employer	-	25,860	(25,860)
Contributions-employee	-	45,597	(45,597)
Net investment income	-	30,860	(30,860)
Benefit payments, including refunds of employee contributions	(21,389)	(21,389)	-
Administrative expense	-	(322)	322
Other changes	-	(26)	26
Net changes	\$ 98,563	\$ 80,580	\$ 17,983
Balance at 12/31/2014	\$ 661,093	\$ 619,847	\$ 41,246

The following table presents the net pension liability of the City, calculated using the discount rate of 7.0% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate		
	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
Town's net pension liability	\$ 424,275	\$ 129,556	\$ (105,443)

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report that may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

City of Aledo, Texas  
Notes to Basic Financial Statements

**9. Employee Retirement System (continued)**

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$40,729 and the calculation of the expense is summarized in the following table:

Schedule of Pension Expense	
Total service cost	\$ 81,325
Interest on the total pension liability	41,475
Current period benefit changes	-
Employee contributions (reduction of expense)	(45,597)
Projected earnings on plan investments (reduction of expense)	(37,749)
Administrative expense	322
Other changes in fiduciary net position	26
Recognition of current year outflow (inflow) of resources - liabilities	(451)
Recognition of current year outflow (inflow) of resources - assets	1,378
Amortization of prior year outflows (inflows) of resources - liabilities	-
Amortization of prior year outflows (inflows) of resources - assets	-
Total pension expense	<u>\$ 40,729</u>

At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Schedule of Deferred Outflows and Inflows of Resources			
	Deferred Outflows of Resources	Deferred Inflows of Resources	2014 Recognized in Current Pension Expense	Deferred (Inflow)/Outflow in future expense
Differences between expected and actual economic experience	\$ -	\$ 2,848	\$ (451)	\$ (2,397)
Changes in actuarial assumptions		-	-	-
Difference between projected and actual investment earnings	6,889	-	1,378	5,511
Contributions subsequent to the measurement date	35,258	-	-	35,258
Total	<u>\$ 42,147</u>	<u>\$ 2,848</u>	<u>\$ 927</u>	<u>\$ 38,372</u>

The amount of \$35,258 reported in the above schedule as “Contributions subsequent to the measurement date” will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. The remaining amount of \$3,114 will be recognized in pension expense as follows:

Year ended December 31	Amount
2015	\$ 927
2016	927
2017	927
2018	927
2019	(451)
Thereafter	(142)
Total	<u>\$ 3,114</u>

City of Aledo, Texas  
Notes to Basic Financial Statements

## 10. Contingencies

There are various lawsuits pending in which the City is involved. In the opinion of legal counsel and City management, the settlement of these lawsuits will not have a material adverse effect on the City's financial position.

## 11. Prior Period Adjustments

The City implemented changes to the report mandated by the Governmental Accounting Standards Board Statement 68 this year that requires reporting of net pension liability. This information was previously presented as a note to the financial statements rather than as part of the balance sheet. As a result of this implementation, there was a restatement of beginning net position as of September 30, 2015 as follows:

- Decrease in Governmental Activities net position of \$1,868 to record net pension liability and deferred outflows of resources as of September 30, 2014.
- Decrease in Business-type Activities net position of \$1,084 to record deferred outflows of resources and net pension liability as of September 30, 2014.

Additionally, as discussed in note 5 to the Basic Financial Statement, the City discovered certain donated fixed assets that were not recorded in the previous years resulting in a restatement of beginning net position as of September 30, 2015 as follows:

- Increase in Governmental Activities net position of \$1,311,948 increase fixed assets recorded as of September 30, 2014.
- Increase in Business-type Activities net position of \$1,391,936 to increase fixed assets recorded as of September 30, 2014.

The combined effect of these prior period adjustments on the government-wide financial statements is to increase governmental activities net position by \$ 1,310,080 from \$ 4,771,431 to \$6,081,511 and increase business-type activities net position by \$ 1,390,852 from \$6,636,124 to \$8,026,976.

## 12. New and Future Financial Reporting Requirements

Statement No. 63 “Financial Report of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position” – This statement standardized the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government’s net position. The only impact of implementation of this standard was changing financial statement items previously called “net assets” to be titled “net position”. The City has no items that are required by this statement to be presented as deferred outflows of resources or deferred inflows of resources.

Statement No. 68 “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27” – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liabilities that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.

This statement became effective for the City in fiscal year 2015, and is reflected in the Government Wide statements.

