



City Of Royse City, Texas

**Annual
Financial Report**

Fiscal Year Ended September 30, 2014

ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2014

City of Royse City, Texas

City Manager
Carl Alsabrook

Chief Financial Officer
Shannon Raymond



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

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**CITY OF ROYSE CITY, TEXAS
ELECTED OFFICIALS AND ADMINISTRATIVE OFFICERS**

City Council

**Jerrell Baley, Mayor
Janet Nichol, Mayor Pro Tem
Clay Ellis, Place 2
Bill Bell, Place 3
Matt Wheatley, Place 4
James Branch, Place 5
Thomas Crowley, Place 6**

Administrative Staff

**Carl Alsabrook, City Manager
Shannon Raymond, Director of Finance**

FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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American Institute of CPAs
Texas Society of CPAs

March 2, 2015

Independent Auditor's Report

Mayor and City Council
City of Royse City
P O Box 638
Royse City, Texas 75189

Members of the City Council:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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.

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Fax (972) 771-1022

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the TMRS Funding Progress and Contributions on pages 7 – 18 and 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Royse City, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2015, on our consideration of the City of Royse City, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Royse City, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.



CITY OF ROYSE CITY, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

As management of the City of Royse City ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$11,841,141 (net position). Of this amount, \$2,999,214 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. A total of \$5,301,012, or 45%, is invested in capital assets which does not directly generate revenue and is not available to generate liquid capital. Net position restricted for specific purposes total \$3,540,915, or 30%, of total net position.
- The government's total net position increased by \$1,448,426, due to a significant increase in governmental activities. The City continues to increase revenues while maintaining good oversight of expenditures each year. This is reflective of the current year's increase in net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$2,250,029, an increase of 312,805, or 13.9%, in comparison with the prior year. The increase in combined ending fund balances is attributable to an increase in total revenues of 8.6%, or \$572,114. Approximately 29% of total fund balance, or \$652,880, is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$654,475 was 11% of total General Fund expenditures for the fiscal year. The increase in the total General Fund balance is largely due to increased revenues such as property and sales tax collections.
- The City's total long-term debt increased by \$610,364, or 2.8%, during the current fiscal year due to the issuance of General Obligation, Series 2014 in the amount of \$4,695,000 which paid off the Certificate of Obligation, Series 2005 in the amount of \$3,755,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Basic Financial Statements

The first two statements (pages 21-23) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 24-31) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (beginning on page 32). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (page 59) is provided to show details about the funding progress and contributions for the pension plan.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

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

Both the government-wide financial statements include not only the City itself (known as the primary government) but also a legally separate community development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system activity are reported as business-type activities. The final category is the component unit. The City includes one separate legal entity in its report – the Royse City Community Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for them.

The government-wide financial statements are on pages 21 - 23 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Royse City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation following the fund financial statements.

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

The City adopts an annual budget for its General Fund and Debt Service Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The Budgetary Comparison Schedule for the General Fund uses the modified accrual basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 24-27 of this report. The General Fund Budgetary Comparison Schedule can be found on page 28.

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 all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows.

The City of Royse City maintains one individual proprietary fund: the Water and Sewer Fund.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 32 of this report.

Required Supplementary Information - In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the progress in funding its obligation to provide pension benefits to its employees. This information begins on page 59 of this report.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

New GASB Pronouncements

GASB Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statement No. 10 and No. 62", will be implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement improves financial reporting by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financial activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on equipment and operating leases. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued to establish accounting and financial reporting standards related to government combinations and disposals of government operations, which includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued to establish accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. The implementation of this statement had no effect on the financial statements.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 67, "Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25," will be implemented as required by GASB during the fiscal year ending September 30, 2015. The objective of this statement is to improve financial reporting by state and local government pension plans. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", will be implemented as required by GASB during the fiscal year September 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information on the contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," (an amendment to GASB Statement No. 68) requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net position liability. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

City of Royse City's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,593,463	\$ 2,354,418	\$ 5,720,516	\$ 5,398,828	\$ 8,313,979	\$ 7,753,246
Capital assets	10,386,254	10,474,267	16,196,384	15,205,678	26,582,638	25,679,945
Total assets	12,979,717	12,828,685	21,916,900	20,604,506	34,896,617	33,433,191
Current liabilities	274,575	432,630	798,312	568,934	1,072,887	1,001,564
Long-term liabilities	8,075,004	8,669,677	13,907,585	13,369,235	21,982,589	22,038,912
Total liabilities	8,349,579	9,102,307	14,705,897	13,938,169	23,055,476	23,040,476
Net position:						
Net investment in capital assets	2,398,378	1,891,718	2,902,634	3,631,918	5,301,012	5,523,636
Restricted	2,056,735	1,376,938	1,484,180	1,232,363	3,540,915	2,609,301
Unrestricted	175,025	457,722	2,824,189	1,802,056	2,999,214	2,259,778
Total net position	<u>\$ 4,630,138</u>	<u>\$ 3,726,378</u>	<u>\$ 7,211,003</u>	<u>\$ 6,666,337</u>	<u>\$ 11,841,141</u>	<u>\$ 10,392,715</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$11,841,141 as of September 30, 2014.

Investment in capital assets:

The City's net position increased by \$1,448,426 for the fiscal year ended September 30, 2014. However, a large portion, 45%, reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. 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 the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position of 3,540,915 represents 30% of total net assets that are subject to external restrictions on how they may be used, or restrictions by enabling legislation. The restricted net position is comprised of \$1,651,539, or 47% for debt service; \$1,506,972, or 43%, for impact fees; \$108,900, or 3%, for roadway use fees; \$35,733, or 1% for police use; \$81,730 or 2% for court use; and \$156,041, or 4%, for tourism.

Unrestricted net position:

Unrestricted net position in the amount of \$2,999,214 is available to fund the City programs for its citizens and creditors.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

	Changes in Net Position					
	Governmental Activities		Business Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,743,755	\$ 1,552,684	\$ 4,555,585	\$ 4,650,615	\$ 6,299,340	\$ 6,203,299
Operating Grants and Contributions	324,058	92,983	-	-	324,058	92,983
Capital Grants and Contributions	59,482	132,934	250,000	741,077	309,482	874,011
General Revenues:						
Property Taxes	3,308,451	3,197,458	-	-	3,308,451	3,197,458
Sales Taxes	1,305,245	1,225,503	-	-	1,305,245	1,225,503
Franchise Taxes	406,957	398,851	-	-	406,957	398,851
Hotel/Motel Taxes	78,341	58,287	-	-	78,341	58,287
Investment Income	9,591	5,205	2,727	3,153	12,318	8,358
Miscellaneous	16,921	16,782	55,267	75,531	72,188	92,313
Total Revenues	<u>7,252,801</u>	<u>6,680,687</u>	<u>4,863,579</u>	<u>5,470,376</u>	<u>12,116,380</u>	<u>12,151,063</u>
Expenses:						
Program Expenses						
General Government	1,906,491	1,916,086	-	-	1,906,491	1,916,086
Public Safety	1,916,830	1,902,136	-	-	1,916,830	1,902,136
Public Works	380,033	424,156	-	-	380,033	424,156
Public Services	376,197	352,190	-	-	376,197	352,190
Community Development	301,098	139,720	-	-	301,098	139,720
Culture and Recreation	574,695	487,896	-	-	574,695	487,896
Environmental Services	826,841	811,717	-	-	826,841	811,717
Interest on Long-Term Debt	387,177	406,658	-	-	387,177	406,658
Water and Sewer	-	-	3,998,592	3,790,710	3,998,592	3,790,710
Total Expenses	<u>6,669,362</u>	<u>6,440,559</u>	<u>3,998,592</u>	<u>3,790,710</u>	<u>10,667,954</u>	<u>10,231,269</u>
Change in Net Position before Other Revenues and Financing Sources	583,439	240,128	864,987	1,679,666	1,448,426	1,919,794
Other Revenues:						
Transfers	236,021	212,992	(236,021)	(212,992)	-	-
Total Other Revenues	<u>236,021</u>	<u>212,992</u>	<u>(236,021)</u>	<u>(212,992)</u>	<u>-</u>	<u>-</u>
Total Change in Net Position	819,460	453,120	628,966	1,466,674	1,448,426	1,919,794
Net Position - October 1	3,726,378	3,056,180	6,666,337	5,416,741	10,392,715	8,472,921
Prior Period Adjustments	84,300	217,078	(84,300)	(217,078)	-	-
Net Position - September 30	<u>\$ 4,630,138</u>	<u>\$ 3,726,378</u>	<u>\$ 7,211,003</u>	<u>\$ 6,666,337</u>	<u>\$ 11,841,141</u>	<u>\$ 10,392,715</u>

The reclassification of the Roadway Use Fees funds from business-type to governmental funds is recorded in the current year by prior period adjustments.

Governmental activities had an increase in net position of \$794,860. This is due to an increase in the ratio of revenues over expenditures of 31%, or \$775,022. Taxes collected for property, sales and franchise taxes increased \$198,841, or 4%, and an increase in charge for services of \$166,471, or 11%.

Business-type activities increased net position by \$653,566. The ratio of revenues over expenditures continues to be a constant in the City's efforts to contain budget and provide quality services to its citizens.

