

CITY OF RICHWOOD
RICHWOOD, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2014

KENNEMER, MASTERS & LUNSFORD, LLC
CERTIFIED PUBLIC ACCOUNTANTS
8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566

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CITY OF RICHWOOD

Richwood, Texas

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For the Year Ended September 30, 2014*

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FINANCIAL SECTION

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Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Suite 135
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

To The Honorable Mayor and
Members of City Council
City of Richwood
Richwood, Texas

Reports on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Richwood (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

www.kmandl.com – Email: kmkw@kmandl.com

Auditor's Responsibility - Continued

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, general fund budgetary comparison information, and the Texas Municipal Retirement System and Texas Emergency Services retirement System Schedule of Funding Progress on pages 11 through 21 and 72 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richwood's basic financial statements. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To The Honorable Mayor and
Members of City Council
City of Richwood
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Other Matters - Continued

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kerremers, Masters & Hunzford, LLC

Lake Jackson, Texas
February 11, 2015

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CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014

As management of the City of Richwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

Financial Highlights

- The assets and deferred outflows of resources of the City of Richwood exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 14,175,966 (net position). Of this amount, \$ 587,489 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position decreased by \$ 391,440.
- As of the close of the current fiscal year, the City of Richwood's governmental funds reported combined ending fund balances of \$ 975,153. 53% of this total amount, \$ 516,838 (unassigned fund balance) is available for use within the City's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 516,838 or 26.22% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from 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 general administration, public safety, public works, and parks and recreation. The *business-type activities* of the City include water and sewer and sanitation operations.

CITY OF RICHWOOD, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

The government-wide financial statements can be found on pages 24 through 27 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.

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and Capital Project Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single aggregation presentation. The governmental fund financial statements can be found on pages 28 through 32 of this report.

- **Proprietary Funds.** The City maintains one category of *proprietary funds*-Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 34 through 39 of this report.

CITY OF RICHWOOD, TEXAS

*Management's Discussion and Analysis
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Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40 through 70 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 72 and 74 of this report.

Combining and individual fund statements and schedules are presented following the required supplementary information. These statements and schedules can be found on pages 76 through 81 of this report.

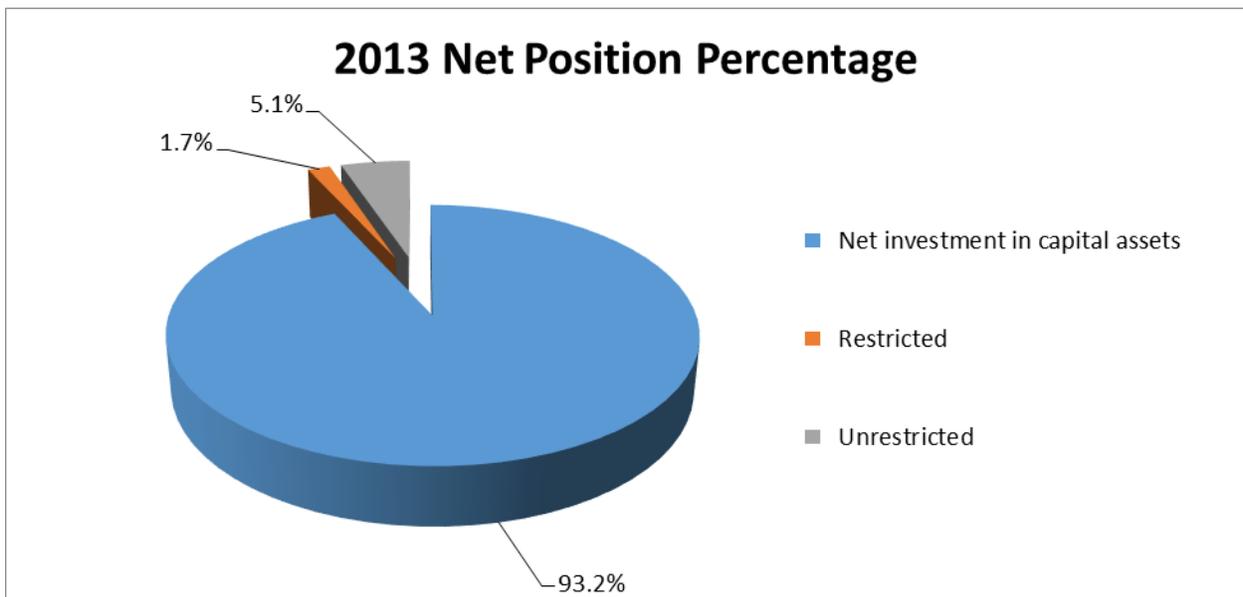
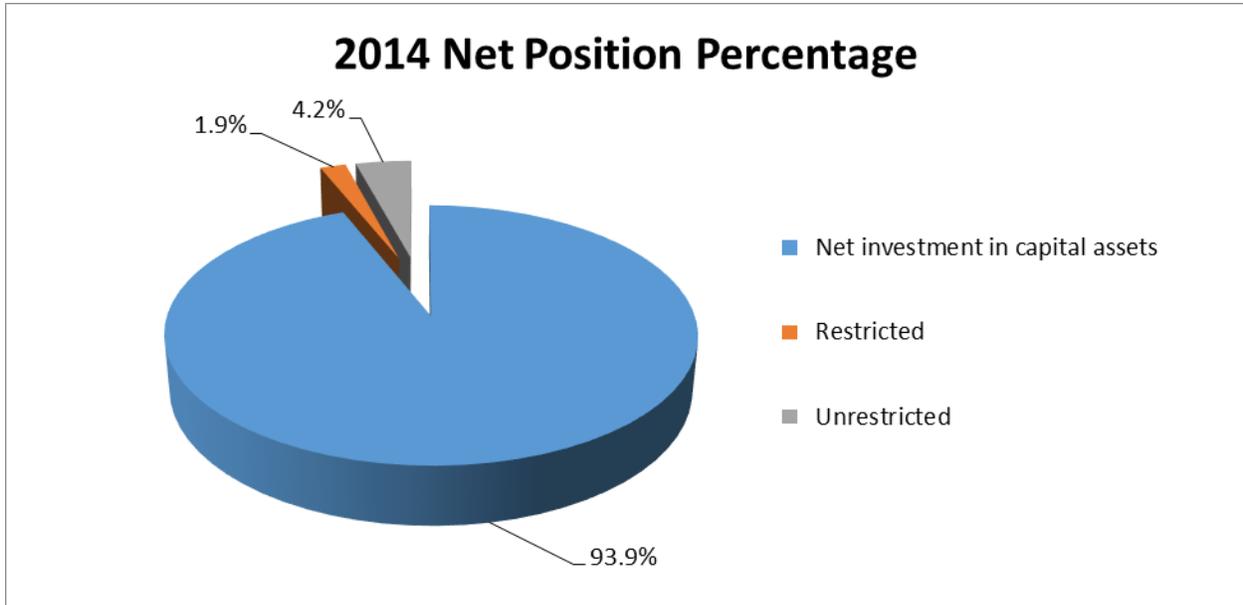
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Richwood, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 14,175,966 as of September 30, 2014.

The largest portion of the City's net position, \$ 13,316,063 (93.9%) reflects its investments in capital assets (e.g., land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in 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 portion of the City's net position of \$ 272,414 (1.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 587,489 (4.2%) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014



CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014

CITY OF RICHWOOD'S STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,120,465	\$ 1,082,186	\$ 45,007	\$ 155,955	\$ 1,165,472	\$ 1,238,141
Capital assets	<u>9,699,207</u>	<u>10,021,661</u>	<u>7,189,427</u>	<u>6,738,440</u>	<u>16,888,634</u>	<u>16,760,101</u>
Total assets	<u>10,819,672</u>	<u>11,103,847</u>	<u>7,234,434</u>	<u>6,894,395</u>	<u>18,054,106</u>	<u>17,998,242</u>
Deferred outflows of resources					<u>-0-</u>	<u>-0-</u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Other liabilities	90,154	100,596	172,983	172,866	263,137	273,462
Long-term liabilities	<u>1,966,140</u>	<u>2,073,851</u>	<u>1,648,863</u>	<u>1,083,523</u>	<u>3,615,003</u>	<u>3,157,374</u>
Total liabilities	<u>2,056,294</u>	<u>2,174,447</u>	<u>1,821,846</u>	<u>1,256,389</u>	<u>3,878,140</u>	<u>3,430,836</u>
Deferred inflows of resources					<u>-0-</u>	<u>-0-</u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Position:						
Net investment in capital assets	7,733,067	7,947,810	5,582,996	5,626,108	13,316,063	13,573,918
Restricted	264,146	243,708	8,268		272,414	243,708
Unrestricted	<u>766,165</u>	<u>737,882</u>	<u>(178,676)</u>	<u>11,898</u>	<u>587,489</u>	<u>749,780</u>
Total net position	<u>\$ 8,763,378</u>	<u>\$ 8,929,400</u>	<u>\$ 5,412,588</u>	<u>\$ 5,638,006</u>	<u>\$ 14,175,966</u>	<u>\$ 14,567,406</u>

As of September 30, 2014, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories-governmental and business-type activities except unrestricted net position of business-type activities at September 30, 2014.