City of Aledo, Texas  
Notes to Basic Financial Statements

**13. Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through April 11, 2016, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

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City of Aledo, Texas  
Required Supplementary Information  
Schedule of Changes in Net Pension Liability and Related Ratios  
September 30, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 81,325
Interest	41,475
Change of benefit terms	-
Difference between expected and actual experience	(2,848)
changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(21,389)</u>
Net Change in Total Pension Liability	98,563
Total Pension Liability - Beginning	<u>562,530</u>
Total Pension Liability - Ending (a)	<u><u>\$ 661,093</u></u>
 Plan Fiduciary Net Position	
Contributions-employer	\$ 25,860
Contributions-employee	45,597
Net investment income	30,860
Benefit payments, including refunds of employee contributions	(21,389)
Administrative expense	(322)
Other changes	<u>(26)</u>
Net Change in Plan Fiduciary Net Position	80,580
Plan Fiduciary Net Position - Beginning	<u>539,267</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 619,847</u></u>
 Net Pension Liability - Ending (a) - (b)	\$ 41,246
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.76%
 Covered Employee Payroll	\$ 651,383
 Net Pension Liability as a Percentage of Covered Employee Payroll	6.33%

City of Aledo, Texas  
Required Supplementary Information  
Schedule of Contributions  
September 30, 2015

	<u>2014</u>
Actuarially Determined Contribution	\$ 40,776
Contributions in relation to the actuarially determined contribution	41,784
Contribution deficiency (excess)	(1,008)
Covered employee payroll	671,608
Contributions as a percentage of covered employee payroll	6%

### NOTES TO SCHEDULE OF CONTRIBUTIONS

**Valuation Date:**

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

**Other Information:**

Notes There were no benefit changes during the year.



City of Aledo, Texas  
 Budgetary Comparison Schedule - General Fund  
 Year ended September 30, 2015

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 758,205	\$ 758,205	\$ 787,113	\$ 28,908
Sales taxes	326,100	365,414	379,906	14,492
Franchise fees	216,000	216,000	291,316	75,316
Building permits	217,750	325,790	411,129	85,339
Court fines and fees	16,750	16,750	22,168	5,418
Construction fees	60,000	61,225	131,938	70,713
Rental revenue	14,000	6,295	6,565	270
Event revenue	7,000	3,195	3,196	1
Credit card revenue	95	95	493	398
Interest income	1,000	1,000	1,440	440
Miscellaneous	85,940	87,856	22,968	(64,888)
Total revenues	1,702,840	1,841,825	2,058,232	216,407
Expenditures				
Current				
Administration	718,375	738,365	610,911	(127,454)
Public works	283,390	373,605	364,436	(9,169)
City streets	195,370	109,069	101,970	(7,099)
Municipal court	13,060	13,470	10,150	(3,320)
Park and recreation	84,790	192,035	119,443	(72,592)
Community center	87,415	87,415	60,406	(27,009)
Event expense	4,000	4,000	5,267	1,267
Credit card expense	-	70	551	481
Capital outlay	230,000	274,209	176,599	(97,610)
Total expenditures	1,616,400	1,792,238	1,449,733	(342,505)
Excess (deficiency) of revenues over expenditures	86,440	49,587	608,499	558,912
Other financing sources (uses):				
Transfers in	243,190	243,190	243,190	-
Transfers out	(329,630)	(404,630)	(413,251)	(8,621)
Total other financing sources (uses)	(86,440)	(161,440)	(170,061)	(8,621)
Net change in fund balances	-	(111,853)	438,438	550,291
Fund balance, beginning of year	2,189,301	2,189,301	2,189,301	-
Fund balance, end of year	\$ 2,189,301	\$ 2,077,448	\$ 2,627,739	\$ 550,291

City of Aledo, Texas  
 Budgetary Comparison Schedule - Economic Development Corporation  
 Year ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
Sales taxes	160,000	\$ 160,000	\$ 189,953	\$ 29,953
Interest income	200	200	193	(7)
Event revenue	15,500	13,650	13,550	(100)
Miscellaneous revenue	239,140	239,140	22,333	(216,807)
Total revenues	414,840	412,990	226,029	(186,961)
Expenditures				
Event expense	\$ 32,930	\$ 33,500	\$ 23,109	\$ (10,391)
Administration	24,500	25,100	18,401	(6,699)
Capital outlay	238,540	238,540	172,850	(65,690)
Total expenditures	295,970	297,140	214,360	(82,780)
Excess (deficiency) of revenues over expenditures	118,870	115,850	11,669	(104,181)
Other financing sources (uses)				
Transfers out	(79,260)	(79,260)	(79,260)	-
Total other financing sources (uses)	(79,260)	(79,260)	(79,260)	-
Net change in fund balances	39,610	36,590	(67,591)	(104,181)
Fund balance, beginning of year	407,312	407,312	407,312	-
Fund balance, end of year	<u>\$ 446,922</u>	<u>\$ 443,902</u>	<u>\$ 339,721</u>	<u>\$ (104,181)</u>