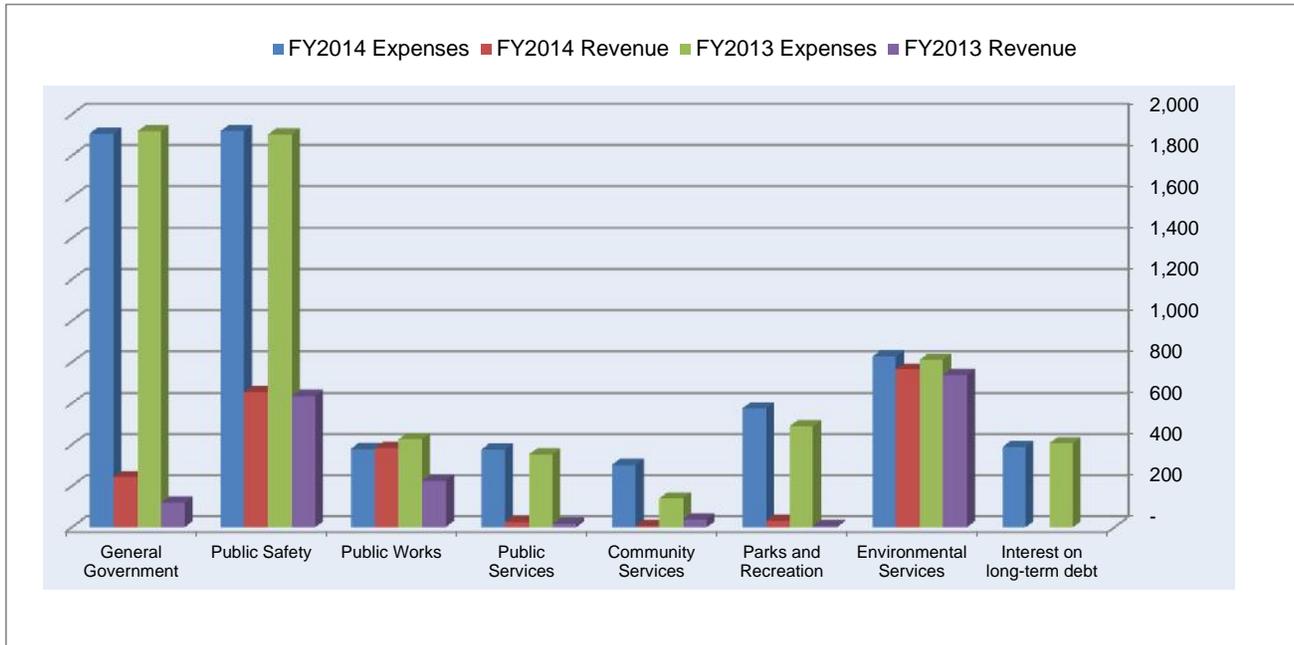
**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Governmental-type activities - Governmental-type activities increased the City's net position by \$819,460, Key elements of this increase are as follows:

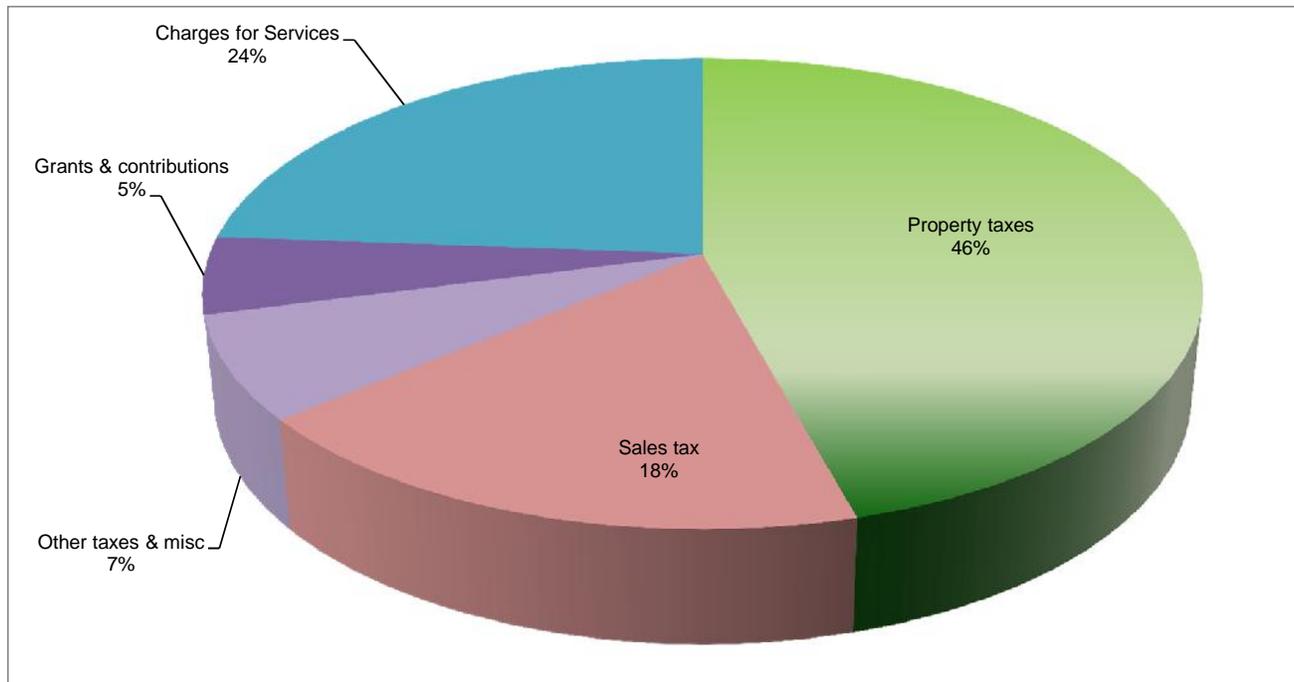
Sales tax revenues increased by \$79,742, or 6.5%; charge for services revenues increased \$191,071, or 12.3%, and property tax revenues increased \$110,993, or 3.5%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



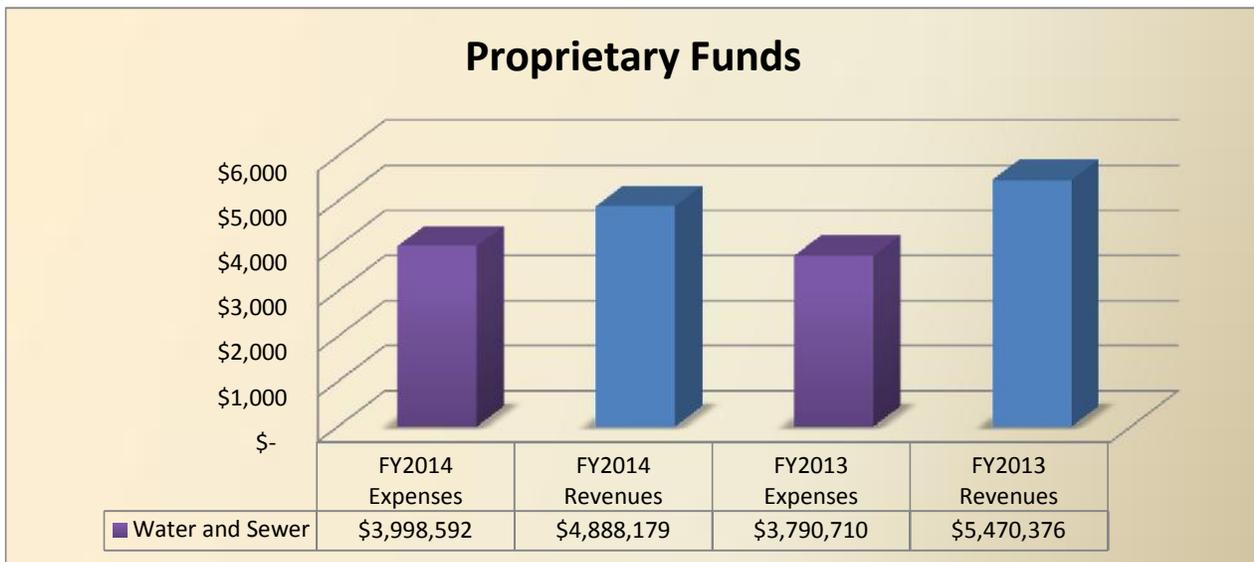
**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Business-type Activities - Business-type activities increased the City's net position by \$628,966. A key element of this increase is as follows:

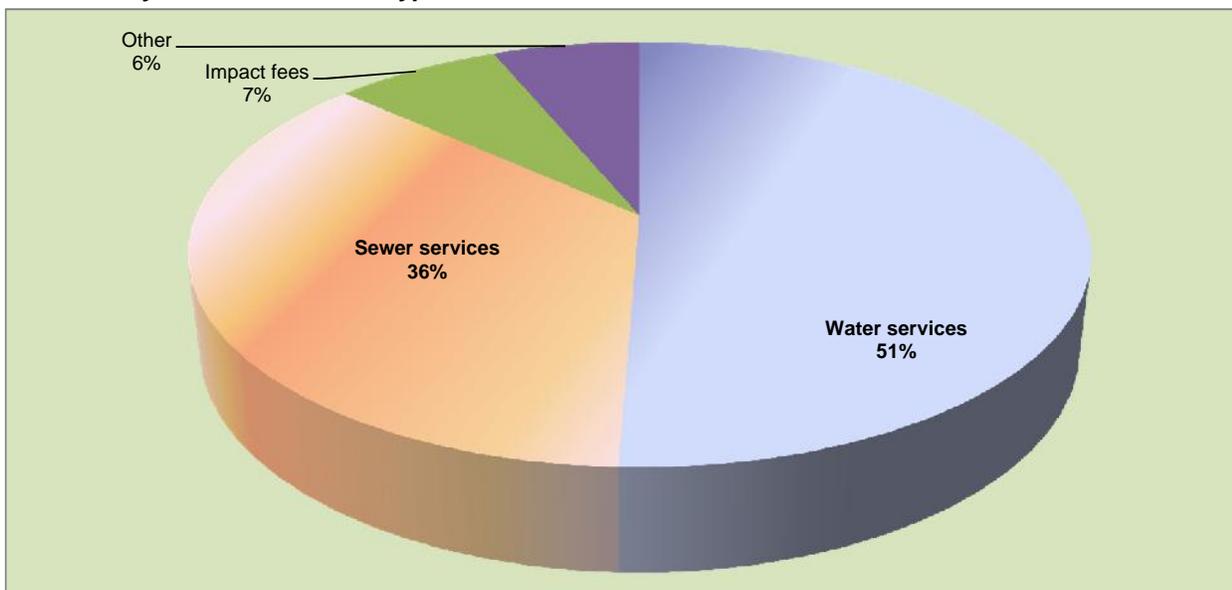
Despite overall revenues that decreased in the current fiscal year and corresponding expenses increased, the City's efforts to contain budget results in a positive change in net position at fiscal year-end.

