



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

June 30, 2015

To the Honorable Mayor and  
Members of the City Council  
City of Windcrest, Texas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas (the "City") for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 25, 2014. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note I. to the financial statements. As discussed in the notes to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Uncollectible accounts receivable
- Accumulated depreciation on capital assets and useful lives of capital assets

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 30, 2015.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the management's discussion and analysis, the Budgetary Comparison Schedule – General Fund and the Schedule of Funding Progress for Participation in Texas Municipal Retirement System, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

### **Significant Forthcoming Accounting Standards**

#### *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*

Governmental Accounting Standards Board Statement No. 68 (“GASB 68”), *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, is effective for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. The new standards are intended to provide more comparable and visible information within the annual financial statements of governments that provide defined benefit pensions.

Notably, GASB 68 requires employers to report the difference between the actuarial total pension liability and the fair value of the legally restricted plan assets as the net pension liability on the statement of net position. Previously, a liability was only recorded if the actual contributions made to the plan were less than the actuarial calculated contributions for the year.

These new standards relate only to the accounting and reporting of defined benefit pensions within the GAAP based financial statements of governmental entities. They do not establish requirements as to the actual funding of these benefits. These decisions are left to management and the governing body.

This Statement may have a material impact on recorded pension liabilities compared to application of current standards. Your processes should be updated to incorporate the new information requirements and gather information now to determine the future impacts on financial reporting.

### **Restriction on Use**

This information is intended solely for the use of the City Council and management of the City of Windcrest, Texas, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
June 30, 2015



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable Mayor and  
Members of the City Council  
City of Windcrest, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2015.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as Finding 2014-1 and Finding 2014-2 to be material weaknesses.

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## **Compliance and Other Matters**

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

## **City of Windcrest, Texas' Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas  
June 30, 2015

**CITY OF WINDCREST, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED SEPTEMBER 30, 2014**

**Finding 2014-1:**

Condition: The City did not consistently have adequate internal controls over cash disbursements and purchase card expenditures. Specifically, we noted instances in which:

- Appropriate supporting documentation such as invoices and evidence of proper authorization could not be provided for cash disbursements and purchase card expenditures.
- Purchase card statements were paid without original receipts that documented what was actually purchased.

Effect: Without proper internal controls over cash disbursements and purchase card expenditures, the City cannot ensure its resources are safe from loss or misuse and purchases are for legitimate City purposes.

Cause: The City's purchasing policy was not consistently followed.

Recommendation: We recommend the City improve and consistently apply internal controls over cash disbursements and purchase card expenditures to ensure that cash is disbursed only upon proper authorization and that the request for payment is supported by appropriate documentation, is for valid business purposes, and is properly recorded. These improvements should include:

- Requiring and maintaining appropriate supporting documentation for all cash disbursements and purchase card expenditures.
- Consistently scrutinizing purchase card charges to ensure they are reasonable, supported, and properly approved.
- Purchase card statements do not provide adequate supporting documentation. Original receipts for purchase card purchases are obtainable from the vendor and should always be included with the supporting documentation.

Management's Response: Management will emphasize the importance of adherence to the City's purchasing policy to all appropriate staff and increase its monitoring of compliance with this policy.

**CITY OF WINDCREST, TEXAS**

**SCHEDULE OF FINDINGS AND RESPONSES (cont.)**

**YEAR ENDED SEPTEMBER 30, 2014**

Contact Persons Responsible  
for Monitoring Corrective

Action:

Sarah Mangham, Municipal Finance Officer and Robert Colunga,  
EDC Director

Anticipated Completion

Date:

Immediately

**Finding 2014-2:**

Condition:

A strong internal control system provides for the segregation of incompatible duties. We noted certain instances in which the current internal control structure does not provide for adequate segregation of incompatible duties. Specifically,

- In municipal court, there are three employees whose duties may include collecting payments, processing transactions, and reconciling and authorizing transactions. Additionally, all three employees can void entries in the system and modify fee amounts on tickets. We also noted that the signature stamp for the Municipal Court Judge was unsecured in an unlocked cabinet in the office.
- Payment transactions made in the administration office can be processed by seven different employees in the office. Each employee has the ability to access the cash register and void a transaction. Employees are not required to enter an ID or password to access the cash register, nor are they required to have transaction voids reviewed and authorized by supervisory personnel.
- Per discussion with City personnel, all seven employees in the administration office know the passcode to the safe located in the administration office. Additionally, during two walkthroughs performed during the audit, the safe was unlocked.
- There are four different employees in administration that have access to input new vendors into the City's accounting system.
- One individual has responsibilities that include both the input of new employees into the system and distributing payroll disbursements.