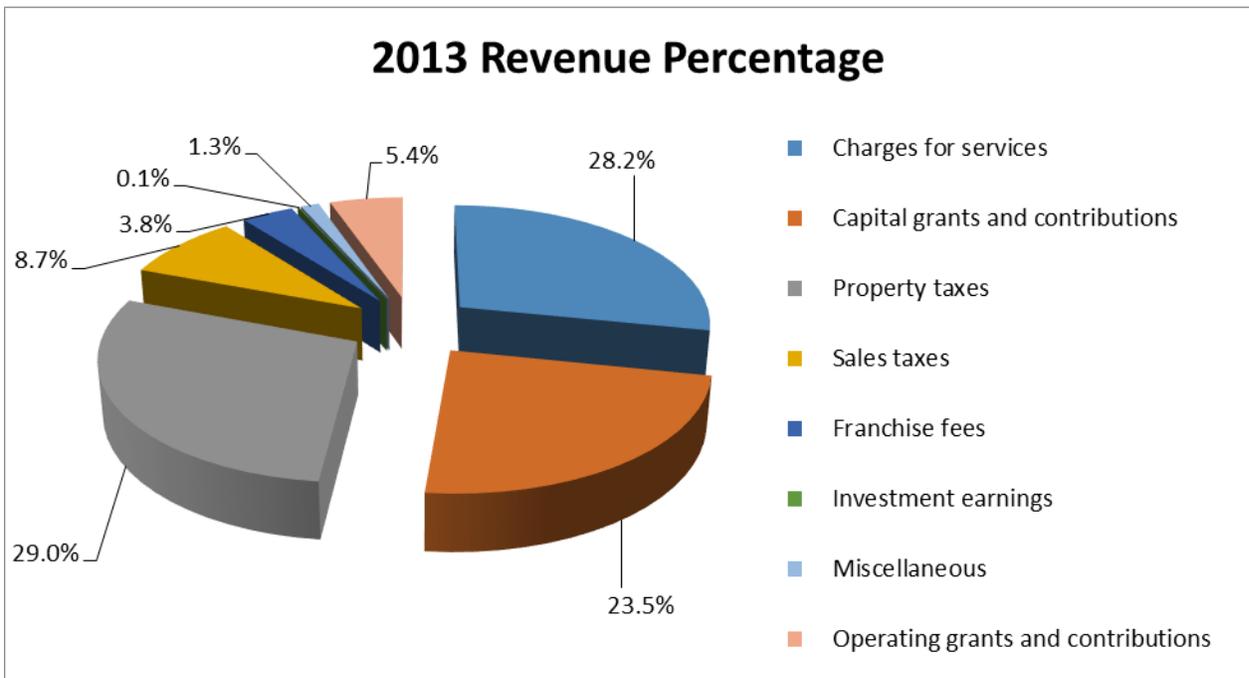
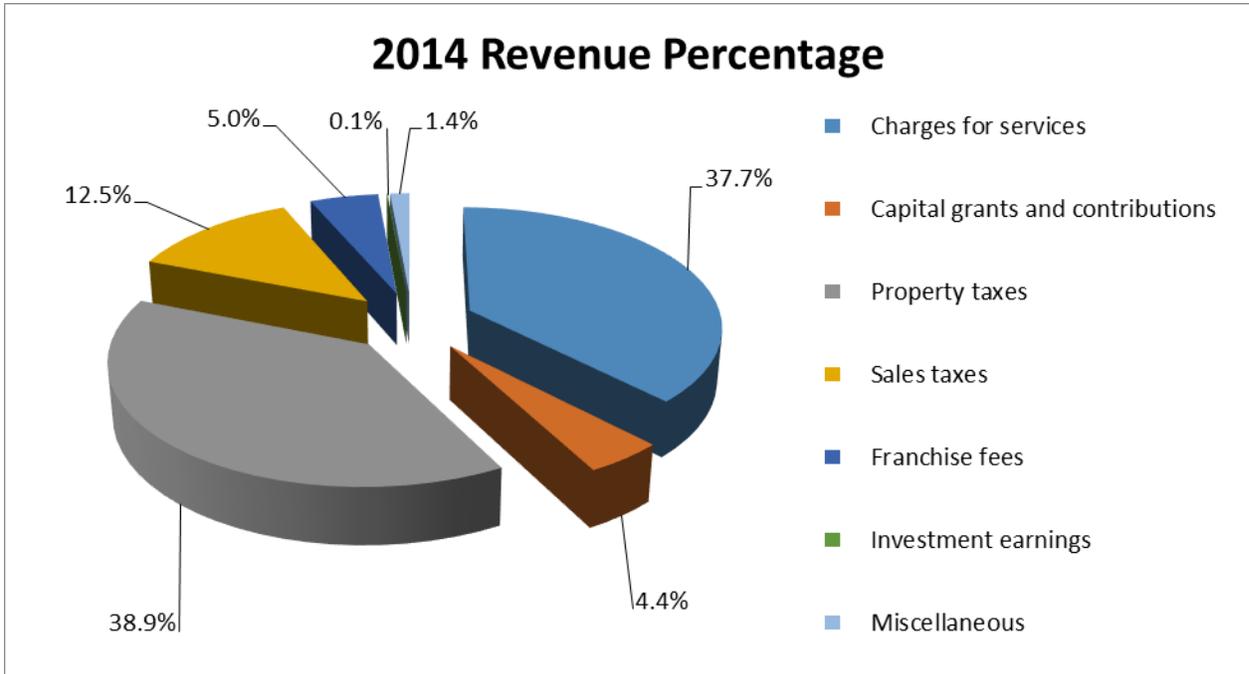
Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2014. Governmental activities decreased the City of Richwood's net position by \$ 166,022. Business-type activities decreased the City's net position by \$ 225,418.

CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014

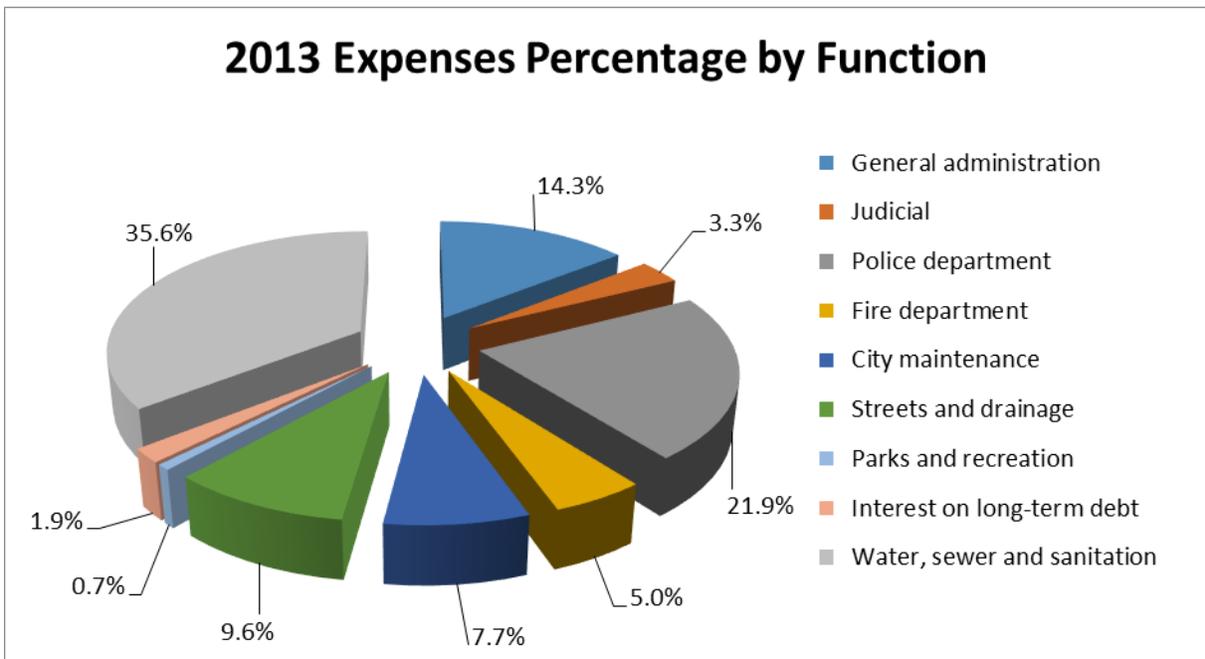
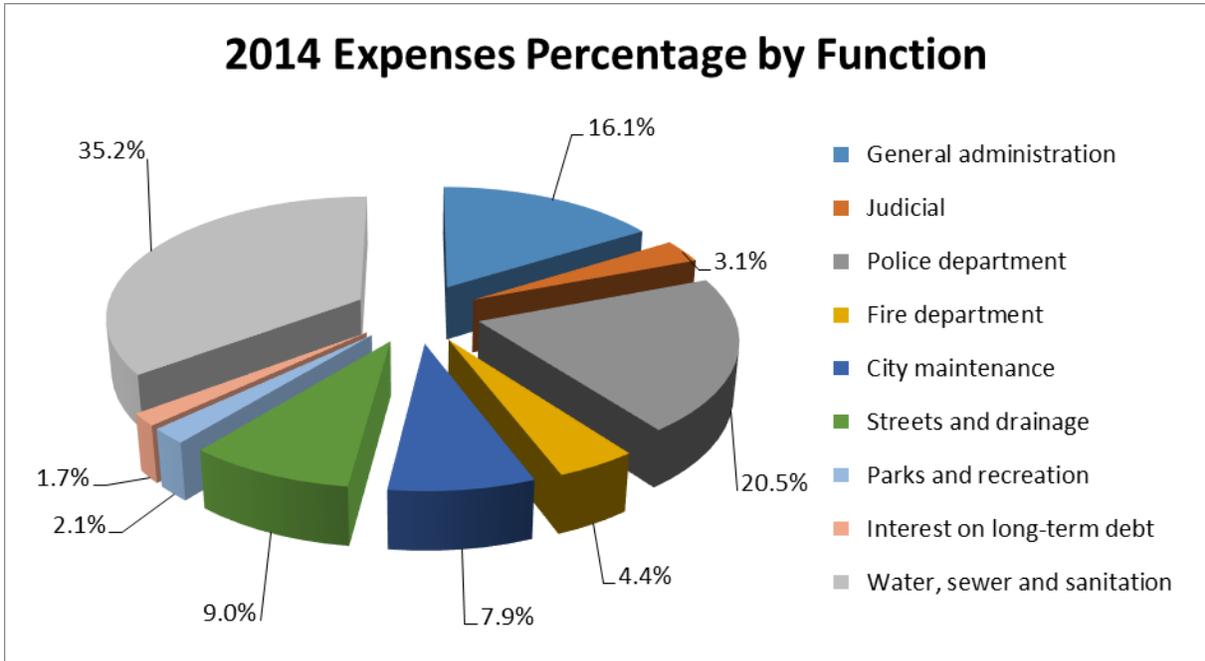
CITY OF RICHWOOD'S STATEMENTS OF ACTIVITY

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for services	\$ 315,655	\$ 298,051	\$ 926,164	\$ 934,546	\$ 1,241,819	\$ 1,232,597
Operating grants and contributions		234,492			-0-	234,492
Capital grants and contributions		698,856	145,733	328,729	145,733	1,027,585
General Revenues:						
Taxes:						
Property taxes	1,278,713	1,268,746			1,278,713	1,268,746
Sales taxes	412,681	381,160			412,681	381,160
Franchise fees	165,661	167,653			165,661	167,653
Investment earnings	1,348	2,143	329	905	1,677	3,048
Miscellaneous	47,471	59,013			47,471	59,013
Total revenues	<u>2,221,529</u>	<u>3,110,114</u>	<u>1,072,226</u>	<u>1,264,180</u>	<u>3,293,755</u>	<u>4,374,294</u>
Expenses:						
General administration	594,486	481,171			594,486	481,171
Judicial	114,488	109,184			114,488	109,184
Police department	755,763	733,677			755,763	733,677
Fire department	161,818	168,319			161,818	168,319
City maintenance	291,452	257,649			291,452	257,649
Streets and drainage	331,746	323,215			331,746	323,215
Parks and recreation	76,161	25,072			76,161	25,072
Interest on long-term debt	61,637	62,395			61,637	62,395
Water, sewer & sanitation			1,297,644	1,194,006	1,297,644	1,194,006
Total expenses	<u>2,387,551</u>	<u>2,160,682</u>	<u>1,297,644</u>	<u>1,194,006</u>	<u>3,685,195</u>	<u>3,354,688</u>
Increases (decreases) in net position	(166,022)	949,432	(225,418)	70,174	(391,440)	1,019,606
Net position – beginning	<u>8,929,400</u>	<u>7,979,968</u>	<u>5,638,006</u>	<u>5,567,832</u>	<u>14,567,406</u>	<u>13,547,800</u>
Net position – ending	<u>\$ 8,763,378</u>	<u>\$ 8,929,400</u>	<u>\$ 5,412,588</u>	<u>\$ 5,638,006</u>	<u>\$ 14,175,966</u>	<u>\$ 14,567,406</u>

CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014



CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014



CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City of Richwood'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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Richwood's governmental funds reported ending balances of \$ 975,153. \$ 516,838 (53%) of this total amount constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted or committed to indicate that it is not available for new spending as follows: 1) \$ 100,896 for long-term receivables, 2) \$ 859 for park, 3) \$ 6,219 for court security and technology, 4) \$ 748 for police training, 5) \$ 95,065 for debt service, 6) \$ 31,046 for street beautification, 7) \$ 27,091 for transportation, 8) \$ 15,291 for insurance, 9) \$ 61,722 for capital improvement, 10) \$ 43,193 for equipment replacement, and 11) \$ 76,185 for crime control and prevention.