Expenditures and Program Revenues - Business-type Activities

(amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Financial Analysis of the City's Funds

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

Governmental Funds

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

At September 30, 2014, the City's governmental funds reported total fund balances of \$2,250,029, a 16% increase in comparison with the prior year's total ending fund balances. The components of total fund balance are as follows:

- Restricted fund balance, \$1,533,619, consists of amounts restricted by external laws or contractual obligations as follows: \$809,011, or 53%, for debt service, \$451,102, or 29%, for impact and use fees, \$35,731, or 2%, for police use, \$81,732, or 5%, for court use, and \$156,043, or 10%, for tourism.
- Assigned fund balance of \$63,530, represents residual fund balance intended for use by special revenue funds including: \$2,557, or 4%, for equipment replacement, \$35,087, or 55%, for general government, \$3,679, or 6%, for the Library, \$1,371, or 2%, for the Senior Center, \$1,176, or 2%, for Parks, \$12,900, or 20%, for the Police use, and , \$6,760, or 11%, for Animal Control.
- Unassigned fund balance, \$652,880, represents residual available fund balances that have not been restricted, committed, or assigned by management, City Council, or otherwise.

General Fund - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$654,475, compared to \$416,608 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 11% of total General Fund expenditures.

Debt Service Fund - The Debt Service Fund is a major operating fund of the City. At the end of the current fiscal year, restricted fund balance was \$809,011, compared to \$826,176 at the end of the prior fiscal year. These funds are restricted for the payment of debt service expenditures.

Proprietary Funds

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$2,824,189, compared to \$1,802,056 in the prior year.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Capital Asset and Debt Administration

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, totals \$26,582,638 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery & equipment, vehicles and construction in progress.

Major capital asset transactions during the year include the following additions:

- On-going construction of Pond Branch trunk sewer line

**Capital Assets
(net of accumulated depreciation)
As of September 30**

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 925,169	\$ 925,169	\$ 1,340,132	\$ 1,340,132	\$ 2,265,301	\$ 2,265,301
Construction in Progress	-	-	1,474,461	139,726	1,474,461	139,726
Infrastructure	-	-	13,363,353	13,690,171	13,363,353	13,690,171
Buildings & Improvements	8,766,039	8,896,098	5,281	6,570	8,771,320	8,902,668
Machinery & Equipment	695,046	653,000	13,157	29,079	708,203	682,079
Total	\$ 10,386,254	\$ 10,474,267	\$ 16,196,384	\$ 15,205,678	\$ 26,582,638	\$ 25,679,945

More detailed information about the City's capital assets is presented in Note E to the financial statements.

Long-Term Debt - As of September 30, 2014 the City had total long-term debt outstanding of \$21,887,919, an increase of \$610,364, or 3%, in comparison with the prior year. The City issued Series 2014 General Obligation bonds in the amount of \$4,695,000 in the Water and Sewer Fund. The issuance of this bond paid in full Certificate of Obligation, Series 2005 in the amount of \$3,755,000.

**Outstanding Debt
As of September 30**

	Governmental		Business-type		Total	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 53,929	\$ 8,418,310	\$ 5,204,275	\$ 585,166	\$ 5,258,204	\$ 9,003,476
Certificates of Obligation	7,884,963	525,000	8,695,768	11,584,292	16,580,731	12,109,292
Tax Note	-	60,000	-	-	-	60,000
Capital Lease	48,984	37,885	-	-	48,984	37,885
Note Payable	-	66,902	-	-	-	66,902
Total	\$ 7,987,876	\$ 9,108,097	\$ 13,900,043	\$ 12,169,458	\$ 21,887,919	\$ 21,277,555

More detailed information about the City's long-term obligations is presented in Note F to the financial statements.

**CITY OF ROYSE CITY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Economic Factors and Next Year's Budgets and Rates

The approved budget for the General Fund FY 2014-2015 reflects a 1% increase over the current year budgeted revenue. This is primarily due to increases in property tax revenues.

This budget will raise more property taxes than the current year budget by \$111,000 which is a 3.5% increase. New property added to the tax roll is \$75,234.

The adopted tax rate for FY 2014-2015 will be reduced to \$0.6771 per \$100 valuation.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the City Clerk, P.O. Box 638, Royse City, Texas 75189.



BASIC FINANCIAL STATEMENTS



**CITY OF ROYSE CITY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		CDC
ASSETS				
Cash and cash equivalents	\$ 675,995	\$ 829,193	\$ 1,505,188	\$ 781,736
Receivables (net of allowance for uncollectible)	463,876	619,858	1,083,734	114,857
Prepaid expense	-	1,000,000	1,000,000	-
Restricted assets:				
Cash and cash equivalents	1,453,592	3,271,465	4,725,057	-
Capital assets not being depreciated				
Land	925,169	1,340,132	2,265,301	-
Construction in progress	-	1,474,461	1,474,461	-
Capital assets, net of accumulated depreciation				
Machinery & equipment	695,046	13,157	708,203	-
Building & improvements	8,766,039	5,281	8,771,320	-
Infrastructure	-	13,363,353	13,363,353	-
Total Assets	12,979,717	21,916,900	34,896,617	896,593
LIABILITIES				
Accounts payable	53,175	339,194	392,369	29,570
Other liabilities	102,478	88,521	190,999	-
Accrued expenses	71,725	6,829	78,554	-
Customer deposits	-	293,796	293,796	-
Accrued interest payable	47,197	69,972	117,169	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	8,713	754	9,467	-
Capital lease	22,456	-	22,456	-
Bonds payable	50,482	316,214	366,696	-
Certificates of obligation	455,000	395,000	850,000	-
Due in more than one year:				
Compensated absences	78,415	6,788	85,203	-
Capital lease	26,528	-	26,528	-
Bonds payable	3,447	4,888,061	4,891,508	-
Certificates of obligation	7,429,963	8,300,768	15,730,731	-
Total Liabilities	8,349,579	14,705,897	23,055,476	29,570
NET POSITION				
Net investment in capital assets	2,398,378	2,902,634	5,301,012	-
Restricted for:				
Debt service	1,332,129	319,410	1,651,539	-
Impact fee use	342,202	1,164,770	1,506,972	-
Roadway use fees	108,900	-	108,900	-
Police	35,733	-	35,733	-
Municipal Court	81,730	-	81,730	-
Hotel/Motel use	156,041	-	156,041	-
Unrestricted	175,025	2,824,189	2,999,214	867,023
Total Net Position	\$ 4,630,138	\$ 7,211,003	\$ 11,841,141	\$ 867,023

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

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

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental Activities:				
General government	\$ 1,906,491	\$ 23,174	\$ 174,293	\$ 44,482
Public safety	1,916,830	520,403	133,001	-
Public works	380,033	406,460	-	-
Public services	376,197	24,849	-	-
Community development	301,098	-	6,157	-
Culture and recreation	574,695	5,329	10,607	15,000
Environmental services	826,841	763,540	-	-
Interest on long-term debt	387,177	-	-	-
Total governmental activities	6,669,362	1,743,755	324,058	59,482
Business-type Activities:				
Water and sewer	3,998,592	4,555,585	-	250,000
Total business-type activities	3,998,592	4,555,585	-	250,000
Total primary government	10,667,954	6,299,340	324,058	309,482
Component Unit				
Economic Development Corporation	630,946	-	-	-
Total component unit	\$ 630,946	\$ -	\$ -	\$ -

General revenues:
Property taxes
Sales taxes
Franchise taxes
Hotel/Motel taxes
Investment income
Miscellaneous
Transfers
Total general revenues
Change in net position
Net position - beginning
Prior period adjustments
Net position - ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Activities	Total	CDC
\$ (1,664,542)	\$ -	\$ (1,664,542)	\$ -
(1,263,426)	-	(1,263,426)	-
26,427	-	26,427	-
(351,348)	-	(351,348)	-
(294,941)	-	(294,941)	-
(543,759)	-	(543,759)	-
(63,301)	-	(63,301)	-
(387,177)	-	(387,177)	-
<u>(4,542,067)</u>	<u>-</u>	<u>(4,542,067)</u>	<u>-</u>
-	806,993	806,993	-
-	806,993	806,993	-
<u>(4,542,067)</u>	<u>806,993</u>	<u>(3,735,074)</u>	<u>-</u>
-	-	-	(630,946)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (630,946)</u>
\$ 3,308,451	\$ -	\$ 3,308,451	\$ -
1,305,245	-	1,305,245	472,207
406,957	-	406,957	-
78,341	-	78,341	-
9,591	2,727	12,318	2,772
16,921	55,267	72,188	2,348
236,021	(236,021)	-	-
<u>5,361,527</u>	<u>(178,027)</u>	<u>5,183,500</u>	<u>477,327</u>
819,460	628,966	1,448,426	(153,619)
3,726,378	6,666,337	10,392,715	1,020,642
84,300	(84,300)	-	-
<u>\$ 4,630,138</u>	<u>\$ 7,211,003</u>	<u>\$ 11,841,141</u>	<u>\$ 867,023</u>

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

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 528,350	\$ -	\$ 38,745	\$ 567,095
Receivables, net of allowance for uncollectibles	381,400	82,476	-	463,876
Restricted - cash and cash equivalents	-	827,450	735,042	1,562,492
Total Assets	<u>909,750</u>	<u>909,926</u>	<u>773,787</u>	<u>2,593,463</u>
LIABILITIES				
Accounts payable	52,187	-	988	53,175
Other liabilities	91,941	-	10,537	102,478
Accrued expenses	71,221	-	504	71,725
Total Liabilities	<u>215,349</u>	<u>-</u>	<u>12,029</u>	<u>227,378</u>
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue-property taxes	15,141	100,915	-	116,056
Fund Balances				
Restricted for:				
Debt service	-	809,011	-	809,011
Roadway fees	-	-	451,102	451,102
Police	-	-	35,731	35,731
Municipal court use	-	-	81,732	81,732
Hotel/Motel Use	-	-	156,043	156,043
Assigned to:				
Equipment replacement	2,557	-	-	2,557
General government	22,228	-	12,859	35,087
Library	-	-	3,679	3,679
Senior center	-	-	1,371	1,371
Parks and recreation	-	-	1,176	1,176
Public safety	-	-	12,900	12,900
Animal control	-	-	6,760	6,760
Unassigned	654,475	-	(1,595)	652,880
Total Fund Balances	<u>679,260</u>	<u>809,011</u>	<u>761,758</u>	<u>2,250,029</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 909,750</u>	<u>\$ 909,926</u>	<u>\$ 773,787</u>	<u>\$ 2,593,463</u>