**CITY OF WINDCREST, TEXAS**

**SCHEDULE OF FINDINGS AND RESPONSES (cont.)**

**YEAR ENDED SEPTEMBER 30, 2014**

Effect: A single employee could carry out and conceal errors and/or irregularities in the course of performing their day-to-day activities.

Cause: Internal controls have not been designed to provide for adequate segregation of incompatible duties.

Recommendation: We recommend the City evaluate the current internal control structure and organize duties in a way to achieve adequate separation. In general, the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. Adequate segregation of duties can be challenging in a small office. When incompatible duties cannot be separated, a detailed supervisory review of related activities should be performed as a compensating control.

Management's Response: Judge Takas' signature stamp has been secured. All voided transactions will be signed off by a Court Supervisor (currently Claudia Carrera or Kelly Rodriguez). As of June 10, 2015, admin is looking at a new safe that can be programmed for each person who needs access. A Supervisor can review who and when the safe is unlocked. The safe will remain locked at all times unless a person is accessing it for some reason.

Contact Person Responsible for Monitoring Corrective Action: Kelly Rodriguez, City Secretary

Anticipated Completion Date: Immediately

Management's Response: Finance staff has segregated both duties identified above. In the event that a separate person cannot do the function (due to staffing levels), the same person will enter the information, print it off, and email it to the Municipal Finance Officer for approval. There will be documentation of approval.

Contact Person Responsible for Monitoring Corrective Action: Sarah Mangham, Municipal Finance Officer

Anticipated Completion Date: Immediately

**CITY OF  
WINDCREST, TEXAS**

**ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2014**

**Prepared by:**

**The Finance Department**



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

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**CITY OF WINDCREST, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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# **INTRODUCTORY SECTION**

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**CITY OF WINDCREST**

**CITY OFFICIALS**

**SEPTEMBER 30, 2014**

Mayor

Alan Baxter

Mayor Pro-Tem

Pam Dodson

City Council

Gerd E. Jacobi

Jim Shelton

John Gretz

James McFall

City Manager

Rafael Castillo

Attorney

Michael Brennan

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# **FINANCIAL SECTION**

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PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Windcrest, Texas

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### ***Opinions***

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

### ***Change in Accounting Principle***

As discussed in the notes to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

*Other Information*

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

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

The introductory and statistical sections have 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 June 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
June 30, 2015

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## Management's Discussion and Analysis

This section of the City of Windcrest's (the City) annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2014. Please read it in conjunction with the City's financial statements, which follows this section.

### FINANCIAL HIGHLIGHTS

#### City

- The City's total combined net position was \$13,470,295 at September 30, 2014.
- During the year, the City's change in net position was an increase of \$4,462,314 for governmental activities and a decrease of \$156,046 for business-type activities.
- The City's general fund reported a year-end fund balance of \$2,068,467 .

#### City of Windcrest Economic Development Corporation (Corporation) – Discretely Presented Component Unit

- The Corporation was created in 1998 exclusively for the purpose of promoting economic development in the City. The Corporation generated sales tax revenue in the amount of \$452,688 during the current year.
- The Corporation's net position was (\$620,184 at September 30, 2014.
- The Corporation reported total revenues of \$452,749 and expenses of \$3,821,667 during the year, thereby decreasing its net position by \$3,368,918 . Capital assets of \$3,467,282 were transferred to the City during the fiscal year.

#### City of Windcrest Crime Control and Prevention District (District) – Discretely Presented Component Unit

- The District was created from a ¼ cent sales tax adopted in 2004 for the purpose of crime control and prevention activities. The District generated sales tax revenue in the amount of \$628,509 in the current year.
- The District's net position was \$535,882 at September 30, 2014. Of this amount, \$245,354 is restricted for the purpose of crime control and prevention activities and the remaining amount of \$290,528 is invested in capital assets.
- The District reported total revenues of \$628,526 and expenses of \$600,752 during the year, thereby increasing its net position by \$27,774 .

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements which are comprised of three parts – *government-wide financial statements*, *fund financial statements*, and *notes to the financial statements*. In addition to the basic financial statements, *required supplementary information* is also presented. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.
  - *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short* and *long-term* financial information about the activities the City operates *like businesses*; such as garbage collection.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

