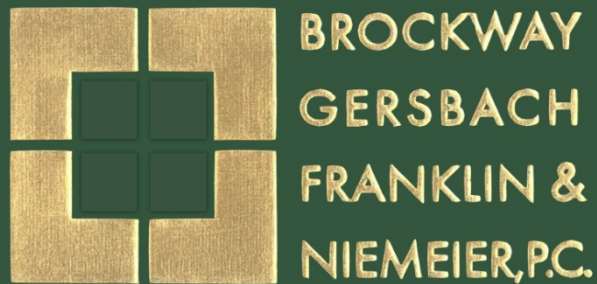


**City of  
Bruceville-Eddy, Texas**

**September 30, 2014**

*Financial Statements*



CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF BRUCEVILLE-EDDY, TEXAS**

**FINANCIAL STATEMENTS**

**September 30, 2014**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT THEREON**

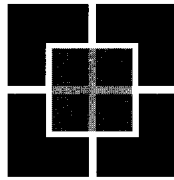
**AND REQUIRED SUPPLEMENTARY INFORMATION**



## CONTENTS

Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	5 - 11
<b><i>Basic Financial Statements</i></b>	
Government – Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16 - 17
Fund Financial Statements:	
Balance Sheet - Governmental Fund	18
Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	21
Statement of Net Position - Proprietary Fund	22
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	23
Statement of Cash Flows - Proprietary Fund	24 - 25
<b><i>Notes to Financial Statements</i></b>	27 - 49
<b><i>Required Supplementary Information</i></b>	
Schedule of Funding Progress – TMRS Pension Plan (Unaudited)	53
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	54 - 55
Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual - Proprietary Fund	56
<b><i>Individual Fund Financial Statements</i></b>	
Comparative Balance Sheets – General Fund	58
Comparative Statement of Net Position – Proprietary Fund	59





BROCKWAY  
GERSBACH  
FRANKLIN &  
NIEMEIER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and  
Members of the City Council  
City of Bruceville-Eddy, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bruceville-Eddy, Texas (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.

### Auditors' Responsibility

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

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

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

**INDEPENDENT AUDITORS' REPORT  
(CONTINUED)**

**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 Bruceville-Eddy, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note III M to the financial statements, adoption of GASB Statement No. 65 required that bond issuance costs be recognized as an expense in the period incurred. Accordingly, an adjustment was made to the water fund's unrestricted net position as of the beginning of the year which served to recognize the remaining bond issuance costs as expense in the prior period. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 5 through 11 and 53 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The comparative financial statements presented on pages 61 and 62 are for purposes of additional analysis and are not a required part of the basic financial statements.

**INDEPENDENT AUDITORS' REPORT  
(CONTINUED)**

The City's comparative financial statements 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 individual comparative financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Brockway, Jordanach, Franklin & Nimmick, P.C.*

Temple, Texas  
January 28, 2015



**This page is left blank intentionally.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial Report, we, the managers of City of Bruceville-Eddy, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2014. Please read it in conjunction with the Independent Auditors' Report on pages 1 through 3, and the City's Basic Financial Statements which begin on page 15.

**FINANCIAL HIGHLIGHTS**

- The City's net position increased by \$ 582,024 as a result of this period's operations.
- The General Fund ended the period with a fund balance of \$ 1,029,227.
- During the year, the City had expenses that were \$ 582,024 less than the \$ 2,640,692 generated in tax and other revenues for governmental programs.
- The total cost of all the City's programs was \$ 2,058,668. Of this amount, \$ 1,696,811 was directly attributed to Public Safety (Police Department) and Water Services. The remainder of the cost was mainly for general government and street repair.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 15 through 17) These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. Proprietary statements provide the same type of information as the government-wide financial statements, only in more detail.

The notes to the financial statements (starting on page 27) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

**Reporting the City as a Whole**

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

The analysis of the City's overall financial condition and operations begins on page 15. Its primary purpose is to show whether the City is better or worse off as a result of the period's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the period while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the period.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**USING THIS ANNUAL REPORT (CONTINUED)**

**Reporting the City as a Whole (Continued)**

*The Statement of Net Position and the Statement of Activities (Continued)*

All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

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

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

Governmental activities – Most of the City's basic services are reported here, including the police, streets, culture & recreation, and general government. Property taxes, sales taxes and franchise fees finance most of these activities.

Business-type activities - The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water system activities are reported here.

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law and by bond covenants. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

Governmental funds–The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental fund statements are detailed in a reconciliation following the fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**USING THIS ANNUAL REPORT (CONTINUED)**

**Reporting the City's Most Significant Funds (Continued)**

***Fund Financial Statements (Continued)***

Proprietary funds - The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The City's combined net position was \$ 4,088,815 as of September 30, 2014. Analyzing the net position and net expenses of governmental and business-type activities separately, the business-type activities net position was \$ 2,783,413 and the governmental activities net position was \$ 1,305,402. The following condensed financial statements focus on the Net Position (Table I) and Change in Net Position (Table II) of general revenues and significant expenses of the City's governmental and business-type activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Table I**

**NET POSITION**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,118,179	\$ 983,438	\$ 2,348,101	\$ 2,933,137	\$ 3,466,280	\$ 3,916,575
Noncurrent and capital assets	354,450	285,031	3,177,678	2,339,840	3,532,128	2,624,871
Total assets	1,472,629	1,268,469	5,525,779	5,272,977	6,998,408	6,541,446
Other liabilities	73,578	99,917	54,366	67,340	127,944	167,257
Long-term liabilities	82,937	25,558	2,688,000	2,824,000	2,770,937	2,849,558
Total liabilities	156,515	125,475	2,742,366	2,891,340	2,898,881	3,016,815
Deferred inflows	10,712	-	-	-	10,712	-
Total deferred inflows	10,712	-	-	-	10,712	-
Net Position:						
Net investment in capital assets	271,513	259,473	603,024	595,653	874,537	855,126
Restricted	21,162	25,409	460,355	1,454,092	481,517	1,479,501
Unassigned	1,012,727	858,112	1,720,034	331,892	2,732,761	1,190,004
Total Net Position	<u>\$ 1,305,402</u>	<u>\$ 1,142,994</u>	<u>\$ 2,783,413</u>	<u>\$ 2,381,637</u>	<u>\$ 4,088,815</u>	<u>\$ 3,524,631</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Table II**