The General Fund fund balance decreased by \$ 179,013; the Debt Service Fund fund balance increased by \$ 3,842, the Capital Project Fund fund balance increased by \$ 222,598, and the Nonmajor Governmental Funds fund balance increased by \$ 17,771.

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

At September 30, 2014 the proprietary fund had deficit of \$ 178,676 in unrestricted net position Total net position decreased by \$ 225,418.

General Fund Budgetary Highlights. Actual revenues exceeded budget by \$ 88,425 due to increased sales taxes. Actual expenditures exceed budgetary estimates by \$ 62,335. The major portion of this variance is due to increases in expenditures in general administration and capital outlay.

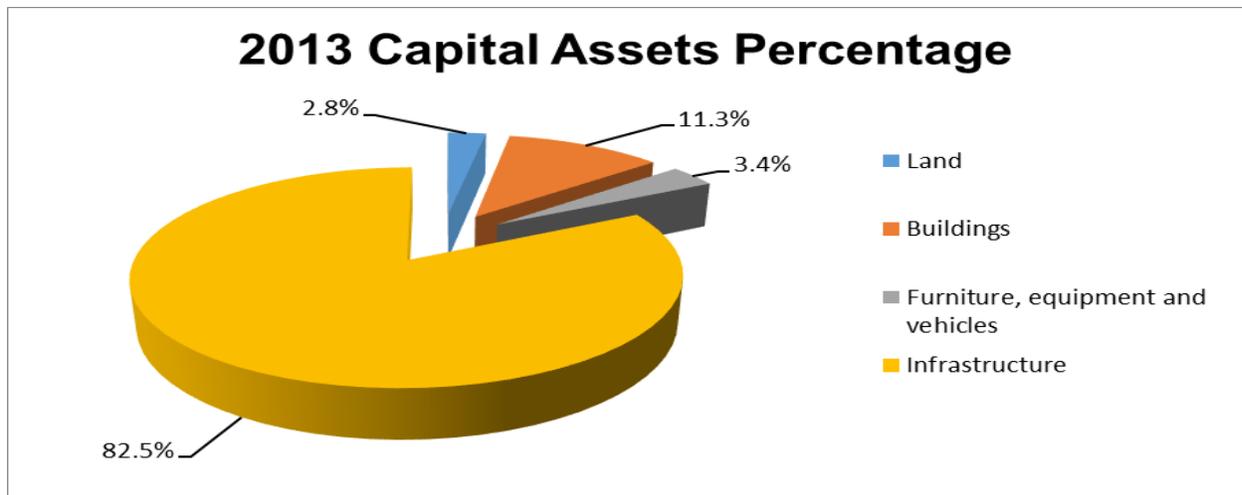
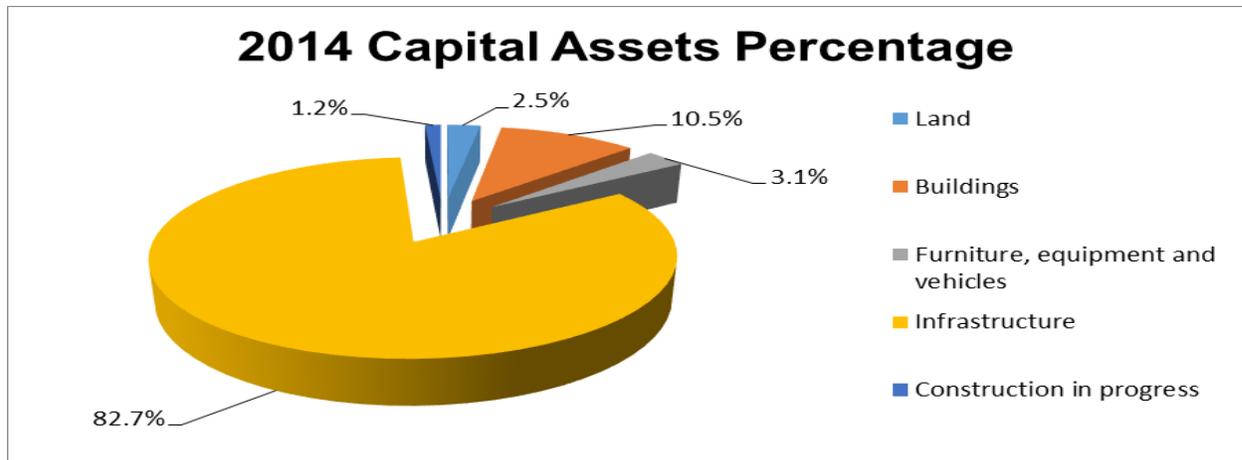
Capital Assets

The City of Richwood's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$ 16,888,634 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress. During the year ended September 30, 2014, the City received contributed capital in the amount of \$ 145,733 which is reported within business-type activities as construction in progress.

CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013
Land	\$ 303,720	\$ 340,500	\$ 122,580	\$ 122,580	\$ 426,300	\$ 463,080
Buildings	1,675,353	1,793,156	97,355	103,849	1,772,708	1,897,005
Furniture, equipment & vehicles	437,088	497,130	78,120	78,285	515,208	575,415
Infrastructure	7,224,271	7,390,875	6,745,639	6,433,726	13,969,910	13,824,601
Construction in progress	<u>58,775</u>		<u>145,733</u>		<u>204,508</u>	<u>-0-</u>
Total assets	<u>\$ 9,699,207</u>	<u>\$ 10,021,661</u>	<u>\$ 7,189,427</u>	<u>\$ 6,738,440</u>	<u>\$ 16,888,634</u>	<u>\$ 16,760,101</u>



CITY OF RICHWOOD, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Additional information on the City of Richwood's capital assets can be found in Note 6 on pages 57 through 58 of this report.

Debt Administration

At the end of the current fiscal year, the City of Richwood had a total long-term liability of \$ 3,615,003. Of this amount, \$ 2,655,000 is comprised of bonded debt backed by the full faith and credit of the City. These bonds will be retired with revenues from property and sales taxes. Further, the City has \$ 600,000 obligations under capital lease.

	Outstanding Debt at Year End					
	Bonds Payable					
	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2014	2013	2014	2013	2014	2013
Certificates of obligation bonds	\$ 1,630,000	\$ 1,720,000	\$ 1,025,000	\$ 1,075,000	\$ 2,655,000	\$ 2,795,000
Capital lease			600,000		600,000	-0-
Notes	287,087	302,087			287,087	302,087
Premium on bonds	40,934	43,224			40,934	43,224
Accrued interest	<u>8,119</u>	<u>8,540</u>	<u>23,863</u>	<u>8,523</u>	<u>31,982</u>	<u>17,063</u>
Total	<u>\$ 1,966,140</u>	<u>\$ 2,073,851</u>	<u>\$ 1,648,863</u>	<u>\$ 1,083,523</u>	<u>\$ 3,615,003</u>	<u>\$ 3,157,374</u>

All of the outstanding Bonds of the City payable from its limited taxes are insured and are, therefore, rated "Aaa" by Moody's Investors Service Inc ("Moody's"), and "AAA" by Standard & Poor's ("S&P"). The underlying rating on all of such Bonds and other obligations payable from such source are "A1" by Moody's and "A+" by S&P.

Additional information on the City of Richwood's long term debt can be found in Note 7 on pages 59 through 62 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2014-2015 Budget, General fund revenues are budgeted to increase by 7.3% from 2013-2014 budget year due to increases in property values, general sales tax and building permit and related fees.

Certified assessed valuations increased by 9.28% over the preceding year. Property taxes will increase approximately 10.24%.

The Enterprise Fund's 2014-2015 budgeted expenditures are to increase by 7.93% over the preceding year's budget. Water and Sewer rates for the 2014-2015 budget year were increased this year.

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 1800 N. Brazosport Blvd, Richwood, Texas, 77531, or call (979) 265-2082.