**Figure A-1** summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

| <b>Figure A-1. Major Features of the City's Government-wide and Fund Financial Statements</b> |  |  |   |
|---|--|--|---|
| <i>Types of Statements</i>  | Government-wide  | Fund Statements  |   |
|   |  | Governmental Funds   | Proprietary Funds   |
| <i>Scope</i>  | Entire City's government and the City's component units                                | The activities of the City that are not proprietary in nature.   | Activities the City operates similar to private businesses: garbage fund  |
| <i>Required financial statements</i>  | * Statement of Net Position<br>*Statement of Activities                                | * Balance Sheet<br>* Statement of Revenues, Expenditures and Changes in Fund Balances  | * Statement of Net Position<br>* Statement of Revenues, Expenses and Changes in Net Position<br><br>* Statement of Cash Flows |
| <i>Accounting basis and measurement focus</i>   | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus   |
| <i>Type of asset/liability information</i>  | All assets and liabilities, both financial and capital, short-term and long-term       | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included  | All assets and liabilities, both financial and capital, short-term and long-term  |
| <i>Type of inflow/ outflow information</i>  | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid  |

### **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *Statement of Net Position* presents the City's assets and liabilities including capital assets and long term liabilities. This statement reports the difference between the City's assets and liabilities as net position, which is one way to measure the City's financial health of position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the fiscal year. Changes in net position are recorded when the underlying event giving rise to the change occurs regardless of the timing of cash flows. Therefore, revenues and expenses reported in this statement for some items will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). Governmental activities include general government, public safety, public works, and animal control.

The *business-type activities* of the City include the garbage utility services.

## **Fund Financial Statements**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although non-major funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure the demonstrate compliance with requirements placed on resources. Funds are divided into two categories: governmental and proprietary.

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

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

The City maintains four individual governmental fund types for financial reporting purposes – the General Fund, Special Revenue Funds, the Capital Projects Fund and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and changes in Fund Balance for the General, Debt Service, and Capital Projects funds, all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation labeled “Nonmajor Governmental Funds”. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements included as other supplementary information. The City adopts an appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

*Proprietary funds* — The City maintains one type of proprietary fund: An *enterprise fund*, which is used to report the Garbage Utility function presented in business-type activities in the government-wide financial statements. Information is presented separately in the proprietary fund Statement of Net Position and in the proprietary fund Statement of Revenues, Expenses, and Changes in Net Position for the Garbage Utility Fund, which is considered to be a major fund.

*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.

*Required Supplementary Information* — in addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s General Fund budgetary comparison and the progress in funding its obligation to provide pension benefits to its employees.

*Supplementary Information* — the combining statements referred to earlier as the City’s nonmajor governmental funds are presented immediately following the required supplementary information.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

See table A-1. The total assets of the City exceeded its total liabilities at the close of the most recent fiscal year by \$13,470,295 (net position). Of this amount, \$2,198,457 (16%) (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City’s net position, \$11,156,271 (83%) is its investment in capital assets (e.g. land, building, improvements other than buildings, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. Although the City’s investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City’s net assets \$115,567 (1%) represents resources that are subject to external restrictions on how they may be used.

**Table A-1**  
**City of Windcrest Net Position**  
**As of September 30, 2014**  
**(With Comparative totals as of September 30, 2013)**

|                                   | Governmental         |                      | Business-Type    |                   | Total                |                      |
|-----------------------------------|----------------------|----------------------|------------------|-------------------|----------------------|----------------------|
|                                   | Activities           |                      | Activities       |                   |                      |                      |
|                                   | 2014                 | 2013                 | 2014             | 2013              | 2014                 | 2013                 |
| <i>Current Assets:</i>            |                      |                      |                  |                   |                      |                      |
| Cash and cash equivalents         | \$ 2,082,779         | \$ 4,099,928         | \$ 61,319        | \$ 184,511        | \$ 2,144,098         | \$ 4,284,439         |
| Receivables, net                  | 910,736              | 990,572              | 86,491           | 56,863            | 997,227              | 1,047,435            |
| Due from component unit           | 77,000               | -                    | -                | -                 | 77,000               | -                    |
| Prepaid items                     | 48,234               | 100,671              | -                | -                 | 48,234               | 100,671              |
| Internal balances                 | 59,100               | -                    | ( 59,100)        | -                 | -                    | -                    |
| <i>Total Current Assets</i>       | <u>3,177,849</u>     | <u>5,191,171</u>     | <u>88,710</u>    | <u>241,374</u>    | <u>3,266,559</u>     | <u>5,432,545</u>     |
| <i>Non-Current Assets:</i>        |                      |                      |                  |                   |                      |                      |
| Land                              | 267,050              | 267,050              | -                | -                 | 267,050              | 267,050              |
| Construction in progress          | 1,451,430            | 4,024,343            | -                | -                 | 1,451,430            | 4,024,343            |
| Buildings and improvements        | 2,376,690            | 2,434,673            | -                | -                 | 2,376,690            | 2,434,673            |
| Improvements other than buildings | 9,918,771            | 5,563,922            | -                | -                 | 9,918,771            | 5,563,922            |
| Furniture and equipment           | 4,204,045            | 3,816,346            | -                | -                 | 4,204,045            | 3,816,346            |
| Less accumulated depreciation     | ( 7,049,377)         | ( 6,515,449)         | -                | -                 | ( 7,049,377)         | ( 6,515,449)         |
| <i>Total Non-Current Assets</i>   | <u>11,168,609</u>    | <u>9,590,885</u>     | <u>-</u>         | <u>-</u>          | <u>11,168,609</u>    | <u>9,590,885</u>     |
| <b>Total Assets</b>               | <u>\$ 14,346,458</u> | <u>\$ 14,782,056</u> | <u>\$ 88,710</u> | <u>\$ 241,374</u> | <u>\$ 14,435,168</u> | <u>\$ 15,023,430</u> |