**CHANGE IN NET POSITION**

	Governmental		Business-type		Total	
	Activities		Activities		Primary	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for services	\$ 436,666	\$ 392,528	\$ 1,678,965	\$ 1,659,846	\$ 2,115,631	\$ 2,052,374
<b>General Revenues:</b>						
Property tax	285,157	253,760	-	-	285,157	253,760
Sales tax	65,979	59,966	-	-	65,979	59,966
Other taxes	76,156	58,341	-	-	76,156	58,341
Investment earnings	848	591	12,133	16,351	12,981	16,942
Grants (non-operating)	-	-	32,815	72,900	32,815	72,900
Miscellaneous	26,077	151,422	25,896	3,883	51,973	155,305
<b>Total Revenue</b>	<b>890,883</b>	<b>916,608</b>	<b>1,749,809</b>	<b>1,752,980</b>	<b>2,640,692</b>	<b>2,669,588</b>
<b>Expenses:</b>						
General government	346,794	278,614	-	-	346,794	278,614
Public safety	366,618	327,287	-	-	366,618	327,287
Streets	13,628	9,779	-	-	13,628	9,779
Culture and recreation	604	604	-	-	604	604
Interest on long-term debt	831	380	-	-	831	380
Water and sewer	-	-	1,330,193	1,388,135	1,330,193	1,388,135
<b>Total Expenses</b>	<b>728,475</b>	<b>616,664</b>	<b>1,330,193</b>	<b>1,388,135</b>	<b>2,058,668</b>	<b>2,004,799</b>
<b>Change in net assets before transfers</b>	<b>162,408</b>	<b>299,944</b>	<b>419,616</b>	<b>364,845</b>	<b>582,024</b>	<b>664,789</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>162,408</b>	<b>299,944</b>	<b>419,616</b>	<b>364,845</b>	<b>582,024</b>	<b>664,789</b>
<b>Net position - beginning, as restated</b>	<b>1,142,994</b>	<b>843,050</b>	<b>2,363,797</b>	<b>2,016,792</b>	<b>3,506,791</b>	<b>2,859,842</b>
<b>Net position - ending</b>	<b>\$ 1,305,402</b>	<b>\$ 1,142,994</b>	<b>\$ 2,783,413</b>	<b>\$ 2,381,637</b>	<b>\$ 4,088,815</b>	<b>\$ 3,524,631</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

A large portion of the City's net position (21%) reflect its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (11%) represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position, \$ 2,716,661, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal period, the City is able to report positive balances in all three categories of net position for the government as a whole.

For the year ended September 30, 2014, revenues from governmental activities totaled \$ 890,883. Charges for public safety services account for 49% of these revenues, while property taxes account for 32% of the total.

For the year ended September 30, 2014, expenses for governmental activities totaled \$ 728,475. The City's three largest funded programs are for general government, public safety, and streets.

Revenues of the City's business-type activities were \$ 1,749,809 for the year ended September 30, 2014. Expenses for the City's business-type activities were \$ 1,330,193. The City's largest business-type activities expense was the purchase of water.

**THE CITY'S FUNDS**

As the City completed the period, its governmental fund (as presented in the balance sheet on page 18) reported a fund balance of \$ 1,029,227 which is higher than last year's total of \$ 875,407.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2014, the City had \$ 3,532,128 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment and land. This amount represents a net increase of \$ 1,588,938 due to purchases being greater than current year depreciation and disposals. This period's major additions include:

Land	\$ 12,000
Water facilities	1,643,628
Machinery and equipment	82,906
Infrastructure	62,731
	<u>\$ 1,801,265</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BRUCEVILLE-EDDY, TEXAS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**Debt**

At period-end, the City had \$ 2,770,937 in bonds and notes outstanding versus \$ 2,849,558 last year. This decrease is due to the principal payments made during the fiscal year ending September 30, 2014.

More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statements starting on page 27.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered population growth and available resources from water, public safety and tax revenues when setting the fiscal year ending September 30, 2015 budget and tax rate.

The City adopted a \$ 2,522,200 combined budget for fiscal year ending September 30, 2015. It will be funded through property taxes, water and utility charges, and other local revenues.

If the City does not incur any unforeseen expenditures or reductions in revenue, current revenues should cover current expenses with no change estimated in the General Fund balance and no change in the Water Fund net position.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office at City of Bruceville-Eddy, 143 Wilcox Drive, # A, Bruceville-Eddy, Texas 76524.



**This page is left blank intentionally.**

**BASIC FINANCIAL STATEMENTS**

This page is left blank intentionally.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2014**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 411,394	\$ 1,613,239	\$ 2,024,633
Investments	643,194	-	643,194
Receivables, net	9,392	307,544	316,936
Cash and cash equivalents - restricted	21,162	460,355	481,517
Internal balances	33,037	(33,037)	-
Capital assets, not being depreciated:			
Land and improvements	60,710	85,472	146,182
Capital assets, net of accumulated depreciation:			
Buildings and improvements	49,814	19,960	69,774
Water facilities	-	2,821,685	2,821,685
Machinery and equipment	128,335	250,561	378,896
Infrastructure	115,591	-	115,591
Total capital assets	<u>354,450</u>	<u>3,177,678</u>	<u>3,532,128</u>
Total Assets	<u>1,472,629</u>	<u>5,525,779</u>	<u>6,998,408</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Accounts payable and accrued liabilities	69,228	15,954	85,182
Customer deposits	-	36,055	36,055
Compensated absences	4,350	2,357	6,707
Noncurrent liabilities:			
Due within one year	21,041	141,000	162,041
Due in more than one year	61,896	2,547,000	2,608,896
Total Liabilities	<u>156,515</u>	<u>2,742,366</u>	<u>2,898,881</u>
Deferred inflows of resources:			
Unavailable revenues - lease income	10,712	-	10,712
Total inflows of resources	<u>10,712</u>	<u>-</u>	<u>10,712</u>
<b>NET POSITION</b>			
Net investment in capital assets	271,513	603,024	874,537
Restricted for:			
Court technology and building security	21,162	-	21,162
Debt service	-	310,954	310,954
Capital projects	-	113,346	113,346
Customer deposits	-	36,055	36,055
Unrestricted	<u>1,012,727</u>	<u>1,720,034</u>	<u>2,732,761</u>
Total Net Position	<u>\$ 1,305,402</u>	<u>\$ 2,783,413</u>	<u>\$ 4,088,815</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for Services</u>
<b>Primary government:</b>		
Governmental activities:		
General government	\$ 346,794	\$ 1,080
Public safety	366,618	435,586
Highways and streets	13,628	-
Culture and recreation	604	-
Interest on long-term debt	831	-
Total governmental activities	728,475	436,666
Business-type activities:		
Water Utility	1,330,193	1,678,965
Total business-type activities	1,330,193	1,678,965
<b>Total primary government</b>	<b>\$ 2,058,668</b>	<b>\$ 2,115,631</b>

General revenues:  
 Property taxes  
 Sales and miscellaneous taxes  
 Franchise taxes  
 Investment income  
 TxDot utility relocation  
 reimbursement  
 Miscellaneous  
 Total General Revenues