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BASIC FINANCIAL STATEMENTS

CITY OF RICHWOOD

Richwood, Texas

STATEMENT OF NET POSITION

September 30, 2014

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Cash and temporary investments	\$ 439,458	\$ 27,133	\$ 466,591
Investments	196,109	21,528	217,637
Receivables (Net)			
Property taxes	22,978		22,978
Accounts		168,192	168,192
Sales taxes	72,735		72,735
Accrued interest	185	18	203
Other	60,228		60,228
Interfund accounts	327,947	(327,947)	-0-
Due from other governments	825		825
Restricted Assets:			
Temporarily Restricted:			
Cash and temporary investments		65,627	65,627
Investments		90,445	90,445
Accrued interest		11	11
Capital Assets (Net of Accumulated Depreciation):			
Land	303,720	122,580	426,300
Buildings	1,675,353	97,355	1,772,708
Furniture, equipment and vehicles	437,088	78,120	515,208
Infrastructure	7,224,271	6,745,639	13,969,910
Construction in progress	58,775	145,733	204,508
Total assets	<u>10,819,672</u>	<u>7,234,434</u>	<u>18,054,106</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources			-0-
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

(continued)

CITY OF RICHWOOD

Richwood, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2014

	Governmental Activities	Business- Type Activities	Total
LIABILITIES:			
Accounts payable	\$ 89,989	\$ 88,318	\$ 178,307
Unearned revenue	165		165
Liabilities Payable from Restricted Assets:			
Accrued interest payable		8,150	8,150
Revenue bonds payable - current		55,000	55,000
Customer deposits		84,665	84,665
Noncurrent Liabilities:			
Due within one year	116,182	66,614	182,796
Due in more than one year	1,849,958	1,519,099	3,369,057
Total liabilities	<u>2,056,294</u>	<u>1,821,846</u>	<u>3,878,140</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources			<u>-0-</u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
NET POSITION:			
Net investment in capital assets	7,733,067	5,582,996	13,316,063
Restricted For:			
Park	859		859
Debt service	97,287		97,287
Special revenue	58,137		58,137
Court security and technology	6,219		6,219
Police training	748		748
Enterprise fund (Long-term receivable)	100,896		100,896
Customer deposit		8,268	8,268
Unrestricted	<u>766,165</u>	<u>(178,676)</u>	<u>587,489</u>
Total net position	<u>\$ 8,763,378</u>	<u>\$ 5,412,588</u>	<u>\$ 14,175,966</u>

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

CITY OF RICHWOOD

Richwood, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General administration	\$ 594,486	\$ 152,816	\$	\$
Judicial	114,488			
Police department	755,763	151,320		
Fire department	161,818			
City maintenance	291,452			
Streets and drainage	331,746			
Parks and recreation	76,161	11,519		
Interest on long-term debt	<u>61,637</u>			
Total governmental activities	<u>2,387,551</u>	<u>315,655</u>	<u>-0-</u>	<u>-0-</u>
Business-type Activities:				
Water, sewer and sanitation	<u>1,297,644</u>	<u>926,164</u>		<u>145,733</u>
Total business-type activities	<u>1,297,644</u>	<u>926,164</u>	<u>-0-</u>	<u>145,733</u>
Total	<u>\$ 3,685,195</u>	<u>\$ 1,241,819</u>	<u>\$ -0-</u>	<u>\$ 145,733</u>
General Revenue:				
Taxes:				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Sales taxes				
Franchise fees				
Investment earnings				
Miscellaneous				
Total general revenues and transfers				
Change in net position				
Net position – beginning				
Net position – ending				

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$ (441,670)	\$	\$ (441,670)
(114,488)		(114,488)
(604,443)		(604,443)
(161,818)		(161,818)
(291,452)		(291,452)
(331,746)		(331,746)
(64,642)		(64,642)
<u>(61,637)</u>		<u>(61,637)</u>
<u>(2,071,896)</u>	<u>-0-</u>	<u>(2,071,896)</u>
	<u>(225,747)</u>	<u>(225,747)</u>
<u>-0-</u>	<u>(225,747)</u>	<u>(225,747)</u>
<u>(2,071,896)</u>	<u>(225,747)</u>	<u>(2,297,643)</u>
1,110,652		1,110,652
168,061		168,061
412,681		412,681
165,661		165,661
1,348	329	1,677
<u>47,471</u>		<u>47,471</u>
<u>1,905,874</u>	<u>329</u>	<u>1,906,203</u>
(166,022)	(225,418)	(391,440)
<u>8,929,400</u>	<u>5,638,006</u>	<u>14,567,406</u>
<u>\$ 8,763,378</u>	<u>\$ 5,412,588</u>	<u>\$ 14,175,966</u>

CITY OF RICHWOOD
Richwood, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2014

	General Fund	Debt Service Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets and Deferred Outflows of Resources</u>					
Assets:					
Cash and cash equivalents	\$ 341,676	\$ 48,203	\$	\$ 49,579	\$ 439,458
Investments	149,919	46,190			196,109
Receivables:					
Property taxes (net)	20,258	2,720			22,978
Sales taxes	72,735				72,735
Other governments	716	109			825
Accrued interest	120	65			185
Other	23,910				23,910
Due from other funds	319,389			8,558	327,947
 Total assets	 928,723	 97,287	 -0-	 58,137	 1,084,147
Deferred Outflows of Resources:					
Deferred outflows of resources					-0-
 Total deferred outflows of resources	 -0-	 -0-	 -0-	 -0-	 -0-
 Total assets and deferred outflows of resources	 \$ 928,723	 \$ 97,287	 \$ -0-	 \$ 58,137	 \$ 1,084,147

(continued)

CITY OF RICHWOOD

Richwood, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS - Continued**

September 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable and accrued expenditures	\$ 89,989	\$	\$	\$	\$ 89,989
Unearned revenue	<u>165</u>	<u></u>	<u></u>	<u></u>	<u>165</u>
Total liabilities	<u>90,154</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>90,154</u>
Deferred Inflows of Resources:					
Deferred inflows of resources – property taxes	<u>16,618</u>	<u>2,222</u>	<u></u>	<u></u>	<u>18,840</u>
Total deferred inflows of resources	<u>16,618</u>	<u>2,222</u>	<u>-0-</u>	<u>-0-</u>	<u>18,840</u>
Fund Balances:					
Non-spendable:					
Enterprise fund (Long-term receivable)	100,896				100,896
Restricted:					
Park	859				859
Debt service		95,065			95,065
Court security and technology	6,219				6,219
Police training	748				748
Street beautification				31,046	31,046
Transportation				27,091	27,091
Committed:					
Insurance	15,291				15,291
Capital improvement	61,722				61,722
Equipment replacement	43,193				43,193
Crime control and prevention	76,185				76,185
Unassigned	<u>516,838</u>	<u></u>	<u></u>	<u></u>	<u>516,838</u>
Total fund balances	<u>821,951</u>	<u>95,065</u>	<u>-0-</u>	<u>58,137</u>	<u>975,153</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 928,723</u>	<u>\$ 97,287</u>	<u>\$ -0-</u>	<u>\$ 58,137</u>	<u>\$ 1,084,147</u>

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

CITY OF RICHWOOD
Richwood, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION

September 30, 2014

Total fund balances – governmental funds balance sheet	\$ 975,153
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 14,197,105 in assets less \$ 4,497,898 in accumulated depreciation.	9,699,207
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 16,618 and \$ 2,222, respectively.	18,840
Municipal court receivables unavailable to pay for current period expenditures are not recognized in the governmental funds. Municipal court receivables of \$ 146,989, net of allowance of \$ 110,671.	36,318
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increases long-term liabilities in the governmental activities statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 40,934 (premium on sale of bonds of \$ 46,091 less amortization of \$ 5,157)	(40,934)
Payables for bond principal is not reported in the funds.	(1,917,087)
Payables for bond interest are not reported in the funds.	<u>8,119</u>)
Net position of governmental activities – statement of net position.	<u>\$ 8,763,378</u>

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

CITY OF RICHWOOD

Richwood, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes:					
Property taxes	\$ 1,119,389	\$ 169,236	\$	\$	\$ 1,288,625
Sales taxes	412,681				412,681
Franchise fees	165,661				165,661
Revenue producing facilities	11,519				11,519
Fines and fees	157,885				157,885
Licenses and permits	51,798				51,798
Investment earning	1,178	169		1	1,348
Transportation				101,018	101,018
Miscellaneous	<u>34,039</u>			<u>13,432</u>	<u>47,471</u>
Total revenues	<u>1,954,150</u>	<u>169,405</u>	<u>-0-</u>	<u>114,451</u>	<u>2,238,006</u>
Expenditures:					
Current:					
General administration	517,185			16,397	533,582
Judicial	114,488				114,488
Police department	709,031				709,031
Fire department	103,317				103,317
City maintenance	285,056				285,056
Streets and drainage	37,498			75,662	113,160
Parks and recreation	57,269				57,269
Capital outlay	147,216		58,775		205,991
Debt Service:					
Principal retirement		100,379		4,621	105,000
Interest and agent fees		<u>64,348</u>			<u>64,348</u>
Total expenditures	<u>1,971,060</u>	<u>164,727</u>	<u>58,775</u>	<u>96,680</u>	<u>2,291,242</u>
Excess of revenues (under) expenditures	<u>(16,910)</u>	<u>4,678</u>	<u>(58,775)</u>	<u>17,771</u>	<u>(53,236)</u>
Other Financing Sources (Uses):					
Sale of capital assets	33,564		84,870		118,434
Transfer in			196,503		196,503
Transfer out	<u>(195,667)</u>	<u>(836)</u>			<u>(196,503)</u>
Total other financing sources (uses)	<u>(162,103)</u>	<u>(836)</u>	<u>281,373</u>	<u>-0-</u>	<u>118,434</u>
Net changes in fund balances	<u>(179,013)</u>	<u>3,842</u>	<u>222,598</u>	<u>17,771</u>	<u>65,198</u>
Fund balances - beginning	<u>1,000,964</u>	<u>91,223</u>	<u>(222,598)</u>	<u>40,366</u>	<u>909,955</u>
Fund balances - ending	<u>\$ 821,951</u>	<u>\$ 95,065</u>	<u>\$ -0-</u>	<u>\$ 58,137</u>	<u>\$ 975,153</u>

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

CITY OF RICHWOOD

Richwood, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Net change in fund balances – total governmental funds	\$	65,198
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital outlay \$ 205,991 less depreciation \$ 409,195 in the current period.	(203,204)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund decreased by \$ 8,737 and for the debt service fund decreased by \$ 1,175, respectively.	(9,912)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. The amount was for general obligation bonded debt in the amount of \$ 105,000.		105,000
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the governmental activities statement of net position. This amount is accreted over the life of the bonds. Amortization of the premium of bonds was \$ 2,290.		2,290
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt.		421
Municipal court revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Municipal court receivables, net of allowance, decreased by \$ 6,565.	(6,565)
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The cost of assets disposed was \$ 119,250 (cost of \$ 346,925 less accumulated depreciation of \$ 227,675).	(<u>119,250</u>)
Change in net position of governmental activities	\$	<u>(166,022)</u>

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

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CITY OF RICHWOOD
Richwood, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2014

	<u>Enterprise Fund</u>
<u>Assets and Deferred Outflows of Resources</u>	
Current Assets:	
Cash and cash equivalents	\$ 27,133
Investments	21,528
Utility accounts receivable (less allowance for uncollectibles)	168,192
Accrued interest receivable	<u>18</u>
Total current unrestricted assets	<u>216,871</u>
Current Restricted Assets:	
Cash and cash equivalents	65,627
Investments	90,445
Accrued interest receivable	<u>11</u>
Total current restricted assets	<u>156,083</u>
Total current assets	<u>372,954</u>
Capital Assets:	
Property, plant and equipment	11,561,285
Less accumulated depreciation	<u>(4,371,858)</u>
Total capital assets (net of accumulated depreciation)	<u>7,189,427</u>
Total assets	<u>7,562,381</u>
Deferred Outflows of Resources:	
Deferred outflows of resources	<u> </u>
Total deferred outflows of resources	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 7,562,381</u>