City of Aledo, Texas  
Notes to Required Supplementary Information

**1. BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. No later than the August Council meeting, the City Administrator submits to City Council a proposed operating budget for the General Fund, Economic Development Fund, Water and Sewer Debt Service Fund and Enterprise Fund. The City's operating budget, is consistent with U.S. generally accepted accounting principles (GAAP) for the General and Economic Development funds and includes expenditures and means of financing them. The Water and Sewer Debt Service fund is budgeted separately; however, it is included in the proprietary fund for presentation in the financial statements. The Water and Sewer Capital Projects fund is not budgeted. In addition, depreciation expense is not budgeted, however, it is recorded in the proprietary and business type financial statements.
2. A public hearing is conducted to obtain taxpayer comment.
3. The City Council approves, by ordinance, budget appropriations by September 30. Any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by fund.
4. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
5. The City Council may authorize additional appropriations during the year. The City Council amended the budget during the year. Amendments to the budget were insignificant.

## **Other Supplementary Information Section**

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# VAIL & KNAUTH, LLP

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## REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the City Council  
City of Aledo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 remaining fund information of the City of Aledo, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Aledo's basic financial statements, and have issued our report thereon dated April 11, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Aledo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Aledo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Aledo's internal control.

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

Our consideration of internal control was for the limited purposes described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 Aledo'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 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vail + Knauth, LLP*

Richardson, Texas  
April 11, 2016

# **Budgetary Comparison Schedule**



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City of Aledo, Texas  
 Budgetary Comparison Schedule - Water and Sewer Debt Service Fund  
 Year ended September 30, 2015

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Other revenue	\$ 5,000	\$ -	\$ -	\$ -
Total revenues	5,000	-	-	-
Expenditures				
Administration	640	640	-	(640)
Total expenditures	640	640	-	(640)
Nonoperating revenue (expenses)				
Interest income	300	300	374	74
Interest expense	(569,045)	(569,045)	(568,811)	234
Fiscal agent fees	(2,300)	(2,300)	(1,250)	1,050
Total nonoperating revenue (expenses)	(571,045)	(571,045)	(569,687)	1,358
Excess (deficiency) of revenues over expenditures	(566,685)	(571,685)	(569,687)	1,998
Other financing sources (uses)				
Transfers in	1,086,685	1,166,685	1,175,401	8,716
Transfers out	-	-	(460,000)	(460,000)
Total other financing sources (uses)	1,086,685	1,166,685	715,401	(451,284)
Net change in fund balances	520,000	595,000	145,714	(449,286)
Fund balance, beginning of year	80,242	80,242	227,459	147,217
Prior period adjustment	-	-	-	-
Fund balance, end of year	<u>\$ 600,242</u>	<u>\$ 675,242</u>	<u>\$ 373,173</u>	<u>\$ (302,069)</u>

City of Aledo, Texas  
 Budgetary Comparison Schedule - Water and Sewer Fund  
 Year ended September 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final	Amounts	
Revenues				
Charges for services	\$ 2,458,000	\$ 2,458,000	1,962,902	\$ (495,098)
Credit card fees	3,200	3,200	4,804	1,604
Refuse revenue	125,000	125,000	161,852	36,852
Other revenues	11,200	41,915	62,424	20,509
Total revenues	2,597,400	2,628,115	2,191,982	(436,133)
Expenditures				
Administration	339,605	348,195	329,071	(19,124)
Supplies and maintenance	843,395	928,630	538,884	(389,746)
Utilities	107,200	112,825	110,586	(2,239)
Professional services	76,140	77,640	39,998	(37,642)
Refuse expenses	125,000	125,000	161,067	36,067
Credit card expense	3,500	3,500	5,315	1,815
Other operating expenses	182,895	161,660	16,033	(145,627)
Depreciation	-	-	680,169	680,169
Total expenditures	1,677,735	1,757,450	1,881,123	123,673
Nonoperating revenue (expenses)				
Interest income	1,500	1,500	2,013	513
Impact fees	-	-	310,842	310,842
Interest and fiscal agent fees	(180)	(180)	1,235	1,415
Donated assets	-	-	1,464,905	1,464,905
Bond issue costs	-	-	(1,426)	(1,426)
Total nonoperating revenue (expenses)	1,320	1,320	1,777,569	1,776,249
Excess (deficiency) of revenues over expenditures	920,985	871,985	2,088,428	1,216,443
Other financing sources (uses)				
Transfers in	-	-	460,000	460,000
Transfers out	(920,985)	(920,985)	(926,080)	(5,095)
Total other financing sources (uses)	(920,985)	(920,985)	(466,080)	454,905
Net change in fund balances	-	(49,000)	1,622,348	1,671,348
Fund balance, beginning of year	6,928,989	6,928,989	6,408,665	(520,324)
Prior period adjustment	-	-	1,390,852	1,390,852
Fund balance, end of year	<u>\$ 6,928,989</u>	<u>\$ 6,879,989</u>	<u>\$ 9,421,865</u>	<u>\$ 2,541,876</u>