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

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

Total fund balances - governmental funds balance sheet	\$ 2,250,029
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.	13,894,760
Accumulated depreciation has not been included in the governmental fund financial statements.	(3,508,506)
Revenues reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	116,056
Long-term liabilities, including bonds payable and capital leases payable, are are not due and payable in the current period and, therefore, are not reported in the funds.	(8,056,771)
Premiums and discounts on issuance of debt were not recognized in the balance sheet for governmental funds.	68,895
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(87,128)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.	(47,197)
Net position of governmental activities - statement of net position	<u>\$ 4,630,138</u>

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

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes:				
Property, including P&I	\$ 1,681,277	\$ 1,627,174	\$ -	\$ 3,308,451
Sales	1,305,245	-	-	1,305,245
Franchise	406,957	-	-	406,957
Beverage	2,944	-	-	2,944
Hotel/Motel	-	-	78,341	78,341
Fines and fees	424,206	-	27,006	451,212
Licenses and permits	9,051	-	-	9,051
Charge for services	1,157,261	-	-	1,157,261
Impact fees	-	-	126,010	126,010
Intergovernmental revenue-state and local	280,895	-	-	280,895
Insurance refund	44,482	-	-	44,482
Donations	150	-	58,237	58,387
Investment income	4,314	5,069	208	9,591
Miscellaneous	13,976	-	-	13,976
Total Revenues	<u>5,330,758</u>	<u>1,632,243</u>	<u>289,802</u>	<u>7,252,803</u>
EXPENDITURES				
Current:				
General government	1,825,883	-	27,782	1,853,665
Public safety	1,805,815	-	12,862	1,818,677
Public works	228,902	-	-	228,902
Public services	350,546	-	19,160	369,706
Community development	289,767	-	-	289,767
Culture and recreation	456,174	-	78,041	534,215
Environmental services	823,110	-	3,731	826,841
Debt service:				
Principal retirement	84,796	514,572	-	599,368
Interest	5,295	381,882	-	387,177
Capital outlays				
General government	4,397	-	-	4,397
Public works	15,810	-	-	15,810
Public services	-	-	20,483	20,483
Culture and recreation	57,733	-	28,119	85,852
Public safety	133,637	-	7,522	141,159
Total Expenditures	<u>6,081,865</u>	<u>896,454</u>	<u>197,700</u>	<u>7,176,019</u>
Excess (deficiency) of revenues over (under) expenditures	(751,107)	735,789	92,102	76,784
Other Revenues and Financing Sources (uses)				
Transfers	988,975	(752,954)	-	236,021
Total other financing sources (uses)	<u>988,975</u>	<u>(752,954)</u>	<u>-</u>	<u>236,021</u>
Net change in fund balances	237,868	(17,165)	92,102	312,805
Fund balances, October 1	441,392	826,176	585,356	1,852,924
Prior period adjustments	-	-	84,300	84,300
Fund balances, September 30	<u>\$ 679,260</u>	<u>\$ 809,011</u>	<u>\$ 761,758</u>	<u>\$ 2,250,029</u>

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

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

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ 312,805
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the capital outlays is to increase net position.	267,701
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(355,714)
Current year long-term debt principal payments on bonds payable and capital leases are expenditures in the fund financial statements but are shown as reduction in long-term debt in the government-wide financial statements.	599,368
Premiums and discounts are recognized in the fund financial statements as other financial sources or uses but these are amortized over the term of the bonds in the government-wide financial statements	(4,700)
Change in net position - governmental funds	<u>\$ 819,460</u>

**CITY OF ROYSE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET TO ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property, including P&I	\$ 1,662,051	\$ 1,662,051	\$ 1,681,277	\$ 19,226
Sales	1,190,388	1,230,558	1,305,245	74,687
Franchise	403,000	403,000	406,957	3,957
Beverage	1,750	1,750	2,944	1,194
Charge for services	997,400	997,400	1,157,261	159,861
Fines and fees	243,659	243,659	424,206	180,547
Licenses and permits	9,500	9,500	9,051	(449)
Intergovernmental revenue-state and local	111,503	111,503	280,895	169,392
Insurance refund	-	-	44,482	44,482
Donations	-	-	150	150
Investment income	1,500	1,500	4,314	2,814
Miscellaneous	35,000	35,000	13,976	(21,024)
Total Revenues	4,655,751	4,695,921	5,330,758	634,837
EXPENDITURES				
Current:				
General government	1,733,025	1,733,025	1,825,883	(92,858)
Public safety	1,712,666	1,850,836	1,805,815	45,021
Streets	213,841	213,841	228,902	(15,061)
Municipal court	184,117	184,117	350,546	(166,429)
Community services	246,232	246,232	289,767	(43,535)
Culture and recreation	447,508	472,108	456,174	15,934
Environmental services	829,041	829,041	823,110	5,931
Debt Service:				
Principal retirement	76,005	76,005	84,796	(8,791)
Interest	-	-	5,295	(5,295)
Capital outlays:				
General government	-	-	4,397	(4,397)
Streets	-	-	15,810	(15,810)
Culture and recreation	24,600	24,600	57,733	(33,133)
Public safety	98,000	128,170	133,637	(5,467)
Total Expenditures	5,565,035	5,757,975	6,081,865	(323,890)
Excess of revenues over (under) expenditures	(909,284)	(1,062,054)	(751,107)	310,947
Other Financing Sources (uses)				
Transfers	990,733	990,733	988,975	(1,758)
Total other financing sources (uses)	990,733	990,733	988,975	(1,758)
Net change in fund balance	81,449	(71,321)	237,868	309,189
Fund Balance, October 1	441,392	441,392	441,392	
Fund Balance, September 30	\$ 522,841	\$ 370,071	\$ 679,260	

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

**CITY OF ROYSE CITY, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2014**

	<u>Water & Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 938,093
Receivables (net of allowance for uncollectibles)	619,858
Prepaid expense	1,000,000
Restricted cash and cash equivalents	<u>3,162,565</u>
Total Current Assets	<u>5,720,516</u>
Noncurrent assets:	
Capital assets:	
Land	1,340,132
Machinery & equipment	232,080
Buildings	39,551
Vehicles	261,364
Infrastructure	16,504,939
Construction in progress	1,474,461
Less: accumulated depreciation	<u>(3,656,143)</u>
Total noncurrent assets	<u>16,196,384</u>
Total Assets	<u><u>21,916,900</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	339,194
Accrued expenses	6,829
Other liabilities	88,521
Payables from restricted funds:	
Customer deposits	293,796
Accrued interest	69,972
Compensated absences - current	754
Certificates of obligation - current	395,000
Bonds payable - current	<u>316,214</u>
Total Current Liabilities	<u>1,510,280</u>
Noncurrent liabilities:	
Compensated absences	6,788
Certificates of obligation	8,300,768
Bonds payable	<u>4,888,061</u>
Total noncurrent liabilities	<u>13,195,617</u>
Total liabilities	<u>14,705,897</u>
NET POSITION	
Net investment in capital assets	2,902,634
Restricted for:	
Debt Service	319,410
Impact fee use	1,164,770
Unrestricted	<u>2,824,189</u>
Total Net Position	<u><u>\$ 7,211,003</u></u>

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

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

	<u>Water & Sewer Fund</u>
OPERATING REVENUES:	
Charges for services - water	\$ 2,449,583
Charges for services - sewer	1,759,002
Water impact fees	347,000
Intergovernmental - local & state	250,000
Miscellaneous	<u>55,267</u>
Total Operating Revenues	<u>4,860,852</u>
OPERATING EXPENSES:	
Personnel services	382,526
Materials and supplies	85,862
Repairs and maintenance	293,822
Water purchases	920,514
Contractual services	1,068,755
Interceptor expenses	231,682
Depreciation/amortization	<u>429,505</u>
Total Operating Expenses	<u>3,412,666</u>
Operating Income	<u>1,448,186</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest revenue	2,727
Issuance cost on issued debt	(56,052)
Interest expense	<u>(529,874)</u>
Total Non-Operating Revenues (Expenses)	<u>(583,199)</u>
Income before capital contributions and transfers	<u>(583,199)</u>
Transfers	<u>(236,021)</u>
Change in Net Position	628,966
Net Position, October 1	6,666,337
Prior Period Adjustments	<u>(84,300)</u>
Net Position, September 30	<u><u>\$ 7,211,003</u></u>

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

**CITY OF ROYSE CITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water/Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,308,870
Cash received from other sources	567,967
Cash paid to employees	(344,942)
Cash paid to suppliers	<u>(2,382,373)</u>
Net cash provided by (used for) operating activities	<u>1,149,522</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to other funds	<u>507,028</u>
Net cash (used for) non-capital financing activities	<u>507,028</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(1,420,485)
Debt proceeds	4,695,000
Principal payments on debt obligations	(517,428)
Pay off 2005 Certificate of Obligation	(3,755,000)
Bond issuance costs	56,052
Interest and amortization expense on debt	<u>(538,300)</u>
Net cash provided by (used for) capital & related financing activities	<u>(1,480,161)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment earnings	<u>2,727</u>
Net cash provided by investing activities	<u>2,727</u>
Net Increase (Decrease) in Cash and Cash Equivalents	179,116
Cash and Cash Equivalents at Beginning of Year	<u>3,921,542</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,100,658</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 1,448,186</u>
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation and amortization	429,505
Prior period adjustment	(84,300)
Change in Assets and Liabilities:	
(Increase) decrease in assets:	
Accounts receivable	114,256
Prepaid expenses	(1,000,000)
Increase (decrease) in liabilities:	
Accounts payable	218,256
Other liabilities	37,584
Customer deposits	<u>(13,965)</u>
Total adjustments	<u>(298,664)</u>
Net cash provided by operating activities	<u>\$ 1,149,522</u>

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

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Royse City, Texas ("City") was settled in 1885 and operates under a Council/Manager form of government with the City Council comprised of the Mayor and six Council members. Some of the services provided are: public safety (police and fire protection), municipal court, water distribution, sewer treatment, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide*. The more significant accounting policies of the City are described below.