(continued)

CITY OF RICHWOOD

Richwood, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2014

	Enterprise Fund
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 88,318
Accrued interest payable	15,713
Capital lease payable	50,901
Due to other funds (includes current portion notes of \$ 13,564)	<u>240,615</u>
Total current liabilities payable from non-restricted assets	<u>395,547</u>
Current Liabilities Payable from Restricted Assets:	
Accrued interest payable	8,150
Revenue bonds payable	55,000
Customer deposits	<u>84,665</u>
Total current liabilities payable from restricted assets	<u>147,815</u>
Total current liabilities	<u>543,362</u>
Noncurrent Liabilities:	
Due to other funds (notes)	87,332
Capital lease payable	549,099
Revenue bonds payable	<u>970,000</u>
Total noncurrent liabilities	<u>1,606,431</u>
Total liabilities	<u>2,149,793</u>
Deferred Inflows of Resources:	
Deferred inflows of resources	<u> </u>
Total deferred inflows of resources	<u>-0-</u>
Net Position:	
Net investment in capital assets	5,582,996
Restricted For:	
Customer deposit	8,268
Unrestricted	<u>(178,676)</u>
Total net position	<u>5,412,588</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,562,381</u>

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

CITY OF RICHWOOD
Richwood, Texas

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND**

For the Year Ended September 30, 2014

	<u>Enterprise Fund</u>
Operating Revenues:	
Water service	\$ 470,776
Sewer fees	407,067
Garbage fees	6,568
Delinquent charges	22,229
Taps and reconnect fees	<u>19,524</u>
Total operating revenues	<u>926,164</u>
Operating Expenses:	
Personnel costs	193,639
Sewer treatment plant operations	183,760
Water costs – BWA	164,688
Lease	132,269
Utilities and telephone	48,529
Repairs and maintenance	103,205
Supplies	49,406
Miscellaneous	<u>44,855</u>
Operating expenses before depreciation	920,351
Depreciation	<u>314,992</u>
Total operating expenses	<u>1,235,343</u>
Operating income (loss)	<u>(309,179)</u>
Non-Operating Revenues (Expenses):	
Investment earning	329
Interest expense and agent fees	<u>(62,301)</u>
Total non-operating revenues (expenses)	<u>(61,972)</u>
Income (loss) before contributions and operating transfers	<u>(371,151)</u>
Capital contributions	<u>145,733</u>
Change in net position	<u>(225,418)</u>
Net position – beginning	<u>5,638,006</u>
Net position - ending	<u><u>\$ 5,412,588</u></u>

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

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CITY OF RICHWOOD
Richwood, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND**

For the Year Ended September 30, 2014

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers and users	\$ 928,623
Payments to other funds	104,477
Payments to suppliers	(736,445)
Payments to employees	<u>(193,639)</u>
Net cash provided by operating activities	<u>103,016</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(23,979)
Disposition of capital assets	3,733
Bond principal payments	(50,000)
Interest and fiscal charge payments	<u>(46,961)</u>
Net cash used for capital and related financing activities	<u>(117,207)</u>
Cash Flows from Investing Activities:	
Proceeds from the sale of investments	101,672
Purchase of investments	(111,973)
Interest received	<u>329</u>
Net cash used for investing activities	<u>(9,972)</u>
Net decrease in cash and cash equivalents	(24,163)
Cash and cash equivalents at the beginning of year	<u>116,923</u>
Cash and cash equivalents at the end of the year	<u>\$ 92,760</u>

(continued)

CITY OF RICHWOOD

Richwood, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - Continued**

For the Year Ended September 30, 2014

	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by	
Operating Activities:	
Operating income (loss)	\$(<u>309,179</u>)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by	
Operating Activities:	
Depreciation	314,992
(Increase) decrease in accounts receivable	(7,391)
Increase (decrease) in accounts payable	(9,733)
Increase (decrease) in due to other funds	104,477
Increase (decrease) in customer deposits	<u>9,850</u>
Total adjustments	<u>412,195</u>
Net cash provided by operating activities	\$ <u><u>103,016</u></u>
Non-Cash Transactions Affecting Financial Position:	
Capital lease	600,000
Contributions from other governments	\$ <u>145,733</u>
Net effect of non-cash transactions	\$ <u><u>745,733</u></u>

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

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

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CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Richwood (City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public services (utility facilities), public recreation, public benefits (health and welfare), and general administrative services.

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The City's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow user's of financial reports to assess a government's operational accountability. The GASB Statement No. 34 reporting model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the most significant accounting policies.

Reporting Entity

The City is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity. Based on these considerations, the City's basic financial statements do not include any other entities. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - Continued

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to 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 members of City council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". There are no component units included within the reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Government-wide and Fund Financial Statements - Continued

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditure and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary funds remain as receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has only one proprietary fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, municipal court revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

The City has presented the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* accounts for the accumulation of resources for the annual payment of general long-term debt principal and interest of the governmental funds.

The *Capital Project Fund* accounts for the proceeds of the \$ 1,115,000 bond issued for the purchase and construction of the new city hall.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The City reports the following major proprietary fund:

The Enterprise Fund is used to account for the provision of water, sewer and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility and sanitation customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, 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.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after June 15, 2012.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. The statement was implemented and did not have an impact on the City's financial statements, although it has reclassified items previously recorded as assets and liabilities within the City's financial statements as deferred outflows and inflows of resources. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. The statement was implemented and did not have an impact on the City's financial statements.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. The statement was implemented and did have an impact on the City's financial statements. This statement is effective for periods beginning after December 15, 2012 and was adopted in the prior fiscal year.

GASB Statement No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62", was issued March 2012. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after December 15, 2012.

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", was issued June 2012. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after June 15, 2013.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The management of the City believes that the implementation of this statement may have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued January 2013. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2013.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued April 2013. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after June 15, 2013.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68", was issued November 2013. The management of the City believes that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data

All departments of the City submit requests for appropriation to the City Secretary so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the Mayor and City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

The City adopts annual budgets for all significant governmental fund types (General Fund, Debt Service Fund, and Special Revenue Fund) and proprietary fund type (Enterprise Fund).

The City prepares its annual budget on a generally accepted accounting principles basis (GAAP basis). The budget and all transactions are presented in accordance with the City's GAAP basis in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General, Debt Service and Enterprise Fund to provide a meaningful comparison of actual results with the budget.

Encumbrances

The City utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts), and are used to control expenditures for the period and to enhance cash management. The City often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the City likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate.

The City's encumbrances amounted to \$ 654 in general fund and \$ 750 in enterprise fund as September 30, 2014.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and short-term investments with an original maturity date of three months or less. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. Temporary investments are stated at cost. State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Inventory

The City uses the purchase method of accounting for inventory. In the purchase method of accounting for inventory, purchases of gasoline and office supplies are recorded as expenditures when acquired. Inventory on hand at the end of the year is recorded as an asset and a reservation of fund balance if significant. Inventory at September 30, 2014 was not significant and therefore, is not recorded.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The City had no advances between funds. See Note 5 for additional discussion of interfund receivables and payables.

Capital Assets

Capital assets, which includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2014, no capitalized interest was recorded.

Assets capitalized have an original cost of \$ 5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	31-40 Years
Furniture, equipment and vehicles	5-10 Years
Infrastructure:	
Water and sewer system	45 Years
General infrastructure assets	40-45 Years

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the City is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the City, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on July 13, 2013, upon which the levy for the 2013-14 fiscal year was based, was \$ 170,358,828. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and Interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2014, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.63870 and \$ 0.09698 per \$ 100 valuation, respectively, for a total of \$ 0.73568 per \$ 100 valuation.

Current tax collections for the year ended September 30, 2014 were 98.82% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2014, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 20,258 and \$ 2,720 for the general and debt service funds, respectively.

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pension Plans

It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service costs. In the fiscal year ended September 30, 1999, the City implemented GASB Statement 27, Accounting for Pensions by State and Local Governmental Employers, which standardizes financial reporting for pensions by state and local governmental employers for the Emergency Services Personnel Retirement Fund (the Fund) upon the Fund's adoption of GASB 25. For fiscal year ended September 30, 1998, the City implemented GASB Statement 27 for the Texas Municipal Retirement System (TMRS). At the date of transition and implementation of GASB Statement 27, there was no pension liability or pension asset (see Note 10).

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The City has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

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

Fund Balances

The City Council of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the City Council. Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action by the City Council. When it is appropriate for fund balance to be assigned, the City Council delegates authority to the City Manager or City Secretary. In circumstances where an 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 expended as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances - Continued

Beginning with fiscal 2011, the City implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

As of September 30, 2014, non-spendable fund balance includes \$ 100,896 for long-term receivable in the general fund. Restricted fund balances include \$ 859 for park, \$ 6,219 for court security and technology, \$ 748 for police training in the general fund, \$ 95,065 for debt service in the debt service fund, and \$ 31,046 for street beautification and \$ 27,091 for transportation in the special revenue fund. Committed fund balance includes \$ 15,291 for insurance, \$ 61,722 for capital improvement, \$ 43,193 for equipment replacement, and \$ 76,185 for crime control and prevention in the general fund. Unassigned fund balance includes \$ 516,838 in the general fund.

Net Position

Net position represents the differences between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets, 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 is 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.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. Cash and temporary investments, and investments, as reported on the statement of net position at September 30, 2014, are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Temporary Investments:			
Cash (petty cash accounts)	\$ 800	\$	\$ 800
Financial Institution Deposits:			
Demand deposits	14,070		14,070
Certificates of deposit	194,386		194,386
Local Government Investment Pool:			
Texpool	121,867	64,823	186,690
TexStar	35,803		35,803
Logic	<u>99,665</u>	<u>804</u>	<u>100,469</u>
Total cash and temporary investments	<u>466,591</u>	<u>65,627</u>	<u>532,218</u>
Investments:			
Financial Institution Deposits:			
Certificates of deposit	<u>217,637</u>	<u>90,445</u>	<u>308,082</u>
Total	<u>\$ 684,228</u>	<u>\$ 156,072</u>	<u>\$ 840,300</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At year end, except \$ 800 petty cash, the carrying amount of the City's deposits was \$ 516,538, while the financial institution balances totaled \$ 543,894. Of the financial institution balances, \$ 385,175 was covered by federal depository insurance, and \$ 158,719 was covered by collateral held by the City's agent in the City's name.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain 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 by the City Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes and "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City's Investment Officer submits an investment report each quarter to the City Council. The report details the investment positions of the City and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

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

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

The City is invested in a certificate of deposit at Brazos National Bank and First National Bank to provide its liquidity needs. It has a maturity of less than 365 days. This investment is insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

The City participates in three Local Government Investment Pools (LGIPs): TexPool, Logic, and TexSTAR. The State Comptroller oversees TexPool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over Logic and TexSTAR, advisory boards consisting of participants or their designees, maintains oversight responsibility for Logic and TexSTAR.