Change in net position

Net position - beginning of year,  
as restated

Net position - end of year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and  
Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (345,714)	\$ -	\$ (345,714)
68,968	-	68,968
(13,628)	-	(13,628)
(604)	-	(604)
(831)	-	(831)
<u>(291,809)</u>	<u>-</u>	<u>(291,809)</u>
-	348,772	348,772
-	348,772	348,772
(291,809)	348,772	56,963
285,157	-	285,157
65,979	-	65,979
76,156	-	76,156
848	12,133	12,981
-	32,815	32,815
26,077	25,896	51,973
<u>454,217</u>	<u>70,844</u>	<u>525,061</u>
162,408	419,616	582,024
<u>1,142,994</u>	<u>2,363,797</u>	<u>3,506,791</u>
<u>\$ 1,305,402</u>	<u>\$ 2,783,413</u>	<u>\$ 4,088,815</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUND  
September 30, 2014**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 411,394
Cash - restricted	21,162
Investments	643,194
Taxes receivable, net	9,109
Due from other funds	33,037
Other receivables, net	<u>283</u>
<b>Total Assets</b>	<b><u><u>\$ 1,118,179</u></u></b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 5,467
Other accrued liabilities	<u>63,664</u>
<b>Total Liabilities</b>	<b>69,131</b>
<b>Deferred inflows of resources:</b>	
Unavailable revenues - property taxes	9,109
Unavailable revenues - lease income	<u>10,712</u>
<b>Total Deferred Inflow of Resources</b>	<b>19,821</b>
<b>Fund Balance:</b>	
<b>Restricted for:</b>	
Court technology and building security	21,162
<b>Assigned for:</b>	
P.D. Escrow	16,100
<b>Unassigned, reported in:</b>	
General fund	<u>991,965</u>
<b>Total Fund Balance</b>	<b><u><u>1,029,227</u></u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u><u>\$ 1,118,179</u></u></b>

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
September 30, 2014**

Total fund balance-governmental fund (page 18) \$ 1,029,227

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. These assets consist of:

Land	\$	60,710	
Buildings		115,844	
Equipment		350,810	
Infrastructure		160,730	
Accumulated depreciation		(333,644)	
Total capital assets	\$	<u>354,450</u>	354,450

Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.

Property taxes not collected	\$	<u>9,109</u>	9,109
------------------------------	----	--------------	-------

Some long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Notes payable	\$	<u>(82,937)</u>	(82,937)
---------------	----	-----------------	----------

Accrued interest is not due and payable in the current period and therefore is not reported in the funds.

Accrued interest	\$	<u>(97)</u>	(97)
------------------	----	-------------	------

Accrued vacation and comp time payable is not due and payable in the current period and therefore is not reported in the funds.

Compensated absences	\$	<u>(4,350)</u>	<u>(4,350)</u>
----------------------	----	----------------	----------------

Net position of governmental activities (page 15) \$ 1,305,402

The accompanying notes are an integral part of the financial statements.



**CITY OF BRUCEVILLE-EDDY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended September 30, 2014**

	General Fund
<u>Revenues</u>	
Ad valorem tax	\$ 286,249
Sales tax	65,979
Franchise tax	76,156
Fines and forfeitures	435,586
Licenses and permits	1,080
Interest income	848
Lease and miscellaneous income	26,077
Total Revenues	891,975
<u>Expenditures</u>	
Current:	
General government	347,421
Public safety	356,706
Streets	27,111
Debt service:	
Principal	6,086
Interest and fiscal charges	831
Total Expenditures	738,155
Excess of revenues over expenditures	153,820
Fund Balance- beginning of year	875,407
Fund Balance- end of year	\$ 1,029,227

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2014**

Net change in fund balance - total governmental fund (page 20) \$ 153,820

Amounts reported for governmental activities in the statement of activities  
(pages 16-17) are different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities the cost of those assets is allocated over their estimated useful  
lives and reported as depreciation expense. This is the amount by which capital  
outlays exceeded depreciation in the current period.

Capital outlay	\$ 54,415	
Depreciation expense	(48,462)	
	<u>\$ 5,953</u>	5,953

Revenues in the statement of activities that do not provide current financial resources  
are not reported as revenues in the funds.

Property taxes not collected	\$ 9,109	
Less prior year	(10,203)	
	<u>\$ (1,094)</u>	(1,094)

Some expenses reported in the statement of activities do not require the use of  
current financial resources and, therefore, are not reported as expenditures in  
governmental funds. (2,358)

Repayment of the principal of long-term debt consumes the current financial  
resources of governmental funds but reduces the long-term liability in the statement  
of activities. 6,087

Change in net position of governmental activities (page 17) \$ 162,408

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
September 30, 2014**

	Business-type Activities Water Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,613,239
Accounts receivable, net	307,544
Total current assets	1,920,783
Noncurrent assets:	
Restricted cash and cash equivalents	460,355
Capital assets, net	3,177,678
Total Assets	5,558,816
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	11,208
Accrued liabilities	4,746
Customer deposits	36,055
Due to other funds	33,037
Liabilities payable from restricted assets:	
Revenue bonds payable - current portion	141,000
Total current liabilities	226,046
Noncurrent liabilities:	
Compensated absences	2,357
Liabilities payable from restricted assets:	
Revenue bonds payable	2,547,000
Total Liabilities	2,775,403
<b>NET POSITION</b>	
Net investment in capital assets	603,024
Restricted for:	
Debt service	310,954
Capital projects	113,346
Customer deposits	36,055
Unrestricted	1,720,034
Total Net Position	\$ 2,783,413

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUND**  
**For the Year Ended September 30, 2014**

	Business-type Activities
	Water Fund
<u>Operating Revenues</u>	
Water	\$ 1,517,735
Garbage	117,253
Water tap fees	8,000
Other operating revenues	35,977
Total Operating Revenues	1,678,965
<u>Operating Expenses</u>	
Water purchases	439,323
Water system utilities	88,782
Water system supplies	51,054
Repairs and maintenance	25,351
Other water system expenses	11,263
Personnel and support	193,896
Professional fees	22,030
Administrative expenses	55,016
Garbage collection fees	109,263
Depreciation and amortization	163,867
Total Operating Expenses	1,159,845
Operating Income	519,120
<u>Nonoperating Revenues (Expenses)</u>	
Interest income	12,133
Interest expense	(129,117)
Donations emergency services income	2,085
Donations emergency services expense	(2,078)
TxDot utility relocation reimbursement	32,815
TxDot utility relocation expense	(32,815)
Capital outlay	(5,900)
Comprehensive water projects	(438)
Miscellaneous income	23,811
Total Nonoperating Revenues (Expenses)	(99,504)
Change in Net Position	419,616
Net Position - beginning of year, as restated	2,363,797
Net Position - end of year	\$ 2,783,413

The accompanying notes are an integral part of the financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2014**