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and six-member Council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units".

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements:

- The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents;
- the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization;
- the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component unit has been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Discretely presented component units. The Royse City Community Development Corporation ("CDC") is a discretely presented component unit of the City. The CDC is governed by a board of seven members, all of whom are appointed by the City Council of the City of Royse City and whom can be removed from office by the City Council at its will. The CDC was incorporated in the state of Texas in 1998. The nature and significance of the relationship between the primary government and the CDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. There are no separate financial statements issued for the CDC.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP which require the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. 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 fund financial statements, which use the modified accrual basis of accounting and the current financial resource measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund budget and Debt Service Fund budget with actual results. The City does not have any Special Revenue funds with legally adopted budgets.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation, Basis of Accounting
 - a. Basis of Presentation (continued)

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund and the Debt Service Fund. The major proprietary fund is the Water and Sewer Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a separate column in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund include the costs of sales and service administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

- b. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available when they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No.6.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation, Basis of Accounting
 - b. Measurement Focus, Basis of Accounting (continued)

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

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

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major governmental funds:

The *General Fund* is 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 *Debt Service Fund* accounts for the resources accumulated and payments made for the principal and interest on long-term obligation debt of governmental funds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purposes. The following is a description of the proprietary fund:

The *Water and Sewer Fund* accounts for those operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis.

3. Financial Statement Amounts

- a. Cash and Cash Equivalents

The City'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.

The City pools cash from all fund types to increase the amount of funds available for investment. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Financial Statement Amounts

a. Cash and Cash Equivalents (continued)

All investments are recorded at fair value based on quoted market prices, except for certificates of deposit and government agencies, which are recorded at amortized cost. Amortized cost approximates fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

b. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the fiscal year and the reserve for prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method.

The Water and Sewer Fund has a prepaid item of \$1,000,000 for maintenance and operation expense paid to North Texas Municipal Water District. In 2001, the District issued bonds for the construction of a water storage facility and related infrastructure for the City. These bonds were called and full payment was issued in April 2014. The prepaid expense will be depleted over the next eight years which was the schedule for the original bonds to be repaid.

c. Receivable and Payable Balances

Trade and property tax receivables are shown net of an allowance for uncollectibles.

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts and are reported as Internal Balances.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

d. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customers deposits received for water and sewer services are, by law, to be considered restricted assets. These activities are included in the proprietary fund.

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Financial Statement Amounts (continued)

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost, or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was \$50,398 of capitalized interest recorded in the current fiscal year in the Water and Sewer Fund.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

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

<u>Asset Class</u>	<u>Years</u>
Vehicles	4-20
Office Furniture and equipment	5
Machinery and equipment	10
Buildings and Improvements	7-50
Infrastructure	20-40

f. Compensated Absences

It is the City's policy to pay a separating employee with at least six months of continuous service unused vacation leave not to exceed 80 hours. The rate of pay will be determined by the salary rate in effect at the time of separation. As such, there is an accrual at the close of the fiscal year end in the government-wide and proprietary fund financial statements for the amount due to all employees as of September 30, 2014. No unused sick or holiday leave will be paid out upon termination of employment.

g. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Financial Statement Amounts (continued)

h. 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 (expenses/expenditures) until then. The government does have any deferred outflows of resources for the current fiscal period.

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 a net position that applies to that time. The government has only one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred revenue, is reported only in the governmental funds balance sheet. The governmental funds report deferred revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

i. Net Position Flow Assumption

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

j. Fund Balance Policies

In the fund financial statements, governmental funds report reservations of fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by a resolution or ordinance of the City Council and that remains binding unless removed in the same manner. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established by either the City Council or City Manager, as authorized by the City Council. Assignment is much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for a special purpose as directed by City Council or City Manager.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Financial Statement Amounts

j. Fund Balance Policies (continued)

- *Unassigned fund balance* - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 25% of expenditures, with 20% or less being cause for concern. As of September 30, 2014, the City is not in compliance with this adopted fund balance policy.

Additional detailed information, along with the complete Fund Balance Policy, can be obtained from the Chief Financial Officer, City of Royse City, 305 North Arch Street, Royse City, Texas 75189.

k. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

l. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Financial Statement Amounts

l. Property Taxes (continued)

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2014, the City had a tax rate of \$0.6980 per \$100 assessed values.

m. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed.

n. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain prior year balances have been reclassified in order to be consistent with the current year's presentation.

o. Interfund Activity

Interfund activity results from loans, services provided, and reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

p. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

q. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

r. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

Expenditures exceeded appropriations in administration, streets, municipal court, community services, as well as principal and interest expenditures of the General Fund by (\$323,890).

Action Taken

These overexpenditures were funded by greater than anticipated revenues and available fund balance in the General Fund.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	
TXPW Grant Fund	<u>\$ (1,595)</u>	This deficit in fund balance is funded by the General Fund's unassigned fund balance.

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- The level of control (the level at which expenditures may not exceed budget is the fund level. The City Manager and/or CFO are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets are legally adopted on a modified accrual basis of accounting. The majority of the City's Capital Projects are budgeted on an annual basis. For budgeted capital projects not expended during the fiscal year, the City will roll those balances into the following year's fiscal budget.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

C. DEPOSITS AND INVESTMENTS

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

Cash Deposits

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,230,245 and the bank balance was \$6,257,808. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Cash and investments as of September 30, 2014 consist of and are classified in the financial statements as follows:

Statement of net position:

Primary Government	
Cash and Cash Equivalents	\$ 1,505,188
Restricted cash and cash equivalents	<u>4,725,057</u>
Total cash and cash equivalents	<u>\$ 6,230,245</u>
Governmental - restricted cash	
Debt service	\$ 827,450
Roadway impact	450,602
Special revenues - police	45,175
Municipal court	83,224
Hotel tax use	<u>156,041</u>
Total governmental restricted cash	<u>\$ 1,562,492</u>
Business-type - restricted cash	
Customer deposits	\$ 293,796
Impact fees	1,172,528
Capital projects	952,569
Debt service	<u>743,672</u>
Total business-type restricted cash	<u>\$ 3,162,565</u>

Investments

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an 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.

Currently all of the City's investments are with Local Government Investment Cooperative (LOGIC).

LOGIC was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas to jointly invest their funds in permitted investments.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

C. DEPOSITS AND INVESTMENTS

Investments (continued)

LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of LOGIC.

In order to comply with the Public Funds Investment Act, all portfolios will maintain a AAAM or equivalent rating from at least one nationally recognized rating agency. Standard & Poor's currently rates LOGIC AAAM.

The portfolio is managed by JPMorgan Investment Management, Inc. Day-to-day administration is performed by First Southwest Company and JPMorgan Investment Management, Inc. First Southwest provides distribution, administrative, participant support and marketing services. JPMorgan Investment Management, Inc. or its affiliates provides management, custody and fund accounting services. A request for LOGIC's financial statements can be made at www.logic.org.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
LOGIC	<u>\$ 5,064,027</u>	59 days	N/A	AAA-m

As of September 30, 2014 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented above is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements and the actual rating as of year end for each investment type.

Concentration of Credit Risk

With the exception of U.S. Treasury securities, certificates of deposit and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

As of September 30, 2014, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

D. RECEIVABLES

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Water and Sewer	Total
Receivables:				
Taxes	\$ 276,991	\$ 84,114	\$ -	\$ 361,105
Fees and Charges	273,933	-	831,444	1,105,377
Other	75,867	-	-	75,867
Gross Receivables	626,791	84,114	831,444	1,542,349
Less: allowance for uncollectibles	(245,391)	(1,638)	(211,586)	(458,615)
Net Total Receivables	<u>\$ 381,400</u>	<u>\$ 82,476</u>	<u>\$ 619,858</u>	<u>\$ 1,083,734</u>

The Water and Sewer Fund accounts receivable includes unbilled charges for services of \$223,865 rendered as of fiscal year end.

E. CAPITAL ASSETS

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

	Beginning Balances	Additions	Decreases	Ending Balances
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 925,169	\$ -	\$ -	\$ 925,169
Total capital assets, not being depreciated	925,169	-	-	925,169
Capital assets, being depreciated:				
Buildings and Improvements	10,139,524	81,138	-	10,220,662
Machinery & Equipment	2,592,926	186,563	(30,562)	2,748,927
Total capital assets being depreciated	12,732,450	267,701	(30,562)	12,969,589
Less accumulated depreciation for:				
Buildings and Improvements	(1,243,426)	(211,197)	-	(1,454,623)
Machinery & Equipment	(1,939,926)	(144,517)	30,562	(2,053,881)
Total accumulated depreciation	(3,183,352)	(355,714)	30,562	(3,508,504)
Total capital assets, being depreciated	9,549,098	(88,013)	-	9,461,085
Governmental activities capital assets, net	<u>\$ 10,474,267</u>	<u>\$ (88,013)</u>	<u>\$ -</u>	<u>\$ 10,386,254</u>