The City invests in TexPool, Logic, and TexSTAR to provide its liquidity needs. TexPool, Logic, and TexSTAR are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, Logic, and TexSTAR are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool, Logic, and TexSTAR are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2014 TexPool, Logic, and TexSTAR had a weighted average maturity of 48 days, 59 days, and 51 days, respectively. Although TexPool, Logic, and TexSTAR portfolios had a weighted average maturity of 48 days, 59 days, and 51 days, respectively, the City considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The following table includes the portfolio balances of all investment types of the City at September 30, 2014.

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Weighted Average Maturity (Days)</u>	<u>Investment Balance</u>
Certificate of Deposit	01-16-15	0.20%	44	\$ 124,202
Certificate of Deposit	01-30-15	0.15%	23	58,056
Certificate of Deposit	02-14-15	0.20%	56	<u>125,824</u>
Total Certificates of Deposit			60	<u>308,082</u>
Local Government Investment Pool:				
TexPool	N/A	Varies daily	48	186,690
TexSTAR	N/A	Varies daily	51	35,803
Logic	N/A	Varies daily	59	<u>100,469</u>
Total Local Government Investment Pool			81	<u>322,962</u>
Total investments			71	<u>\$ 631,044</u>

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

Credit Risk - As of September 30, 2014, the LGIPs (which represent approximately 51.18% of the investment portfolio) are rated AAAM by Standard and Poor's or AAA by Finch, while the remainder is invested in fully secured certificates of deposit.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days of the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements.

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2014, and holds no direct investments in derivatives at September 30, 2014.

NOTE 3 - ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

Taxes

Ad valorem taxes receivable are reserved based on historical experience and evaluation of collectivity as the lesser of a percentage of the original levy and the current receivable for each levy year. The following is a summary of the allowance for uncollectible taxes by fund:

General Fund	\$ 13,824
Debt Service Fund	<u>1,562</u>
Total	<u>\$ 15,426</u>

Municipal Court Receivables

Municipal court receivables are reported in the governmental activities statement of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectibility in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2014 was \$ 110,671.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 4 - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue). There is \$ 165 unearned revenue as of September 30, 2014.

As of September 30, 2014, the following components of deferred inflows of resources were reported in the governmental funds:

	<u>Deferred Inflows of Resources (Unavailable)</u>
Delinquent property taxes receivable (general fund)	\$ 16,618
Delinquent property taxes receivable (debt service fund)	<u>2,222</u>
 Total deferred inflows of resources	 \$ <u><u>18,840</u></u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at September 30, 2014 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Enterprise fund	\$ <u>319,389</u>	\$ _____
Total general fund	<u>319,389</u>	<u>-0-</u>
Special Revenue Fund:		
Enterprise fund	<u>8,558</u>	_____
Total special revenue fund	<u>8,558</u>	<u>-0-</u>
Enterprise Fund:		
General fund		319,389
Special Revenue fund		<u>8,558</u>
Total enterprise fund	<u>-0-</u>	<u>327,947</u>
Totals	\$ <u><u>327,947</u></u>	\$ <u><u>327,947</u></u>

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - Continued

Interfund Receivable and Payable - Continued

During the year ended September 30, 2009, the General Fund loaned the Enterprise Fund \$ 140,000 for the relocation of water and sewer lines on the FM 2004 expansion project. This loan is considered a long-term receivable in the General Fund and a long-term payable in the Enterprise Fund. Monthly principal and interest payments are required with a 2.00% interest rate. During the year ended September 30, 2014, the enterprise fund made no payments to the General Fund, therefore \$ 15,458 (\$ 13,564 principal and \$ 1,894 interest) is past due. The following is the repayment schedule as of September 30, 2014:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 13,564	\$ 1,894	\$ 15,458
2016	13,838	1,620	15,458
2017	14,117	1,341	15,458
2018	14,402	1,056	15,458
2019	14,693	765	15,458
2020	14,990	469	15,459
2021	<u>15,292</u>	<u>166</u>	<u>15,458</u>
	<u>\$ 100,896</u>	<u>\$ 7,311</u>	<u>\$ 108,207</u>

Other interfund balances represent short-term borrowing primarily for cash flow purposes. These include revenue or expenditure/expenses adjustment between funds at or near year-end.

Interfund Transfers

Interfund transfers for the year ended September 30, 2014 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ 195,667
Debt Service Fund	Capital Project Fund	<u>836</u>
		<u>\$ 196,503</u>

These transfers were approved by the City Council as transfer of operational funds to cover planned expenditures.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 6 - CAPITAL ASSETS

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

	<u>Balance</u> <u>10/01/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/14</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 340,500	\$	\$ 36,780	\$ 303,720
Construction in progress		<u>58,775</u>		<u>58,775</u>
Total capital assets, not being depreciated	<u>340,500</u>	<u>58,775</u>	<u>36,780</u>	<u>362,495</u>
Capital Assets, Being Depreciated:				
Buildings	2,090,897		216,647	1,874,250
Equipment	1,578,656	99,234	93,498	1,584,392
Infrastructure	<u>10,327,986</u>	<u>47,982</u>		<u>10,375,968</u>
Total capital assets, being depreciated	<u>13,997,539</u>	<u>147,216</u>	<u>310,145</u>	<u>13,834,610</u>
Less Accumulated Depreciation For:				
Buildings	297,741	49,523	148,367	198,897
Equipment	1,081,526	145,086	79,308	1,147,304
Infrastructure	<u>2,937,111</u>	<u>214,586</u>		<u>3,151,697</u>
Total accumulated depreciation	<u>4,316,378</u>	<u>409,195</u>	<u>227,675</u>	<u>4,497,898</u>
Total capital assets, being depreciated, net	<u>9,681,161</u>	<u>(261,979)</u>	<u>82,470</u>	<u>9,336,712</u>
Governmental activities capital assets, net	<u>\$ 10,021,661</u>	<u>\$(203,204)</u>	<u>\$ 119,250</u>	<u>\$ 9,699,207</u>
	<u>Balance</u> <u>10/01/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/14</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 122,580	\$	\$	\$ 122,580
Construction in progress		<u>145,733</u>		<u>145,733</u>
Total capital assets, not being depreciated	<u>122,580</u>	<u>145,733</u>	<u>-0-</u>	<u>268,313</u>
Capital Assets, Being Depreciated:				
Buildings	193,270			193,270
Equipment	262,347	23,979	7,465	278,861
Infrastructure	<u>10,243,197</u>	<u>600,000</u>	<u>22,358</u>	<u>10,820,839</u>
Total capital assets, being depreciated	<u>10,698,814</u>	<u>623,979</u>	<u>29,823</u>	<u>11,292,970</u>

(continued)

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 6 - CAPITAL ASSETS - Continued

	<u>Balance</u> <u>10/01/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/14</u>
Less Accumulated Depreciation For:				
Buildings	\$ 89,421	\$ 6,494	\$	\$ 95,915
Equipment	184,062	20,411	3,732	200,741
Infrastructure	<u>3,809,471</u>	<u>288,087</u>	<u>22,358</u>	<u>4,075,200</u>
Total accumulated depreciation	<u>4,082,954</u>	<u>314,992</u>	<u>26,090</u>	<u>4,371,856</u>
Total capital assets, being depreciated, net	<u>6,615,860</u>	<u>308,987</u>	<u>3,733</u>	<u>6,921,114</u>
Business-type activities capital assets, net	<u>\$ 6,738,440</u>	<u>\$ 454,720</u>	<u>\$ 3,733</u>	<u>\$ 7,189,427</u>

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

Governmental Activities:

General administration	\$ 60,904
City maintenance	6,396
Streets and drainage	218,586
Police department	45,916
Fire department	58,501
Parks and recreation	<u>18,892</u>
Total depreciation expense-governmental activities	<u>\$ 409,195</u>

Business-type Activities:

Water and sewer	<u>\$ 314,992</u>
Total depreciation expense-business-type activities	<u>\$ 314,992</u>

Contributed Capital

During the year ended September 30, 2014 the City received contributed capital in the amount of \$ 145,733 which is reported within business-type activities as construction in progress.

Governmental Fund Construction Commitments

The City has no governmental fund construction commitment at September 30, 2014.

Proprietary Fund Construction Commitments

The City has no proprietary fund construction commitment at September 30, 2014.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 7 - LONG-TERM DEBT

General Obligation Bonds/Certificates of Obligation

In July 2011, the City issued City of Richwood, Texas General Obligation Refunding Bonds, Series 2011 in the amount of \$ 740,000 to refund the City of Richwood, Texas Tax and Revenue Certificates of Obligation Bonds, Series 1999. Interest rate for these bonds is 3.13%.

In July 2012, the City issued City of Richwood, Texas Combined Tax and Revenue Certificates of Obligation Bonds, Series 2012 in the amount of \$ 1,115,000 to fund the purchase and construction of the new city hall.

General obligation bonds and certificates of obligation payable for governmental activities at September 30, 2014, are summarized as follows:

	<u>Interest Rates %</u>	<u>Series Dates</u>			<u>Bonds Outstanding 09/30/13</u>
		<u>Issued</u>	<u>Maturity</u>	<u>Callable</u>	
General Obligation Refunding Bonds, Series 2011 Certificate of Obligation Bond, Series 2012	3.13%	2011	2024		\$ 600,000
	2.00-3.50%	2012	2032		<u>1,030,000</u>
Total					\$ <u>1,630,000</u>

General obligation bond transactions for the year ended September 30, 2014 were as follows:

Bonds outstanding, October 1, 2013	\$ 1,720,000
Maturities	<u>(90,000)</u>
Bonds outstanding, September 30, 2014	\$ <u>1,630,000</u>

The following is a summary of general obligation and certificate of obligation bond requirements for governmental activities by year as of September 30, 2014:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 95,000	\$ 50,530	\$ 145,530
2016	100,000	48,065	148,065
2017	100,000	45,444	145,444
2018	110,000	42,822	152,822
2019	105,000	39,944	144,944
2020-2024	590,000	150,668	740,668
2025-2029	315,000	71,225	386,225
2030-2032	<u>215,000</u>	<u>15,225</u>	<u>230,225</u>
Total	\$ <u>1,630,000</u>	\$ <u>463,923</u>	\$ <u>2,093,923</u>

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 7 - LONG-TERM DEBT - Continued

Notes

During the year ended September 30, 2012, the City received a loan of \$ 7,562 from John Deere Financial for the purchase of equipment. Monthly principal payments are required with a 0.00% interest rate. During the year ended September 30, 2014, the City paid \$ 4,621 in principle and \$ -0- in interest.