	Business-type Activities
	Water Fund
<u>Cash Flows from Operating Activities</u>	
Cash received from customers	\$ 1,595,389
Cash paid to suppliers	(839,057)
Cash paid to employees	(160,658)
Net Cash Provided by Operating Activities	595,674
<u>Cash Flows from Non-Capital Financing Activities</u>	
Grant and contribution income	34,900
Grant and contribution expense	(34,893)
Miscellaneous income	23,810
Miscellaneous expense	(6,339)
Net Cash Provided by Non-Capital Financing Activities	17,478
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of capital assets	(1,019,545)
Payments on long-term bonds	(136,000)
Interest paid	(129,117)
Net Cash Used by Capital and Related Financing Activities	(1,284,662)
<u>Cash Flows from Investing Activities</u>	
Interest received	12,134
Cash payments from restricted invested cash	993,737
Net Cash Provided by Investing Activities	1,005,871
Net Increase in Cash and Cash Equivalents	334,361
Cash and Cash Equivalents - beginning of year	1,278,878
Cash and Cash Equivalents - end of year	\$ 1,613,239

The accompanying notes are an integral part of the financial statements.

	<u>Business-type Activities Water Fund</u>
<u>Reconciliation of operating income to net cash provided by operating activities:</u>	
Operating income	\$ 519,120
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	163,867
Increase in accounts receivable	(74,340)
Decrease in accounts payable	(2,521)
Decrease in accrued liabilities	(1,216)
Decrease in customer deposits	(9,236)
Total Adjustments	<u>76,554</u>
Net Cash Provided by Operating Activities	<u>\$ 595,674</u>

**This page is left blank intentionally.**

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The City of Bruceville-Eddy, Texas (the City) was incorporated in 1974 for the purpose of providing public safety, water and sanitation services, planning and general administrative services. The City's present population is approximately 1,490, and it serves approximately 1,800 metered customers.

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of the City.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of a "management's discussion and analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Obligations Account Group (such as building and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure. In addition to the government-wide financial statements, the City has prepared governmental fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, the City's major governmental fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34.



**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. REPORTING ENTITY (CONTINUED)**

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statements of Net Position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of the government will be broken down into three categories - 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City's non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants and other intergovernmental revenues. Business-type activities include programs supported by primarily water revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include water payments, police fines, etc. If revenue is not program revenue, it is general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet. All interfund transactions between governmental funds are eliminated on the government-wide statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

**D. FUND ACCOUNTING**

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

Water Fund - used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, cost incurred and/or net income is necessary for management accountability.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. FUND ACCOUNTING (CONTINUED)**

Reconciliation of Government-wide and Fund Financial Statements

A summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total net position for governmental activities as shown on the government-wide statement of net position is presented in an accompanying schedule to the governmental funds balance sheet. The asset and liability elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. A summary reconciliation of the difference between net changes in fund balances as reflected on the governmental funds statement of revenues, expenditures, and changes in fund balances and change in net position for governmental activities as shown on the government-wide statement of activities is presented in an accompanying schedule to the governmental funds statement of revenues, expenditures, and changes in fund balances. The revenue and expense elements which comprise the reconciliation difference stem from governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting while the government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting.

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, effective for financial statements for periods beginning after June 15, 2010, requires governmental fund balances to be reported in one of five classifications, replacing the previous classifications of reserved, unreserved, and designated. These five classifications are nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balances are either not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balances have constraints imposed either 1) by law through constitutional provisions or enabling legislation or 2) by creditors, grantors, contributors, or laws or regulations of other governments. Committed fund balances represent funds set aside formally by the City Council for specific purposes or by contract. Assigned fund balances are earmarked for specific purposes by the City Council, but are neither restricted nor committed. These balances represent tentative management plans that are subject to change. Unassigned fund balance is the residual classification for the general fund for which the previous classifications do not apply. When different classifications of funds are available for expenditure, the City considers the most restrictive classification amount to have been spent first.

The following is a list of fund balance restrictions used by the City and a description of each:

***Fund Balance Restrictions:***

***Debt Service-*** Funds restricted for the retirement of general long-term debt.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. FUND ACCOUNTING (CONTINUED)**

*Court Technology and Building Security*- Funds restricted for the purchase of goods and services that will benefit the court from specific court fees.

*Capital Projects*- Funds restricted for use in current and future construction projects.

*Customer Deposits*- Funds restricted to disbursements for the application to customer account balances or refunds to customer.

**E. NEW GASB PRONOUNCEMENTS**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The adoption of GASB Statement No. 65 required debt issuance costs that were previously reported as assets to be shown as an expense. The effects of this statement were applied retroactively by reporting the cumulative effect of the application as a restatement of beginning net position. The change resulted in the restatement of the water fund's beginning net position by \$ 17,840.

**F. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

**1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**2. Receivables**

Accounts and property tax receivables are shown net of any allowance for uncollectible accounts. Property taxes receivable for the governmental fund types, which have been remitted within 60 days subsequent to year end, are considered measurable and available and recognized as revenues. All other property taxes are offset by deferred resources and, accordingly, have not been recorded as revenue.

**3. Restricted Assets**

Restricted assets are liquid assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. Certain resources set aside for the repayment of revenue bonds, are classified as restricted assets on the Balance Sheet and the Statement of Net Position, because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Customer deposits held by the City before any services were supplied are restricted to the service for which the deposits were collected.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)**

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$ 2,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Category</u>	<u>Life</u>
Buildings and improvements	10-30 years
Machinery and equipment	3-10 years
Water facilities	30 years
Infrastructure	20 years

5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are exposed in the period incurred.

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

6. Net Position

Net Position in government-wide and proprietary financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)**

**7. Fund Equity**

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable Fund Balance** - Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

**Restricted Fund Balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed Fund Balance** – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

**Assigned Fund Balance** – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

**Unassigned Fund Balance** – amounts that are available for any purpose; positive amounts are reported in the General Fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance, the highest level of action. This is typically done through adoption of the budget. A fund balance commitment is further indicated in the budget document as a commitment of the fund. Assigned fund balance is established by City Council by passage of a resolution either through adoption or amendment of the budget as intended for specific purposes.

For the classification of Governmental Fund balances, the City considers expenditures to be made from the most restrictive first when more than one classification is available.

**8. Estimates**

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Specifically, the actuarial calculations used to determine the annual required contributions and related liabilities of the City's retirement plans and post-employment obligations are based on assumptions about the possibility of events far into the future. Accordingly, actual results could differ from those estimates.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time the City has no transactions that meet the definition of deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. At this time, the City has one item that qualifies for reporting in this category. It is the deferred property tax amount.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The City adopts its annual budget on a basis consistent with accounting principles generally accepted in the United States of America (GAAP basis). All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund and function. The legal level of budgetary control is the fund level. The Council made supplemental budgetary appropriations throughout the period for the General Fund and the Water Fund. In addition to the Water Fund operating budget, the City also anticipated \$ 141,000 in principal payments on the bond as part of its budget process. This liability reduction is not reflected on GAAP basis budgetary statements.