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

E. CAPITAL ASSETS (continued)

Business-type Funds:	Beginning Balances	Additions	Decreases	Ending Balances
Capital assets, not being depreciated				
Land	\$ 1,340,132	\$ -	\$ -	\$ 1,340,132
Construction-In-Progress	139,725	1,334,736	-	1,474,461
Total capital assets, not being depreciated	<u>1,479,857</u>	<u>1,334,736</u>	<u>-</u>	<u>2,814,593</u>
Capital assets, being depreciated:				
Water & Sewer System	16,419,189	85,750	-	16,504,939
Buildings and Improvements	39,551	-	-	39,551
Machinery & Equipment	493,444	-	-	493,444
Total capital assets being depreciated	<u>16,952,184</u>	<u>85,750</u>	<u>-</u>	<u>17,037,934</u>
Less accumulated depreciation for:				
Water & Sewer System	(2,729,018)	(412,568)	-	(3,141,586)
Buildings and Improvements	(32,980)	(1,290)	-	(34,270)
Machinery & Equipment	(464,365)	(15,922)	-	(480,287)
Total accumulated depreciation:	<u>(3,226,363)</u>	<u>(429,780)</u>	<u>-</u>	<u>(3,656,143)</u>
Total capital assets, being depreciated, net	<u>13,725,821</u>	<u>(344,030)</u>	<u>-</u>	<u>13,381,791</u>
Business-type activities capital assets, net	<u>\$ 15,205,678</u>	<u>\$ 990,706</u>	<u>\$ -</u>	<u>\$ 16,196,384</u>

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

Governmental activities:	
General government	\$ 52,824
Public safety	98,151
Public works	146,437
Municipal Court	6,491
Community Services	11,331
Culture and recreation	40,480
Total depreciation expense - governmental activities	<u>\$ 355,714</u>
Business-type activities:	
Water and Sewer	<u>\$ 429,780</u>

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

F. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation Bonds & Certificates of Obligation	\$ 8,522,361	\$ -	\$ (514,572)	\$ 8,007,789	\$ 500,786
Less deferred amounts:					
For issuance discounts	(75,873)	-	5,836	(70,037)	-
For issuance premiums	2,281	-	(1,141)	1,140	-
	8,448,769	-	(509,877)	7,938,892	500,786
Capital Leases	112,298	-	(63,314)	48,984	22,456
Compensated Absences	96,008	321,864	(330,744)	87,128	8,713
Notes Payable	21,482	-	(21,482)	-	-
Governmental activity Long-term liabilities	<u>\$ 8,678,557</u>	<u>\$ 321,864</u>	<u>\$ (925,417)</u>	<u>\$ 8,075,004</u>	<u>\$ 531,955</u>

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable:					
General Obligation Bonds & Certificates of Obligation	\$ 13,478,642	\$ 4,695,000	\$ (4,272,428)	\$ 13,901,214	\$ 711,214
Less deferred amounts:					
For issuance discounts	(150,913)	-	10,711	(140,202)	-
For issuance premiums	47,757	114,562	(12,253)	150,066	-
On refunding	(13,794)	-	2,759	(11,035)	-
	13,361,692	4,809,562	(4,271,211)	13,900,043	711,214
Compensated Absences	8,116	29,868	(30,442)	7,542	754
Business-type activity Long-term liabilities	<u>\$ 13,369,808</u>	<u>\$ 4,839,430</u>	<u>\$ (4,301,653)</u>	<u>\$ 13,907,585</u>	<u>\$ 711,968</u>

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

F. LONG-TERM OBLIGATIONS (continued)

Changes in Governmental Bonded Debt by Series

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding		Retired	Amounts Outstanding		Due Within One Year
			September 30, 2013	Increase		September 30, 2014		
GO Bonds, Series 1976	5.00%	\$ 150,000	\$ 21,000	\$ -	\$ (7,000)	\$ 14,000	\$ 7,000	
GO Bonds, Series 2005	3.25-4.00%	1,149,476	116,358	-	(77,572)	38,786	38,786	
CO, Series 2006	4.03%	1,875,000	1,480,000	-	(90,000)	1,390,000	95,000	
CO, Series 2007A	4.25-4.75%	7,850,000	6,390,000	-	(330,000)	6,060,000	350,000	
CO, Series 2011	2.10-3.25%	535,000	515,000	-	(10,000)	505,000	10,000	
Total Bonds and CO's payable		<u>\$ 11,559,476</u>	<u>\$ 8,522,358</u>	<u>\$ -</u>	<u>\$ (514,572)</u>	<u>\$ 8,007,786</u>	<u>\$ 500,786</u>	

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2015	\$ 500,786	\$ 351,311	\$ 852,097
2016	482,000	325,248	807,248
2017	510,000	315,736	825,736
2018	530,000	293,318	823,318
2019	555,000	270,525	825,525
2020-2024	3,160,000	966,318	4,126,318
2025-2029	2,190,000	229,166	2,419,166
2030-2031	80,000	6,000	86,000
Totals	<u>\$ 8,007,786</u>	<u>\$ 2,757,622</u>	<u>\$ 10,765,408</u>

\$150,000 1976 General Obligation Refunding Bond issued for the exclusive purpose of paying the City's obligations.

\$1,149,476 2005 General Obligation Refunding Bond issued for the purpose of refunding all of the issuer's outstanding combination tax and revenue certificates of obligation, Series 1992 and 2000.

\$1,875,000 Certificate of Obligation, Series 2006 issued for the purpose of paying obligations in connection with (i) acquiring, renovating, improving and equipping a building located at 305 N. Arch Street to be used as a City Hall including related infrastructure and the acquisition of land and interests in land therefore; (ii) constructing, installing and equipping City park improvements; and (iii) legal, fiscal, design and engineering fees in connection with such projects.

\$7,850,000 Certificate of Obligation, Series 2007A issued for the purpose of (i) paying obligations in connection with constructing and improving streets and roads including related drainage, sidewalks, signalization, landscaping, lighting and signage, (ii) acquiring, constructing and installing sanitary sewer additions, extensions and improvements; (iii) the acquisition of land and interests in land and properties for such projects; and (iv) paying legal, fiscal and engineering fees in connection with the projects.

\$535,000 Certificate of Obligation, Series 2011 issued for the purpose of (i) constructing and improving streets, roads, alleys, and sidewalks including related drainage, signalization, landscaping, lighting and signage, and the acquisition of land and interest in land necessary therefore; and (ii) paying legal, fiscal and engineering fees in connection with the projects.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

F. LONG-TERM OBLIGATIONS (continued)

Changes in Business-type Bonded Debt by Series

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding		Retired	Amounts Outstanding	
			September 30, 2013	Increase		September 30, 2014	Due Within One Year
GO Bonds, Series 2005	4.00%	\$ 480,524	\$ 48,642	\$ -	\$ (32,428)	\$ 16,214	\$ 16,214
GO Bonds, Series 2010	3.00%	555,000	510,000	-	(15,000)	495,000	25,000
CO, Series 2005	3.88%	5,015,000	3,885,000	-	(3,885,000)	-	-
CO, Series 2007B	5.94%	4,695,000	3,910,000	-	(185,000)	3,725,000	195,000
CO, Series 2010	3.25%	3,690,000	3,540,000	-	(75,000)	3,465,000	135,000
CO, Series 2013	2.50%	1,585,000	1,585,000	-	-	1,585,000	65,000
GO, Series 2014	2.25%	4,695,000	-	4,695,000	(80,000)	4,615,000	275,000
Total Bonds and CO's payable		<u>\$ 20,715,524</u>	<u>\$ 13,478,642</u>	<u>\$ 4,695,000</u>	<u>\$ (4,272,428)</u>	<u>\$ 13,901,214</u>	<u>\$ 711,214</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	Requirements
2015	\$ 711,214	\$ 448,720	\$ 1,159,934
2016	860,000	425,915	1,285,915
2017	895,000	510,867	1,405,867
2018	920,000	480,325	1,400,325
2019	955,000	446,251	1,401,251
2020-2024	4,410,000	1,700,119	6,110,119
2025-2029	4,165,000	691,570	4,856,570
2030-2033	985,000	62,763	1,047,763
Totals	<u>\$ 13,901,214</u>	<u>\$ 4,766,530</u>	<u>\$ 18,667,744</u>

\$480,524 2005 General Obligation Refunding Bond were issued for the purpose of providing funds to refund all of the issuer's outstanding combination tax and revenue certificates of obligation, Series 1992 and 2000.

\$555,000 2010 General Obligation Refunding Bond were issued for the purpose of refunding certain outstanding obligations of the issuer (2005 CO).

\$5,015,000 Certificate of Obligation, Series 2005 were issued for the purpose of paying for improvements to the City's Waterworks System, and for paying legal, fiscal and professional fees in connection with this project. This bond was refunded with the issuance of General Obligation Bonds, Series 2014 in April 2014.

\$4,695,000 Certificate of Obligation, Series 2007B were issued for the purpose of paying obligations incurred in connection with (i) acquiring, constructing and installing waterworks additions, extensions and improvements, (ii) the acquisition of land and interests in land and properties for such projects; and (iii) paying for legal, fiscal and engineering fees in connection with projects.

\$3,690,000 Certificate of Obligation, Series 2010 were issued for the purpose of paying obligations incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including a water storage tank, and the acquisition of land and properties for such projects; and (ii) paying legal, fiscal, and engineering fees in connection with these projects.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

F. LONG-TERM OBLIGATIONS (continued)

\$1,585,000 Combination Tax and Revenue Certificates of Obligation, Series 2013 were issued for the purpose of acquiring, constructing, installing and equipping improvements to the City's waterworks and sewer system, including construction and installation of sewer line and legal, fiscal, and engineering fees in connection with projects.

\$4,695,000 General Obligation, Series 2014 were issued for the purpose of refunding the Series 2005, Certificate of Obligations of the City's outstanding obligations and to pay North Texas Municipal Water District the balance of Series 2001 bonds that were used to construct a water storage facility for the City.

Capital Leases

The City has the following lease agreements:

\$63,680 Equipment Lease Agreement with Government Capital Corporation for financing the purchase of police vehicle in October, 2012. The lease is payable in annual installments of \$6,965, including interest. The lease is secured by equipment and has a carrying value of \$32,839 at September 30, 2014.

\$47,844 Equipment Lease Agreement with Government Capital Corporation for financing the purchase of two Chevrolet trucks in May, 2013. The lease is payable in annual installments of \$16,621, including interest. The lease is secured by equipment and has a carrying value of \$16,144 at September 30, 2014.