During the year ended September 30, 2013, the City received a loan of \$ 300,000 from the First National Bank of Lake Jackson to finance the completion of the City Hall building. Quarterly principal and interest payments of \$ 5,347 are required with a 3.75% interest rate. During the year ended September 30, 2014, the City paid \$ 10,379 in principle and \$ 11,010 in interest.

The following is the note repayment schedule as of September 30, 2014:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 10,773	\$ 10,615	\$ 21,388
2016	11,183	10,206	21,389
2017	11,608	9,780	21,388
2018	12,050	9,339	21,389
2019	12,508	8,881	21,389
2020-2024	70,047	36,896	106,943
2025-2029	84,419	22,524	106,943
2030-2033	<u>74,499</u>	<u>5,709</u>	<u>80,208</u>
Total	\$ <u>287,087</u>	\$ <u>113,950</u>	\$ <u>401,037</u>

Revenue Bonds/Certificates of Obligation

In July 2004, the City issued \$ 500,000 of City of Richwood, Texas Combination Tax and Revenue Certificates of Obligation, Series 2004 to finance improvements to the existing wastewater system (the "Project"). Interest rates on these bonds range from 2.75% to 5.70%. These certificates of obligation were purchased by the Texas Water Development Board.

In July 2011, the City issued \$ 770,000 of City of Richwood, Texas Combination Tax and Revenue Certificates of Obligation, Series 2011 to finance improvements to the existing wastewater system. Interest rates on these bonds were 3.89%.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 7 - LONG-TERM DEBT - Continued

Revenue Bonds/Certificates of Obligation - Continued

Revenue and certificates of obligation payable from business-type activities at September 30, 2014, are summarized as follows:

	Interest Rates %	Series Dates			Bonds Outstanding 09/30/14
		Issued	Maturity	Callable	
Certificates of Obligation:					
Combination Tax and Revenue, Series 2004	2.75 - 5.70	2004	2025		\$ 335,000
Combination Tax and Revenue, Series 2011	3.89	2011	2031	2020	<u>690,000</u>
Total					<u>\$ 1,025,000</u>

Revenue bonds and certificates of obligation transactions for the year ended September 30, 2014 were as follows:

Bonds outstanding, October 1, 2013	\$ 1,075,000
Maturities	<u>(50,000)</u>
Bonds outstanding, September 30, 2014	<u>\$ 1,025,000</u>

The following is a summary of revenue and certificates of obligation bond requirements for business type activities by year as of September 30, 2014:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 55,000	\$ 44,228	\$ 99,228
2016	55,000	41,843	96,843
2017	55,000	39,420	94,420
2018	55,000	36,965	91,965
2019	65,000	34,360	99,360
2020-2024	350,000	125,518	475,518
2025-2029	275,000	51,516	326,516
2030-2031	<u>115,000</u>	<u>6,807</u>	<u>121,807</u>
Total	<u>\$ 1,025,000</u>	<u>\$ 380,657</u>	<u>\$ 1,405,657</u>

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 7 - LONG-TERM DEBT - Continued

Transactions for the year ended September 30, 2014 are summarized as follows:

	<u>Balance</u> <u>10/01/13</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09/30/14</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
Certificates of obligation	\$ 1,720,000	\$	\$ 90,000	\$ 1,630,000	\$ 95,000
Note payable	302,087		15,000	287,087	10,773
Component of Bonded Debt:					
Premium on bonds	43,224		2,290	40,934	2,290
Accrued interest payable	<u>8,540</u>	<u>8,119</u>	<u>8,540</u>	<u>8,119</u>	<u>8,119</u>
Total governmental activities	<u>2,073,851</u>	<u>8,119</u>	<u>115,830</u>	<u>1,966,140</u>	<u>116,182</u>
Business Type Activities:					
Certificates of obligation	1,075,000		50,000	1,025,000	55,000
Capital lease*		600,000		600,000	50,901
Component of Bonded Debt:					
Accrued interest payable	<u>8,523</u>	<u>23,863</u>	<u>8,523</u>	<u>23,863</u>	<u>23,863</u>
Total business type activities	1,083,523	623,863	58,523	1,648,863	129,764
Less Portion Payable from Restricted Assets:					
Certificate of obligation bond	50,000	5,000		55,000	55,000
Accrued interest payable	<u>8,523</u>	<u>8,150</u>	<u>8,523</u>	<u>8,150</u>	<u>8,150</u>
Net business-type activities	<u>1,025,000</u>	<u>610,713</u>	<u>50,000</u>	<u>1,585,713</u>	<u>66,614</u>
Total government (net)	<u>\$ 3,098,851</u>	<u>\$ 618,832</u>	<u>\$ 165,830</u>	<u>\$ 3,551,853</u>	<u>\$ 182,796</u>

*See note 8 for capital lease.

NOTE 8 – LEASES

Capital Leases

In January 2014, the City entered into \$ 600,000 Equipment Lease Purchase Agreement with Green Campus Partners, LLC under lease classified as capital lease. The interest rate related to the lease obligation is 3.95% and the maturity date is January 2024. The City will have the option to purchase the Equipment, upon giving written notice to Lessor at least 30 days before the date of purchase and may exercise the option on or after January 31, 2020. During the year ended September 30, 2014, no lease expenses and interest expenses related to this lease were paid.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 8 – LEASES - Continued

Capital Leases - Continued

The following is a schedule showing the future minimum lease payments:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 50,091	\$ 23,700	\$ 73,791
2016	52,069	21,721	73,790
2017	54,126	19,665	73,791
2018	56,264	17,527	73,791
2019	58,486	15,304	73,790
2020-2024	<u>328,964</u>	<u>39,988</u>	<u>368,952</u>
Total	<u>\$ 600,000</u>	<u>\$ 137,905</u>	<u>\$ 737,905</u>

Operating Leases

In February of 2014, the City entered into a copier lease that will expire in February 2015. This lease is considered for accounting purposes to be an operating lease. The lease is on a month-to-month basis. Total governmental activities lease expenditures for the year ended September 30, 2014 were \$ 4,921.

On February 26, 2010, the City's Enterprise Fund entered into an interlocal waste water transmission line lease agreement, an operating lease, with the City of Clute. The lease requires quarterly payments on January 15, April 15, July 15, and October 15 of each year from 2010 to 2025. The lease requires total payments of \$ 2,413,627 with varying quarterly payment. During the year ended September 30, 2014 the business-type activities reported expenses in the amount of \$ 132,269. The following are the minimal lease payments required under this lease:

<u>Year Ending September 30,</u>	<u>Total Requirements</u>
2015	\$ 133,299
2016	134,366
2017	135,592
2018	137,252
2019	139,087
2020-2024	725,299
2025-2026	<u>189,556</u>
Total	<u>\$ 1,594,451</u>

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 9 - JOINT OPERATIONS

The City is party to an agreement with the City of Clute to share costs associated with the operation of a sewer treatment plant. The percentage for sharing the operating expenses (excluding maintenance and capital outlay) is determined based upon the metered flow of wastewater for each City. For the year ended September 30, 2014, the City of Richwood's portion of these expenses was determined to be 18.39%, which amounted to \$ 148,517. Further, the City of Richwood shares in 25.00% of maintenance costs (including capital acquisitions) which amounted to \$ 35,243 for the year ended September 30, 2014. The City of Clute maintains both budgetary and accounting responsibility over these operations.

NOTE 10 - PENSION PLAN

Plan Description

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

TMRS issued a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 10 - PENSION PLAN - Continued

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Energy Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The City contributes at the level of the ARC (Annual Required Contribution) each year. Annual pension cost and actual contributions made for the fiscal year 2014 was \$ 109,944.

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

Valuation Date	<u>12/31/2011</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.5 years; closed period	25.6 years; closed period	26.0 years; closed period
Amortization Period for new Gain/Losses	30 years	29 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at Cost-of-Living Adjustments	3.00%	3.00%	3.00%
	2.1%	2.1%	2.1%

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 10 - PENSION PLAN - Continued

Funding Status and Progress

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

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

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) (1) / (2)	Unfunded AAL (UAAL) (4) (2) – (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) (4) / (5)
12/31/13	\$ 2,525,777	\$ 3,211,565	78.6%	\$ 685,788	\$ 888,494	77.2%

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

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

Financial reports that include financial statements and supplementary information are publicly available by writing or calling the following:

Texas Municipal Retirement System
 PO Box 149153
 Austin, TX 78714-9153
 (877) 634-8595

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 11 – TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers, a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2014, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,073
Terminated members entitled to benefits but not yet receiving them	2,161
Active participants (vested and non-vested)	4,036

Senate Bill 411, 65th Legislature, Regular Session (1977) created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Member are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump-sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$ 36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Funding Policy - Continued

The state is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$ 4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$ 1,530,343 for the fiscal year ending August 31, 2014.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in subsection Actuarial Assumption below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$ 625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014 the actuarial liabilities exceeded the actuarial assets by \$ 26,093,761.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Development international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnership	5%	7.1%
Fixed Income:		
Domestic	21%	1.4%
International	5%	1.6%
Cash	0%	0.0%
Total	100%	

A report may be obtained by contacting the Texas Comptroller, Post Office Box 13528, Capital Station, Austin, TX 78711-3528.

CITY OF RICHWOOD

Richwood, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

NOTE 12 - RISK POOL PARTICIPATION

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of liability, property, worker's compensation, and medical insurance. The City pays annual premiums to the pool for the coverages stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Property and liability insurance provide varying and appropriate coverage, with most claims subject to a \$ 5,000 deductible. Workers compensation claims are managed by the Texas Municipal League. In addition, the City has designated a portion of the General Fund fund balance for insurance contingencies, to handle deductibles and other associated costs. For medical insurance claims, the City pays insurance premiums for full coverage and has no liability for claims filed by employees or their covered dependents.

NOTE 13 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2014, expenditures exceeded appropriations on the funds as follows:

General Fund	\$	62,335
Beautification Fund		3,318

The budget was not amended; however, the City Council approved these expenditures as required by City budget procedures. The variance in the General Fund was mainly resulted from underestimation of year-end accruals and capital expenditure on the new City hall building.