1. The City follows these procedures in establishing the budgetary data reflected in the financial statements:
  - a. Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
  - b. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
  - c. The budget is legally enacted by the City Council.
  - d. Budget revisions may be made during the period.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The City over-expended its budget as follows:

<u>General Fund</u>	
Salaries and wages	\$ 29,553
Utilities	\$ 2,180
Payroll taxes and insurance	\$ 13,226
Operating costs	\$ 23,822
Equipment	\$ 7,504
Repairs and maintenance	\$ 3,330
Capital outlay	\$ 6,848
<u>Proprietary Water Fund</u>	
Water system utilities	\$ 5,782
Other water system expenses	\$ 1,763
Professional fees	\$ 30
Garbage collection fees	\$ 9,263

**III. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

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



**CITY OF BRUCEVILLE-EDDY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

Additional Contractual Provisions governing deposits and investments are as follows:

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

Policies Governing Deposits and Investments

1. Foreign Currency Risk – The City's deposits and investments are not exposed to foreign currency risk.
2. Custodial Credit Risk – The City's policy is to be collateralized. The City was not fully collateralized during the period.
3. Interest Rate Risk – The City has no debt securities which have interest rate risk.
4. Other Credit Risk Exposure – The City does not invest in debt securities.
5. Concentration Risk – The City's deposits and investments are exposed to concentration risk in that they are all deposited with the same bank.

**Deposits Credit Risk**

The cash deposits and savings accounts held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

- Category 1 Deposits which are insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Deposits which are not collateralized or insured.

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

Deposits are stated at cost plus accrued interest and the carrying amounts are displayed on the balance sheet as "Cash and Cash Equivalents." Following is a summary of the City's deposits, by category:

1. Insured by FDIC	\$ 2,387,150
2. Collateralized by pledged securities	782,163
3. Uninsured and uncollateralized	<u>-</u>
 Total Bank Balance	 <u>3,169,313</u>
 Carrying Amount	 <u>\$ 3,169,313</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. RESTRICTED CASH**

The City had restricted cash of \$ 460,355 in the Water Fund and \$ 21,162 in the General Fund as of September 30, 2014. The restrictions stem from the need to protect customer utility deposits, to set aside a reserve for the payment of interest and principal on bonded indebtedness, and to set aside monies that are restricted by revenue sources as to use.

**C. RECEIVABLES**

Receivables at period end for the government's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water Fund</u>
Tax receivables	\$ 38,766	\$ -
Less: allowance for uncollectibles	(29,657)	-
Tax receivable, net	<u>9,109</u>	-
Accounts receivable	<u>283</u>	<u>307,544</u>
 Total receivables	 <u><u>\$ 9,392</u></u>	 <u><u>\$ 307,544</u></u>

**D. INTERFUND RECEIVABLES AND PAYABLES**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The individual interfund receivables and payable balances at September 30, 2014, were:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund	\$ 33,037	\$ -
Water fund	<u>-</u>	<u>33,037</u>
 Total all funds	 <u><u>\$ 33,037</u></u>	 <u><u>\$ 33,037</u></u>

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. CAPITAL ASSETS**

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

	Beginning Balance	Additions	(Deletions)	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 48,710	\$ 12,000	\$ -	\$ 60,710
Construction in progress	33,983	-	(33,983)	-
Total capital assets, not being depreciated	<u>82,693</u>	<u>12,000</u>	<u>(33,983)</u>	<u>60,710</u>
Capital assets, being depreciated:				
Buildings and improvements	115,844	-	-	115,844
Machinery and equipment	273,677	77,133	-	350,810
Infrastructure	97,999	62,731	-	160,730
Total capital assets, being depreciated	<u>487,520</u>	<u>139,864</u>	<u>-</u>	<u>627,384</u>
Less accumulated depreciation for:				
Buildings and improvements	(62,045)	(3,985)	-	(66,030)
Machinery and equipment	(185,944)	(36,531)	-	(222,475)
Infrastructure	(37,193)	(7,946)	-	(45,139)
Total accumulated depreciation	<u>(285,182)</u>	<u>(48,462)</u>	<u>-</u>	<u>(333,644)</u>
Total capital assets, being depreciated, net	<u>202,338</u>	<u>91,402</u>	<u>-</u>	<u>293,740</u>
Governmental activities capital assets, net	<u>\$ 285,031</u>	<u>\$ 103,402</u>	<u>\$ (33,983)</u>	<u>\$ 354,450</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. CAPITAL ASSETS (CONTINUED)**

	Beginning Balance	Additions	Reclassifications/ (Deletions)	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 85,472	\$ -	\$ -	\$ 85,472
Construction in progress	629,858	-	(629,858)	-
Total capital assets, not being depreciated	<u>715,330</u>	<u>-</u>	<u>(629,858)</u>	<u>85,472</u>
Capital assets, being depreciated:				
Buildings and improvements	131,738	-	-	131,738
Water facilities	3,475,050	1,643,628	-	5,118,678
Machinery and equipment	573,054	5,773	-	578,827
Total capital assets, being depreciated	<u>4,179,842</u>	<u>1,649,401</u>	<u>-</u>	<u>5,829,243</u>
Less accumulated depreciation for:				
Buildings and improvements	(105,242)	(6,536)	-	(111,778)
Water facilities	(2,201,227)	(95,766)	-	(2,296,993)
Machinery and equipment	(266,703)	(61,563)	-	(328,266)
Total accumulated depreciation	<u>(2,573,172)</u>	<u>(163,865)</u>	<u>-</u>	<u>(2,737,037)</u>
Total capital assets, being depreciated, net	<u>1,606,670</u>	<u>1,485,536</u>	<u>-</u>	<u>3,092,206</u>
Business-type activities capital assets, net	<u>\$ 2,322,000</u>	<u>\$ 1,485,536</u>	<u>\$ (629,858)</u>	<u>\$ 3,177,678</u>

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

Governmental activities:	
General government	\$ 3,985
Public safety	35,927
Highways and streets	7,946
Culture and recreation	604
Total depreciation expense - governmental activities	<u>\$ 48,462</u>
Business-type activities:	
Water and sewer	\$ 163,865
Total depreciation expense - business-type activities	<u>\$ 163,865</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT**

The City's long-term debt at September 30, 2014 is comprised of the following individual issues:

General Government Notes Payable:

\$ 25,558 auto loan with local bank; maturing October 2016; payable \$ 6,086 principal and interest annually; interest at 3.25%, secured by automobile	\$ 19,471
\$ 31,733 auto loan with local bank; maturing February 2018; payable \$ 8,692 principal and interest annually; interest at 3.75%, secured by automobile	31,733
\$ 31,733 auto loan with local bank; maturing February 2018; payable \$ 8,692 principal and interest annually; interest at 3.75%, secured by automobile	<u>31,733</u>
Total General Government Notes Payable	<u>82,937</u>

Proprietary Water Fund Revenue Refunding Bonds:

\$ 371,000 Series 2011 Certificates of Obligation, maturing September 2025; 15 certificates with interest rates varying from 5.5% to 5.875%; annual principal payments ranging from \$17,000 to \$35,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system	294,000
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

Proprietary Water Fund Revenue Bonds:

\$ 731,000 Series 2011 Certificates of Obligation, maturing September 2025; 15 certificates with interest rates varying from 5.5% to 5.875%; annual principal payments ranging from \$33,000 to \$70,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system	590,000
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

\$ 1,883,000 Series 2013 Certificates of Obligation, maturing September 2028; interest rates varying from 3.25% to 4.25%; annual principal payments ranging from \$79,000 to \$254,000 are due per the bonds' maturity dates schedule. Interest is due each March and September; secured by the revenues of the City's water system	<u>1,804,000</u>
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------

Total Property Bonds	<u>2,688,000</u>
----------------------	------------------

Total Long-term Debt	<u><u>\$ 2,770,937</u></u>
----------------------	----------------------------

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

Debt service requirements to maturity for the above long-term debt are as follows:

<u>General Government Note Payable</u>			
<u>September 30</u>	Principal	Interest	Total
2015	\$ 21,041	\$ 3,061	\$ 24,102
2016	21,618	2,285	23,903
2017	23,424	1,495	24,919
2018	16,854	643	17,497
Total	\$ 82,937	\$ 7,484	\$ 90,421
<u>Water Revenue Refunding Bonds - Series 2011</u>			
<u>September 30</u>	Principal	Interest	Total
2015	\$ 20,000	\$ 16,170	\$ 36,170
2016	21,000	15,755	36,755
2017	22,000	14,548	36,548
2018	24,000	13,283	37,283
2019	25,000	11,903	36,903
2020-2025	182,000	39,018	221,018
Total	\$ 294,000	\$ 110,677	\$ 404,677
<u>Water Revenue Bonds - Series 2011</u>			
<u>September 30</u>	Principal	Interest	Total
2015	\$ 40,000	\$ 32,896	\$ 72,896
2016	42,000	32,080	74,080
2017	44,000	29,630	73,630
2018	47,000	27,064	74,064
2019	50,000	24,322	74,322
2020-2025	367,000	79,647	446,647
Total	\$ 590,000	\$ 225,639	\$ 815,639
<u>Water Revenue Bonds - Series 2013</u>			
<u>September 30</u>	Principal	Interest	Total
2015	\$ 81,000	\$ 70,650	\$ 151,650
2016	84,000	68,204	152,204
2017	87,000	65,288	152,288
2018	90,000	62,243	152,243
2019	93,000	59,093	152,093
2020-2024	521,000	241,753	762,753
2025-2028	848,000	98,716	946,716
Total	\$ 1,804,000	\$ 665,947	\$ 2,469,947

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. LONG-TERM DEBT (CONTINUED)**

There are a number of limitations and restrictions contained in the various bond indentures, including, among others, the requirements of the payment of principal and interest from the ad valorem tax levy or from the net revenues of the water fund and the provision of certain reserve funds. The City is in compliance with all such significant financial limitations and restrictions. There is no specific maximum debt limit established by law for the City, therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental activities:</b>					
Notes payable	\$ 25,558	\$ 63,466	\$ (6,087)	\$ 82,937	\$ 21,041
Governmental activity long-term liabilities	<u>\$ 25,558</u>	<u>\$ 63,466</u>	<u>\$ (6,087)</u>	<u>\$ 82,937</u>	<u>\$ 21,041</u>
<b>Business-type activities:</b>					
Revenue bonds payable	\$2,824,000	\$ -	\$ (136,000)	\$2,688,000	\$ 141,000
Business-type activity long-term liabilities	<u>\$2,824,000</u>	<u>\$ -</u>	<u>\$ (136,000)</u>	<u>\$2,688,000</u>	<u>\$ 141,000</u>
Total long-term liabilities	<u>\$2,849,558</u>	<u>\$ 63,466</u>	<u>\$ (142,087)</u>	<u>\$2,770,937</u>	<u>\$ 162,041</u>

**G. PROPERTY TAXES**

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the "District"). The District is required under the Property Tax Code to assess all property within the District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the District must be reviewed every four years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value, net of exemptions, upon which the fiscal year ended September 30, 2014, levy was based was \$ 56,540,697. The tax rate for the 2014 tax roll was \$ 0.498159 per \$ 100 of assessed value.

Property taxes not collected in the current period are considered not to be available, and therefore, are not accrued as revenue in the current period. Since the City recognizes taxes as revenues only when collected, an allowance for current and delinquent taxes receivable at the end of the period has been established. On the government-wide statements, the amount deferred in the fund statements is recognized as revenue.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. PROPERTY TAXES (CONTINUED)**

The City has contracted with McLennan County tax collector's office to collect ad valorem taxes on behalf of the City. The City paid the tax collector \$ 1,516 for these services during the fiscal year ended September 30, 2014.

**H. EMPLOYEE RETIREMENT PLAN**

Plan Description

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
	<u>                    </u>	<u>                    </u>
Employee deposit rate:	7.0%	7.0%
Matching Ratio (City to Employee):	1.5 to 1	1.5 to 1
Years required for vesting:	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
	100%	100%
Updated Service Credit:	Repeating, Transfers	Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI



**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

Contributions

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

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

<b>Three-Year Trend Information</b>				
	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (NPO)
9/30/2012	\$ 23,902	\$ 1,406	100%	\$ -
9/30/2013	\$ 13,828	\$ 829	100%	\$ -
9/30/2014	\$ 11,385	\$ 668	100%	\$ -

**CITY OF BRUCEVILLE-EDDY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

Contributions (Continued)

The required contribution rates for fiscal year ended September 30, 2014, were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the last actuarial valuation, December 31, 2013 also follows:

**Actuarial Assumptions**

Valuation Date:	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method:	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method:	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 Equivalent Single Amortization Period	24.9 years; closed	24.9 years; closed	25.0 years; closed
Amortization Period for new Gains/Losses	25 years	25 years	25 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 3.0% inflation and no cost of living adjustments

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**H. EMPLOYEE RETIREMENT PLAN (CONTINUED)**

Funded Status and Funding Progress

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 (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (c)=(a/b)	Unfunded (Over-funded) AAL (UAAL) (d)=(b-a)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/13	\$ 829,474	\$ 759,045	109.3%	\$ (70,429)	\$ 422,193	-16.7%

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.