Capital lease repayment requirements are as follows:

Year Ending September 30:	General Fund
2015	\$ 22,456
2016	15,061
2017	<u>13,930</u>
Totals	51,447
Amounts Representing Interest	<u>(2,463)</u>
Present Value of Minimum Lease Payments	<u>\$ 48,984</u>

G. OPERATING LEASE

The City has two operating leases for office equipment of \$611 a month. These leases began in November, 2012 and are on a month-to-month lease.

H. PENSION PLAN

1. 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.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

H. PENSION PLAN

1. Plan Description (continued)

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

	Plan Year	
	2013	2014
Employee deposit rate:	7%	7%
Matching ratio (city to employee):	2 to 1	2 to 1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
	100%	100%
Updated Service Credit	Repeating, Transfers	Repeating, Transfers
Annuity increase (to retirees)	30% of CPI Repeating	30% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the project 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 (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

H. PENSION PLAN

2. Contributions (continued)

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

Actuarial Valuation Date	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level % of PR	Level % of PR	Level % of PR
GASB25 equivalent single	22.3 yrs	21.3 yrs	30.0 yrs
Amortization period	closed period	closed period	closed period
Amortization period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10yr Smoothed Market	10yr Smoothed Market	10yr Smoothed Market
Actuarial assumptions:			
Investment rate of return *	7%	7%	7%
Projected salary increase *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation rate at	3.00%	3.00%	3.00%
Cost-of-living Adjustments	0.90%	0.90%	0.90%

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

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

Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial Value of Assets	\$ 2,634,944	\$ 3,066,181	\$ 3,566,430
Actuarial Accrued Liability	3,814,485	4,093,884	4,634,119
Percentage Funded	69.1%	74.9%	77.0%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	1,179,541	1,027,703	1,067,689
Annual Covered Payroll	2,108,279	2,190,427	2,484,672
UAAL as a Percentage of Covered Payroll	55.9%	46.9%	43.0%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	Plus 180,934	221,868	245,390
Contributions Made	Less (180,934)	(221,868)	(245,390)
Net Pension Obligation (Asset) at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

H. PENSION PLAN

2. Contributions (continued)

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.

3. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the 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 referred to as an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the years ended 2014, 2013, and 2012 were \$3,085, \$3,042, and \$3,059, respectively, which equaled the required contributions each year.

I. HEALTH CARE COVERAGE

During the year ended September 30, 2014, employees of the City were provided with health and vision insurance paid for by the City. Vision insurance was provided by Block Vision of Texas. The City contributed \$5 - \$9 per month per employee for vision insurance depending on dependent coverage. Health insurance is provided by Blue Cross Blue Shield. The City contributed \$509 - \$1,275 per month per employee depending on dependent coverage. Dental coverage is not provided by the City but employees may authorize payroll deductions for coverage.

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

J. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverages and policies for fiscal year 2014-2015.

K. LITIGATION

The City is party to various legal proceedings arising in the ordinary course of its operations. Management, based on the Council's opinion, believes the City has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially alter the City's financial position.

L. COMMITMENTS AND CONTINGENCIES

Construction Commitments

The City has an active construction project as of September 30, 2014. The project includes mainly sewer infrastructure and improvements.

At year end, the City's commitments with contractors are as follows:

Proprietary Funds

<u>Project</u>	<u>Project Budget Appropriation</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Pond branch sewer project	<u>\$ 1,509,808</u>	<u>\$ 1,424,066</u>	<u>\$ 85,742</u>

M. ADDITIONAL WATER AND SEWER INFORMATION

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Pumped	479,386,000
Gallons Billed	337,019,001

The City has a contract with North Texas Municipal Water District ("NTMWD") to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2014 were \$920,514.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

N. INTERFUND TRANSFERS

<u>Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	\$ -	\$ 988,975	\$ 988,975
Debt Service Fund	(752,954)	-	(752,954)
Water and Sewer Fund	(236,021)	-	(236,021)
Total Major Funds	<u>\$ (988,975)</u>	<u>\$ 988,975</u>	<u>\$ -</u>

Transfers are used to 1) transfer debt service payments and 2) fund general administrative operations.

O. RELATED PARTY

There are several Council members that have personal accounts at the same financial institution that the City does business. Management has determined that this does not pose any conflict of interest for either party.

P. PRIOR PERIOD ADJUSTMENT

A prior period adjustment is recorded to reclassify the Roadway Use Fees Fund from business-type activities to governmental activities.

Q. SUBSEQUENT EVENTS

During FY2014, North Texas Municipal Water District (NTMWD) called their Series 2005 debt obligation of \$1,000,000. This debt was secured by NTMWD for the construction of a water storage facility for the City. The City is in the process of obtaining a QuickClaim deed to have this facility transferred from NTMWD to the City.

The City is currently entering into a lease purchase for a backhoe to replace one that was too costly to repair. The value of this backhoe is \$62,724. The first payment on this lease is not due until February 2016 and will be funded with water/wastewater revenues.

The City has evaluated all events or transactions that occurred after September 30, 2014 up through March 2, 2015, the date the financial statements were available to be issued. Other than the disclosures disclosed above, management is not aware of any other events requiring disclosure.

R. ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION

The CDC is financed with a voter approved 1/2 cent sales tax to aid, promote and further the economic development within the City. Under a contract between the CDC and the City, the City provides financial services for the CDC.

1. Deposits and Investments

Cash Deposits

At September 30, 2014, the carrying amount of the CDC's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$781,736 and the bank balance was \$782,245,975. The CDC's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the CDC's agent bank in the CDC's name.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

R. ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION

1. Deposits and Investments (continued)

Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and Cash Equivalents	<u>\$ 781,736</u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the CDC adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies. Currently, the CDC does not have any investments with LOGIC Investments or any other investments.

2. Receivables

Account receivable at the end of the fiscal year is due from the City in the amount of \$114,857. No allowance for uncollectible is calculated since there is minimal chance that the entire amount will not be collected.

3. Compliance and Accountability

a. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

Expenditures exceeded appropriations in advertising and project costs by (\$134,626).

Action Taken

These overexpenditures were funded by greater than anticipated revenues and available fund balance.

b. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<i>Fund Name</i>
None

4. Litigation

The CDC is not aware of any pending or threatened litigation at year-end.

5. Related Party

The Royse City CDC rents their office space from Royse City Realty that is owned by one of the Board members. This is on a month-to-month basis of \$550 a month.

There are several Board members that have personal accounts at the same financial institution that the CDC does business. Management has determined that this does not pose any conflict of interest for either party.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

R. ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION (continued)

5. Subsequent Events

The CDC has evaluated all events or transactions that occurred after September 30, 2014 up through March 2, 2015, the date the financial statements were available to be issued. Management did not note any subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF ROYSE CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST SEVEN FISCAL YEARS (UNAUDITED)
(UNAUDITED)**

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -Unit Credit	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)	(7) Annual Required Contributions	(8) Actual Contributions	Percent Contributed (8)/(7)
2008	12/31/2007	\$ 1,071,878	\$ 1,834,600	\$ 762,722	58.4%	\$ 2,333,042	32.7%	\$ 138,398	\$ 138,398	100%
2009	12/31/2008	1,308,365	1,963,264	654,899	66.6%	1,725,686	38.0%	155,910	155,910	100%
2010	12/31/2009	1,597,312	2,396,021	798,709	66.7%	1,935,740	41.3%	180,873	180,873	100%
2011	12/31/2010	2,267,612	3,276,858	1,009,246	69.2%	1,987,438	50.8%	199,253	199,253	100%
2012	12/31/2011	2,634,944	3,814,485	1,179,541	69.1%	2,108,279	55.9%	180,934	180,934	100%
2013	12/31/2012	3,066,181	4,093,884	1,027,703	74.9%	2,190,427	46.9%	221,868	221,868	100%
2014	12/31/2013	3,566,430	4,634,119	1,067,689	77.0%	2,484,672	43.0%	245,390	245,390	100%



SUPPLEMENTARY INFORMATION



**CITY OF ROYSE CITY, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$ 1,596,972	\$ 1,596,972	\$ 1,627,174	\$ 30,202
Investment Income	<u>2,000</u>	<u>2,000</u>	<u>5,069</u>	<u>3,069</u>
Total Revenues	<u>1,598,972</u>	<u>1,598,972</u>	<u>1,632,243</u>	<u>33,271</u>
EXPENDITURES				
Debt Service:				
Principal Retirement	513,514	513,514	514,572	(1,058)
Interest and Fiscal Agent Fees	<u>429,676</u>	<u>429,676</u>	<u>381,882</u>	<u>47,794</u>
Total Expenditures	<u>943,190</u>	<u>943,190</u>	<u>896,454</u>	<u>46,736</u>
Excess of revenues over expenditures	<u>655,782</u>	<u>655,782</u>	<u>735,789</u>	<u>80,007</u>
Other Financing Sources (Uses)				
Transfers	<u>(754,712)</u>	<u>(754,712)</u>	<u>(752,954)</u>	<u>1,758</u>
Total Other Financing Sources and Uses	<u>(754,712)</u>	<u>(754,712)</u>	<u>(752,954)</u>	<u>1,758</u>
Net change in fund balance	(98,930)	(98,930)	(17,165)	81,765
Fund Balance, October 1	<u>826,176</u>	<u>826,176</u>	<u>826,176</u>	
Fund Balance, September 30	<u><u>\$ 727,246</u></u>	<u><u>\$ 727,246</u></u>	<u><u>\$ 809,011</u></u>	