NOTE 14 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 11, 2015, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHWOOD

Richwood, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND**

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 1,095,725	\$ 1,112,925	\$ 1,119,389	\$ 6,464
Sales taxes	320,000	334,300	412,681	78,381
Franchise fees	175,000	175,000	165,661	(9,339)
Revenue producing facilities	11,000	11,000	11,519	519
Fines and fees	135,500	153,500	157,885	4,385
Licenses and permits	42,000	47,000	51,798	4,798
Investment earning	5,500	5,500	1,178	(4,322)
Miscellaneous	<u>21,500</u>	<u>26,500</u>	<u>34,039</u>	<u>7,539</u>
Total revenues	<u>1,806,225</u>	<u>1,865,725</u>	<u>1,954,150</u>	<u>88,425</u>
Expenditures:				
Current:				
General administration	384,936	434,436	517,185	(82,749)
Judicial	115,655	115,655	114,488	1,167
Police department	712,996	712,996	709,031	3,965
Fire department	119,740	119,740	103,317	16,423
City maintenance	309,698	309,698	285,056	24,642
Streets and drainage	83,000	83,000	37,498	45,502
Parks and recreation	80,700	95,700	57,269	38,431
Capital outlay	<u>37,500</u>	<u>37,500</u>	<u>147,216</u>	<u>(109,716)</u>
Total expenditures	<u>1,844,225</u>	<u>1,908,725</u>	<u>1,971,060</u>	<u>(62,335)</u>
Excess of revenues (under) expenditures	<u>(38,000)</u>	<u>(43,000)</u>	<u>(16,910)</u>	<u>26,090</u>
Other Financing Resources (Uses):				
Sale of assets			33,564	33,564
Operating transfers in (out)			<u>(195,667)</u>	<u>(195,667)</u>
Total other financing sources	<u>-0-</u>	<u>-0-</u>	<u>(162,103)</u>	<u>(162,103)</u>
Net changes in fund balances	<u>(38,000)</u>	<u>(43,000)</u>	<u>(179,013)</u>	<u>(136,013)</u>
Fund balances, beginning	<u>1,000,964</u>	<u>1,000,964</u>	<u>1,000,964</u>	<u>-0-</u>
Fund balances, ending	<u>\$ 962,964</u>	<u>\$ 957,964</u>	<u>\$ 821,951</u>	<u>\$ (136,013)</u>

CITY OF RICHWOOD

Richwood, Texas

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
LAST THREE FISCAL YEARS – (UNAUDITED)**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (1)</u>	<u>Actuarial Accrued Liability (AAL) (2)</u>	<u>Funded Ratio (3) (1) / (2)</u>	<u>Unfunded AAL (UAAL) (4) (2) – (1)</u>	<u>Covered Payroll (5)</u>	<u>UAAL as a Percentage of Covered Payroll (6) (4) / (5)</u>
12/31/11	\$ 2,065,563	\$ 2,692,178	76.7%	\$ 626,615	\$ 844,009	74.2%
12/31/12	2,275,533	2,867,546	79.4%	592,013	877,975	67.4%
12/31/13	2,525,777	3,211,565	78.6%	685,788	888,494	77.2%

CITY OF RICHWOOD

Richwood, Texas

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
LAST THREE FISCAL YEARS – (UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ¹ - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered (b-a)/(c)
8/31/10 ³	\$ 64,113,803	\$ 81,264,230	\$ 17,150,427	78.9%	8,644	\$ 1,984
8/31/12 ²	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585
8/31/14	83,761,038	109,854,799	26,093,761	76.2%	9,270	2,815

¹ The actuarial accrued liability is based upon the entry age actuarial cost method.

² Changes in actuarial assumptions were reflected in this valuation.

³ Changes in actuarial assumption and method were reflected in this valuation.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Actuarial assumptions and methods as of the latest actuarial valuation follows.

Valuation date	August 31, 2014
Actuarial cost method	Entry Age
Amortization method	Level dollar, open
Amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial assumptions:	
Investment rate of return*	7.75% per year, net of investment expenses
Projected salary increases	N/A
* Included inflation at	3.50%
Cost-of-living adjustments	None

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

CITY OF RICHWOOD

Richwood, Texas

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

September 30, 2014

	<u>Special Revenue</u>		Total
	Beautification	Transportation	Nonmajor
	Fund	Fund	Governmental
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Assets:			
Cash and cash equivalents	\$ 31,046	\$ 18,533	\$ 49,579
Due from other funds		<u>8,558</u>	<u>8,558</u>
 Total assets	<u>31,046</u>	<u>27,091</u>	<u>58,137</u>
Deferred Outflows of Resources:			
Deferred outflows			
 Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
 Total assets and deferred outflows of resources	<u>\$ 31,046</u>	<u>\$ 27,091</u>	<u>\$ 58,137</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>			
Liabilities:			
Total liabilities	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Deferred Inflows of Resources:			
Deferred inflows			
 Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:			
Restricted:			
Street beautification	31,046		31,046
Transportation		<u>27,091</u>	<u>27,091</u>
 Total fund balances	<u>31,046</u>	<u>27,091</u>	<u>58,137</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 31,046</u>	<u>\$ 27,091</u>	<u>\$ 58,137</u>

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

CITY OF RICHWOOD

Richwood, Texas

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2014

	Special Revenue		Total Nonmajor Governmental Funds
	Beautification Fund	Transportation Fund	
Revenues:			
Transportation	\$	\$ 101,018	\$ 101,018
Investment earning		1	1
Miscellaneous	<u>13,432</u>		<u>13,432</u>
Total revenues	<u>13,432</u>	<u>101,019</u>	<u>114,451</u>
Expenditures:			
Current:			
General administration	16,397		16,397
Streets and drainage		75,662	75,662
Debt Service:			
Principal retirement	<u>4,621</u>		<u>4,621</u>
Total expenditures	<u>21,018</u>	<u>75,662</u>	<u>96,680</u>
Excess of revenues over (under) expenditures	(7,586)	25,357	17,771
Fund balances – beginning	<u>38,632</u>	<u>1,734</u>	<u>40,366</u>
Fund balances – ending	<u>\$ 31,046</u>	<u>\$ 27,091</u>	<u>\$ 58,137</u>

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

CITY OF RICHWOOD

Richwood, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 165,230	\$ 165,230	\$ 169,236	\$ 4,006
Investment earning	<u>120</u>	<u>120</u>	<u>169</u>	<u>49</u>
Total revenues	<u>165,350</u>	<u>165,350</u>	<u>169,405</u>	<u>4,055</u>
Expenditures:				
Debt Service:				
Principal	164,230	164,230	100,379	63,851
Interest and agent fees	<u>1,000</u>	<u>1,000</u>	<u>64,348</u>	<u>(63,348)</u>
Total expenditures	<u>165,230</u>	<u>165,230</u>	<u>164,727</u>	<u>503</u>
Excess of revenues over (under) expenditures	120	120	4,678	4,558
Other financing resources (uses)			<u>(836)</u>	<u>(836)</u>
Net changes in fund balances	120	120	3,842	3,722
Fund balances, beginning	<u>91,223</u>	<u>91,223</u>	<u>91,223</u>	<u>-0-</u>
Fund balances, ending	<u>\$ 91,343</u>	<u>\$ 91,343</u>	<u>\$ 95,065</u>	<u>\$ 3,722</u>

CITY OF RICHWOOD

Richwood, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
BEAUTIFICATION FUND**

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 17,700	\$ 17,700	\$ 13,432	\$(4,268)
Total revenues	<u>17,700</u>	<u>17,700</u>	<u>13,432</u>	<u>(4,268)</u>
Expenditures:				
General administration	17,700	17,700	16,397	1,303
Debt Service:				
Principal retirement			4,621	(4,621)
Total expenditures	<u>17,700</u>	<u>17,700</u>	<u>21,018</u>	<u>(3,318)</u>
Net changes in fund balances	-0-	-0-	(7,586)	(7,586)
Fund balances, beginning	<u>38,632</u>	<u>38,632</u>	<u>38,632</u>	<u>-0-</u>
Fund balances, ending	<u>\$ 38,632</u>	<u>\$ 38,632</u>	<u>\$ 31,046</u>	<u>\$(7,586)</u>

CITY OF RICHWOOD

Richwood, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
TRANSPORTATION FUND**

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Transportation	\$ 100,000	\$ 100,000	\$ 101,018	\$ 1,018
Investment earning			1	1
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>101,019</u>	<u>1,019</u>
Expenditures:				
Street and drainage	<u>100,000</u>	<u>100,000</u>	<u>75,662</u>	<u>24,338</u>
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>75,662</u>	<u>24,338</u>
Net changes in fund balances	-0-	-0-	25,357	25,357
Fund balances, beginning	<u>-0-</u>	<u>-0-</u>	<u>1,734</u>	<u>-0-</u>
Fund balances, ending	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 27,091</u></u>	<u><u>\$ 25,357</u></u>

CITY OF RICHWOOD

Richwood, Texas

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL -
PROPRIETARY FUND - ENTERPRISE FUND**

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Water fees	\$ 576,795	\$ 576,795	\$ 470,776	\$ (106,019)
Sewer fees	533,854	533,854	407,067	(126,787)
Garbage fees	5,000	5,000	6,568	1,568
Delinquent charges	28,000	28,000	22,229	(5,771)
Tap and reconnect fees	23,800	23,800	19,524	(4,276)
Miscellaneous	6,000	6,000		(6,000)
Total revenues	<u>1,173,449</u>	<u>1,173,449</u>	<u>926,164</u>	<u>(247,825)</u>
Operating Expenses:				
Personnel costs	219,571	219,571	193,639	25,932
Sewer treatment plant operations	220,000	220,000	316,029	(96,029)
Water costs – BWA	160,000	160,000	164,688	(4,688)
Utilities and telephone	45,000	45,000	48,529	(3,529)
Repairs and maintenance	75,280	75,280	103,205	(27,925)
Supplies	31,800	31,800	49,406	(17,606)
Miscellaneous	207,467	207,467	44,855	162,612
Operating expenses before depreciation	959,118	959,118	920,351	38,767
Depreciation	<u>219,431</u>	<u>219,431</u>	<u>314,992</u>	<u>(95,561)</u>
Total operating expenses	<u>1,178,549</u>	<u>1,178,549</u>	<u>1,235,343</u>	<u>(56,794)</u>
Operating income (loss)	<u>(5,100)</u>	<u>(5,100)</u>	<u>(309,179)</u>	<u>(304,079)</u>
Non-Operating Revenues (Expenses):				
Investment income	5,100	5,100	329	(4,771)
Interest expense and agent fees			(62,301)	(62,301)
Total non-operating revenues (expenses)	<u>5,100</u>	<u>5,100</u>	<u>(61,972)</u>	<u>(67,072)</u>
Income (loss) before contributions and operating transfers	-0-	-0-	(371,151)	(371,151)
Capital contributions			<u>145,733</u>	<u>145,733</u>
Change in net position	-0-	-0-	(225,418)	(225,418)
Net position, beginning	<u>5,638,006</u>	<u>5,638,006</u>	<u>5,638,006</u>	<u>-0-</u>
Net position, ending	<u>\$ 5,638,006</u>	<u>\$ 5,638,006</u>	<u>\$ 5,412,588</u>	<u>\$ (225,418)</u>

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