**I. SUPPLEMENTAL DEATH BENEFITS**

Contributions

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

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

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**I. SUPPLEMENTAL DEATH BENEFITS (CONTINUED)**

Contributions (Continued)

City offers supplemental death to:	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Active employees	Yes	Yes
Retirees	Yes	Yes

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2014, 2013 and 2012 were \$ 668, \$ 829 and \$ 1,406, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates  
(RETIREE - only portion of the rate)**

<u>Plan/Calendar Year</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2011	0.04%	0.04%	100%
2012	0.04%	0.04%	100%
2013	0.04%	0.04%	100%

**J. COMMITMENTS AND CONTINGENCIES**

**Water Purchase Agreement**

The City has entered into a long-term agreement to purchase water from a water supply company. The contract requires the City to take and/or pay for a minimum quantity of water. The cost of water per gallon is based each year on the amount the water supply corporation needs to recover all operation and maintenance expenses and debt service of the system (i.e. its annual requirement). The water supply company's net annual requirement divided by all contracting parties' minimum take (annual water purchases in gallons) determines the rate per gallon each year. Based on the estimated annual requirements of the water supply company (estimated \$ 3.00 per thousand gallons) and the minimum take (135,984,000 gallons) for the City, the City is committed to pay an estimated \$ 407,952 for water during the fiscal year ended September 30, 2015, under this contract.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**J. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Other**

The City is a defendant in three pending legal actions. Two of the pending actions arise principally from claims against the City for alleged improper actions by a City employee. The third pending action involves a utility easement across private property. Total damages claimed are substantial; however, it has been the City's experience that such actions are usually dismissed or settled for amounts substantially less than the claimed amounts. The City's legal representation estimates that the potential claims against the City not covered by various insurance policies would not materially affect the financial condition of the City.

**K. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property and workers' compensation coverage. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing to the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

**L. COMPENSATED ABSENCES**

Employees accrue vacation leave based on the number of years employed up to a maximum of 20 days per year. The accrual year starts with the date employee starts full-time and subsequent anniversary dates. Employees may carry over earned vacation past the accrual year with approval of Mayor and Council. However, the accrual is not to exceed forty days beyond the end of the fiscal year. Upon separation from service employees are paid for any earned and unused vacation time. Vested vacation is recorded in the proprietary fund as a liability and expense and in the government fund as a fund liability and expenditure, if payable from current resources. The value of the earned and unused portion of governmental compensated absences at year-end is reported as a governmental activity non-current liability.

**CITY OF BRUCEVILLE-EDDY, TEXAS  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**M. PRIOR PERIOD ADJUSTMENT**

Adoption of GASB Statement No.65 requires that bond issuance costs be recognized as an expense in the period incurred. Accordingly, an adjustment of \$ 17,840 was made to the water fund's unrestricted net position as of the beginning of the year which serves to recognize the remaining bond issuance cost as expense in the prior period.

Fund Balance, October 1, 2013	\$ 2,381,637
Prior period adjustment:	
Expense bond issuance cost per GASB 65	<u>(17,840)</u>
Fund Balance, October 1, 2013, as restated	<u><u>\$ 2,363,797</u></u>

**N. SUBSEQUENT EVENTS**

The City had no subsequent events to disclose as of January 8, 2015, the date of the auditor's report.

**This page is left blank intentionally.**

**REQUIRED SUPPLEMENTARY INFORMATION**



**This page is left blank intentionally.**

**CITY OF BRUCEVILLE-EDDY, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
TMRS PENSION PLAN (UNAUDITED)  
September 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (c)=(a/b)	Unfunded (Over-funded) AAL (UAAL) (d)=(b-a)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (d)/(e)
12/31/11	\$ 747,451	\$ 655,679	114.0%	\$ (91,772)	\$ 344,488	-26.6%
12/31/12	810,292	719,138	112.7%	(91,154)	387,549	-23.5%
12/31/13	829,474	759,045	109.3%	(70,429)	422,193	-16.7%

See independent auditors' report.

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended September 30, 2014**  
**With Comparative Totals for the Year Ended September 30, 2013**

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget -	Amounts
<b><u>Revenues</u></b>					
Property taxes	\$ 282,000	\$ 282,000	\$ 286,249	\$ 4,249	\$ 252,320
Sales and miscellaneous taxes	40,000	40,000	65,979	25,979	59,966
Franchise taxes	55,000	55,000	76,156	21,156	58,341
Fines and forfeitures	286,000	286,000	435,586	149,586	369,655
Licenses and permits	2,000	2,000	1,080	(920)	22,873
Interest income	400	400	848	448	592
Lease and miscellaneous income	17,300	17,300	26,077	8,777	155,421
<b>Total Revenues</b>	<b>682,700</b>	<b>682,700</b>	<b>891,975</b>	<b>209,275</b>	<b>919,168</b>
<b><u>Expenditures</u></b>					
<b>General government:</b>					
Salaries & wages	130,000	130,000	138,502	(8,502)	125,430
Payroll taxes and insurance	36,000	36,000	34,547	1,453	30,167
Administrative costs	114,050	65,750	53,084	12,666	62,686
Utilities	19,000	19,000	21,180	(2,180)	20,550
Legal and accounting	44,000	89,000	85,423	3,577	60,063
Repairs and maintenance	26,950	20,750	14,685	6,065	10,325
<b>Public safety:</b>					
Salaries & wages	155,000	155,000	176,051	(21,051)	173,760
Payroll taxes and insurance	27,500	27,500	40,726	(13,226)	27,558
Operating costs	79,425	78,325	102,147	(23,822)	95,385
Equipment	7,500	9,100	16,604	(7,504)	21,245
Repairs and maintenance	5,500	5,500	8,830	(3,330)	5,976
<b>Highways and streets:</b>					
Streets	30,000	32,000	27,111	4,889	11,184
<b>Capital outlay:</b>					
Fixed asset expenditures	5,000	5,500	12,348	(6,848)	984
<b>Debt service:</b>					
Principal	-	-	6,086	(6,086)	7,545
Interest	-	-	831	(831)	380
<b>Total Expenditures</b>	<b>679,925</b>	<b>673,425</b>	<b>738,155</b>	<b>(64,730)</b>	<b>653,238</b>

See independent auditors' report.