**CITY OF ROYSE CITY, TEXAS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014**

	<u>Hotel/ Motel</u>	<u>Court Technology</u>	<u>Court Security</u>	<u>Roadway Fees</u>	<u>Police Forfeiture</u>	<u>State Police</u>	<u>TXPW Grant</u>	<u>Library</u>
ASSETS								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,679
Cash and cash equivalents - Restricted	156,043	25,024	36,260	451,102	20,359	24,314	-	-
Total Assets	<u>156,043</u>	<u>25,024</u>	<u>36,260</u>	<u>451,102</u>	<u>20,359</u>	<u>24,314</u>	<u>-</u>	<u>3,679</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	-	988	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
Accrued expenses	-	-	-	-	-	8,942	1,595	-
Total Liabilities	<u>-</u>	<u>988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,942</u>	<u>1,595</u>	<u>-</u>
Fund Balances								
Restricted for:								
Municipal court use	-	24,036	36,260	-	-	-	-	-
Police	-	-	-	-	20,359	15,372	-	-
Roadway Impact	-	-	-	451,102	-	-	-	-
Hotel/Motel Use	156,043	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	3,679
Senior Center	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Animal Control	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(1,595)	-
Total Fund Balances	<u>156,043</u>	<u>24,036</u>	<u>36,260</u>	<u>451,102</u>	<u>20,359</u>	<u>15,372</u>	<u>(1,595)</u>	<u>3,679</u>
Total Liabilities and Fund Balances	<u>\$ 156,043</u>	<u>\$ 25,024</u>	<u>\$ 36,260</u>	<u>\$ 451,102</u>	<u>\$ 20,359</u>	<u>\$ 24,314</u>	<u>\$ -</u>	<u>\$ 3,679</u>

**CITY OF ROYSE CITY, TEXAS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014**

	<u>Senior Center</u>	<u>Main Street</u>	<u>Building Donations</u>	<u>Police Donations</u>	<u>Fire Donations</u>	<u>Animal</u>	<u>Parks</u>	<u>Juvenile Case Management Fund</u>	<u>Total</u>
ASSETS									
Cash and cash equivalents	\$ 1,371	\$ 6,859	\$ 6,000	\$ 1,533	\$ 11,367	\$ 6,760	\$ 1,176	\$ -	\$ 38,745
Cash and cash equivalents - Restricted	-	-	-	-	-	-	-	21,940	735,042
Total Assets	<u>1,371</u>	<u>6,859</u>	<u>6,000</u>	<u>1,533</u>	<u>11,367</u>	<u>6,760</u>	<u>1,176</u>	<u>21,940</u>	<u>773,787</u>
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	-	-	-	-	-	-	-	-	988
Other liabilities	-	-	-	-	-	-	-	504	504
Due to other funds	-	-	-	-	-	-	-	-	10,537
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>504</u>	<u>12,029</u>
Fund Balances									
Restricted for:									
Municipal court use	-	-	-	-	-	-	-	21,436	81,732
Police	-	-	-	-	-	-	-	-	35,731
Roadway Impact	-	-	-	-	-	-	-	-	451,102
Hotel/Motel Use	-	-	-	-	-	-	-	-	156,043
Assigned to:									
General government	-	6,859	6,000	-	-	-	-	-	12,859
Library	-	-	-	-	-	-	-	-	3,679
Senior Center	1,371	-	-	-	-	-	-	-	1,371
Parks and recreation	-	-	-	-	-	-	1,176	-	1,176
Public Safety	-	-	-	1,533	11,367	-	-	-	12,900
Animal Control	-	-	-	-	-	6,760	-	-	6,760
Unassigned	-	-	-	-	-	-	-	-	(1,595)
Total Fund Balances	<u>1,371</u>	<u>6,859</u>	<u>6,000</u>	<u>1,533</u>	<u>11,367</u>	<u>6,760</u>	<u>1,176</u>	<u>21,436</u>	<u>761,758</u>
Total Liabilities and Fund Balances	<u>\$ 1,371</u>	<u>\$ 6,859</u>	<u>\$ 6,000</u>	<u>\$ 1,533</u>	<u>\$ 11,367</u>	<u>\$ 6,760</u>	<u>\$ 1,176</u>	<u>\$ 21,940</u>	<u>\$ 773,787</u>

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

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	<u>Hotel/ Motel</u>	<u>Court Technology</u>	<u>Court Security</u>	<u>Roadway Impact</u>	<u>Police Forfeiture</u>	<u>State Police</u>	<u>TXPW Grant</u>	<u>Library</u>
REVENUES								
Taxes:								
Hotel/Motel	\$ 78,341	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Roadway Fees	-	-	-	126,010	-	-	-	-
Fines and Fees	-	8,056	6,042	-	-	2,686	-	-
Donations	-	-	-	-	-	-	-	-
Investment Income	-	-	-	208	-	-	-	-
Total Revenues	<u>78,341</u>	<u>8,056</u>	<u>6,042</u>	<u>126,218</u>	<u>-</u>	<u>2,686</u>	<u>-</u>	<u>-</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	976	1,237	-	-
Municipal Court	-	1,963	400	-	-	-	-	-
Parks	64,518	-	-	-	-	-	-	-
Environmental services	-	-	-	-	-	-	-	-
Capital Outlays	28,119	20,483	-	-	-	7,522	-	-
Total Expenditures	<u>92,637</u>	<u>22,446</u>	<u>400</u>	<u>-</u>	<u>976</u>	<u>8,759</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(14,296)	(14,390)	5,642	126,218	(976)	(6,073)	-	-
Fund balances, October 1	170,339	38,426	30,618	240,584	21,335	21,445	(1,595)	3,679
Prior Period Adjustments	-	-	-	84,300	-	-	-	-
Fund balances, September 30	<u>\$ 156,043</u>	<u>\$ 24,036</u>	<u>\$ 36,260</u>	<u>\$ 451,102</u>	<u>\$ 20,359</u>	<u>\$ 15,372</u>	<u>\$ (1,595)</u>	<u>\$ 3,679</u>

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

	<u>Senior Center</u>	<u>Main Street</u>	<u>Building Donations</u>	<u>Police Donations</u>	<u>Fire Donations</u>	<u>Animal</u>	<u>Parks</u>	<u>Juvenile Case Management Fund</u>	<u>Total</u>
REVENUES									
Taxes:									
Hotel/Motel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,341
Roadway Impact Fees	-	-	-	-	-	-	-	-	126,010
Fines and Fees	-	-	-	-	-	-	-	10,222	27,006
Donations	121	29,521	-	-	11,981	6,157	10,457	-	58,237
Investment Income	-	-	-	-	-	-	-	-	208
Total Revenues	<u>121</u>	<u>29,521</u>	<u>-</u>	<u>-</u>	<u>11,981</u>	<u>6,157</u>	<u>10,457</u>	<u>10,222</u>	<u>289,802</u>
EXPENDITURES									
Current:									
General government	-	27,782	-	-	-	-	-	-	27,782
Fire Department	-	-	-	-	10,649	-	-	-	12,862
Municipal Court	-	-	-	-	-	-	-	16,797	19,160
Parks	-	-	-	-	-	-	13,523	-	78,041
Environmental services	-	-	-	-	-	3,731	-	-	3,731
Capital Outlays	-	-	-	-	-	-	-	-	56,124
Total Expenditures	<u>-</u>	<u>27,782</u>	<u>-</u>	<u>-</u>	<u>10,649</u>	<u>3,731</u>	<u>13,523</u>	<u>16,797</u>	<u>197,700</u>
Net change in fund balances	121	1,739	-	-	1,332	2,426	(3,066)	(6,575)	92,102
Fund balances, October 1	1,250	5,120	6,000	1,533	10,035	4,334	4,242	28,011	585,356
Prior Period Adjustments	-	-	-	-	-	-	-	-	84,300
Fund balances, September 30	<u>\$ 1,371</u>	<u>\$ 6,859</u>	<u>\$ 6,000</u>	<u>\$ 1,533</u>	<u>\$ 11,367</u>	<u>\$ 6,760</u>	<u>\$ 1,176</u>	<u>\$ 21,436</u>	<u>\$ 761,758</u>

**CITY OF ROYSE CITY, TEXAS
BALANCE SHEET
ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

	<u>CDC</u>
ASSETS	
Cash and Cash Equivalents	\$ 781,736
Receivables (net of allowance for uncollectibles)	<u>114,857</u>
Total Assets	<u><u>896,593</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	<u>29,570</u>
Total Liabilities	<u>29,570</u>
Fund Balance	
Assigned for:	
Community Development	<u>867,023</u>
Total Fund Balance	<u>867,023</u>
Total Liabilities and Fund Balance	<u><u>\$ 896,593</u></u>

**CITY OF ROYSE CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 867,023
No items to reconcile.	-
Net position of governmental activities - statement of net position	<u><u>\$ 867,023</u></u>

**CITY OF ROYSE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>CDC</u>
REVENUES	
Taxes:	
Sales	\$ 472,207
Investment Income	2,772
Miscellaneous	<u>2,348</u>
Total Revenues	<u>477,327</u>
 EXPENDITURES	
Current:	
Administrative	155,968
Advertising & Marketing	15,215
Miscellaneous	36,311
Community Development	173,452
Project costs	<u>250,000</u>
Total Expenditures	<u>630,946</u>
 Net change in fund balance	 (153,619)
 Fund balance, October 1	 <u>1,020,642</u>
Fund balance, September 30	<u><u>\$ 867,023</u></u>

**CITY OF ROYSE CITY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ (153,619)
No items to reconcile.	-
Change in net position - statement of activities	<u><u>\$ (153,619)</u></u>

**CITY OF ROYSE CITY, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 ROYSE CITY COMMUNITY DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 408,946	\$ 408,946	\$ 472,207	\$ 63,261
Investment Income	400	400	2,772	2,372
Miscellaneous	-	-	2,348	2,348
Total Revenues	<u>409,346</u>	<u>409,346</u>	<u>477,327</u>	<u>67,981</u>
EXPENDITURES				
Current:				
Administrative	166,620	166,620	155,968	10,652
Advertising & Marketing	15,000	15,000	15,215	(215)
Miscellaneous	39,700	39,700	36,311	3,389
Community development	175,000	175,000	173,452	1,548
Project costs	100,000	100,000	250,000	(150,000)
Total Expenditures	<u>496,320</u>	<u>496,320</u>	<u>630,946</u>	<u>(134,626)</u>
Net change in fund balance	(86,974)	(86,974)	(153,619)	(66,645)
Fund balance, October 1	<u>1,020,642</u>	<u>1,020,642</u>	<u>1,020,642</u>	
Fund balance, September 30	<u>\$ 933,668</u>	<u>\$ 933,668</u>	<u>\$ 867,023</u>	