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget -	Actual Amounts
	Original	Final			
<u>Expenditures (continued)</u>					
Excess of revenues over expenditures	\$ 2,775	\$ 9,275	\$ 153,820	\$ 144,545	\$ 265,930
Fund Balance - beginning of year	875,407	875,407	875,407	-	609,477
Fund Balance - end of year	<u>\$ 878,182</u>	<u>\$ 884,682</u>	<u>\$ 1,029,227</u>	<u>\$ 144,545</u>	<u>\$ 875,407</u>

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL - PROPRIETARY FUND**  
**For the Year Ended September 30, 2014**  
**With Comparative Totals for the Year Ended September 30, 2013**

	2014			Variance with Final Budget -	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<u>Operating Revenues</u>					
Water	\$ 1,500,000	\$ 1,500,000	\$ 1,517,735	\$ 17,735	\$ 1,510,423
Garbage	80,000	80,000	117,253	37,253	111,400
Water tap fees	3,000	3,000	8,000	5,000	11,000
Other operating revenues	22,500	22,300	35,977	13,677	27,023
<b>Total Operating Revenues</b>	<b>1,605,500</b>	<b>1,605,300</b>	<b>1,678,965</b>	<b>73,665</b>	<b>1,659,846</b>
<u>Operating Expenses</u>					
Water purchases	500,500	500,500	439,323	61,177	514,747
Water system utilities	75,000	83,000	88,782	(5,782)	76,093
Water system supplies	23,750	54,250	51,054	3,196	55,037
Repairs and maintenance	26,100	25,600	25,351	249	19,609
Other water system expenses	6,700	9,500	11,263	(1,763)	4,822
Personnel and support	202,600	197,600	193,896	3,704	188,823
Professional fees	32,000	22,000	22,030	(30)	30,955
Administrative expenses	41,450	55,450	55,016	434	45,390
Garbage collection fees	75,000	100,000	109,263	(9,263)	105,959
Depreciation and amortization	-	-	163,867	(163,867)	178,041
<b>Total Operating Expenses</b>	<b>983,100</b>	<b>1,047,900</b>	<b>1,159,845</b>	<b>(111,945)</b>	<b>1,219,476</b>
<b>Operating Income</b>	<b>622,400</b>	<b>557,400</b>	<b>519,120</b>	<b>(38,280)</b>	<b>440,370</b>
<u>Nonoperating Revenues (Expenses)</u>					
Interest income	1,500	1,500	12,133	10,633	16,350
Interest expense	-	-	(129,117)	(129,117)	(95,189)
Donations emergency service					
Income	500	500	2,085	1,585	652
Expense	(500)	(500)	(2,078)	(1,578)	(520)
TxDot utility relocation					
Reimbursement	-	-	32,815	32,815	72,900
Expense	-	-	(32,815)	(32,815)	(72,900)
Grant expense	(250,000)	(250,000)	-	250,000	-
Capital outlay	(175,000)	(110,000)	(5,900)	104,100	-
Comprehensive water projects	-	-	(438)	(438)	(50)
Misc. income	3,000	3,000	23,811	20,811	3,231
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(420,500)</b>	<b>(355,500)</b>	<b>(99,504)</b>	<b>255,996</b>	<b>(75,526)</b>
<b>Change in net position</b>	<b>201,900</b>	<b>201,900</b>	<b>419,616</b>	<b>217,716</b>	<b>364,844</b>
<b>Net Position - beginning, as restated</b>	<b>2,363,797</b>	<b>2,363,797</b>	<b>2,363,797</b>	<b>-</b>	<b>2,016,793</b>
<b>Net Position - ending</b>	<b>\$ 2,565,697</b>	<b>\$ 2,565,697</b>	<b>\$ 2,783,413</b>	<b>\$ 217,716</b>	<b>\$ 2,381,637</b>

See independent auditors' report.

**INDIVIDUAL FUND FINANCIAL STATEMENTS**

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**COMPARATIVE BALANCE SHEETS – GENERAL FUND**  
**September 30, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Cash	\$ 411,394	\$ 437,442
Cash - restricted	21,162	25,409
Investments	643,194	477,347
Taxes receivable	38,766	37,783
Allowance for uncollectible taxes	(29,657)	(27,580)
Due from other funds	33,037	33,037
Other receivables, net of allowance for uncollectibles	283	-
	<u>\$ 1,118,179</u>	<u>\$ 983,438</u>
<b>Total Assets</b>	<b>\$ 1,118,179</b>	<b>\$ 983,438</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 5,467	\$ 6,879
Other accrued expenses	63,664	90,949
	<u>69,131</u>	<u>97,828</u>
<b>Total Liabilities</b>	<b>69,131</b>	<b>97,828</b>
<b>Deferred inflows of resources:</b>		
Unavailable revenues - property tax	9,109	10,203
Unavailable revenues - lease income	10,712	-
	<u>19,821</u>	<u>10,203</u>
<b>Total Deferred Inflows of Resources</b>	<b>19,821</b>	<b>10,203</b>
<b>Fund Balances:</b>		
<b>Restricted for:</b>		
Court technology and building security	21,162	25,409
<b>Assigned for:</b>		
P.D. vehicle escrow	16,100	-
Unassigned	991,965	849,998
	<u>1,029,227</u>	<u>875,407</u>
<b>Total Fund Balances</b>	<b>1,029,227</b>	<b>875,407</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,118,179</b>	<b>\$ 983,438</b>

See independent auditors' report

**CITY OF BRUCEVILLE-EDDY, TEXAS**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2014 and 2013**

	2014	2013
<b>ASSETS</b>		
Current assets:		
Cash	\$ 1,613,239	\$ 1,278,878
Accounts receivable, net	307,544	233,204
Total current assets	1,920,783	1,512,082
Noncurrent assets:		
Restricted cash and cash equivalents:		
Revenue bond covenant accounts	303,203	302,120
Revenue bond debt service	7,751	9,028
Construction	113,346	1,097,653
Customer deposits	36,055	45,291
Deferred cost-bond issue	-	17,840
Capital assets:		
Land	85,472	85,472
Construction in progress	-	629,858
Buildings and improvements	131,738	131,738
Water facilities	5,118,678	3,475,050
Machinery and equipment	578,828	573,054
Less accumulated depreciation	(2,737,038)	(2,573,172)
Total capital assets	3,177,678	2,322,000
Total Assets	5,558,816	5,306,014
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	11,208	13,729
Accrued liabilities	4,746	4,704
Customer deposits	36,055	45,291
Due to other funds	33,037	33,037
Liabilities payable from restricted assets:		
Revenue bonds payable - current portion	141,000	136,000
Total current liabilities	226,046	232,761
Noncurrent liabilities:		
Compensated absences	2,357	3,616
Liabilities payable from restricted assets:		
Revenue bonds payable	2,547,000	2,688,000
Total Liabilities	2,775,403	2,924,377
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	603,024	595,653
Restricted for:		
Debt service	310,954	311,148
Capital projects	113,346	1,097,653
Customer deposits	36,055	45,291
Unrestricted	1,720,034	331,892
Total Net Position	\$ 2,783,413	\$ 2,381,637

See independent auditors' report