**Table A-1 (Continued)**  
City of Windcrest Net Position  
As of September 30, 2014  
(With Comparative totals as of September 30, 2013)

|   | Governmental<br>Activities |                      | Business-Type<br>Activities |                   | Total                |                      |
|---|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
|   | 2014                       | 2013                 | 2014                        | 2013              | 2014                 | 2013                 |
| <i>Current Liabilities:</i>                       |                            |                      |                             |                   |                      |                      |
| Accounts payable and<br>other current liabilities | \$ 779,016                 | \$ 1,009,731         | \$ 73,170                   | \$ 69,788         | \$ 852,186           | \$ 1,079,519         |
| Accrued interest payable                          | -                          | 7,465                | -                           | -                 | -                    | 7,465                |
| <i>Total Current Liabilities</i>                  | <u>779,016</u>             | <u>1,017,196</u>     | <u>73,170</u>               | <u>69,788</u>     | <u>852,186</u>       | <u>1,086,984</u>     |
| <i>Non-Current Liabilities:</i>                   |                            |                      |                             |                   |                      |                      |
| Due within one year                               | 32,408                     | 661,872              | -                           | -                 | 32,408               | 661,872              |
| Due in more than one year                         | 80,279                     | 867,597              | -                           | -                 | 80,279               | 867,597              |
| <i>Total Non-Current Liabilities</i>              | <u>112,687</u>             | <u>1,529,469</u>     | <u>-</u>                    | <u>-</u>          | <u>112,687</u>       | <u>1,529,469</u>     |
| <b>TOTAL LIABILITIES</b>                          | <u>891,703</u>             | <u>2,546,665</u>     | <u>73,170</u>               | <u>69,788</u>     | <u>964,873</u>       | <u>2,616,453</u>     |
| <i>Net Position:</i>                              |                            |                      |                             |                   |                      |                      |
| Net investment in capital assets                  | 11,156,271                 | 8,154,776            | -                           | -                 | 11,156,271           | 8,154,776            |
| Restricted  | 115,567                    | 884,683              | -                           | -                 | 115,567              | 884,683              |
| Unrestricted                                      | <u>2,182,917</u>           | <u>3,195,932</u>     | <u>15,540</u>               | <u>171,586</u>    | <u>2,198,457</u>     | <u>3,367,518</u>     |
| <b>TOTAL NET POSITION</b>                         | <u>\$ 13,454,755</u>       | <u>\$ 12,235,391</u> | <u>\$ 15,540</u>            | <u>\$ 171,586</u> | <u>\$ 13,470,295</u> | <u>\$ 12,406,977</u> |

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

See Table A-2. As of September 30, 2014, the City's total net position increased by \$4,306,268 . Total revenues were \$10,672,897 and expenses were \$6,366,629 . A significant portion (50%) of the City's revenues came taxes, 49% came from grants and charges for services, while the remaining amount comes from investment earnings and other miscellaneous revenues.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2014, compared to 2013.

**Table A-2**  
Changes in City of Windcrest's Net Position  
As of September 30, 2014  
(With Comparative totals as of September 30, 2013)

|   | Governmental         |                      | Business-Type    |                   | Total                |                      |
|---|----------------------|----------------------|------------------|-------------------|----------------------|----------------------|
|   | Activities           |                      | Activities       |                   |                      |                      |
|   | 2014                 | 2013                 | 2014             | 2013              | 2014                 | 2013                 |
| <b>REVENUES</b>                           |                      |                      |                  |                   |                      |                      |
| Program Revenues:                         |                      |                      |                  |                   |                      |                      |
| Charges for services                      | \$ 960,742           | \$ 951,332           | \$ 762,412       | \$ 828,067        | \$ 1,723,154         | \$ 1,779,399         |
| Operating grants and contributions        | 16,206               | -                    | -                | -                 | 16,206               | -                    |
| Capital grants and contributions          | 3,467,280            | -                    | -                | -                 | 3,467,280            | -                    |
| General Revenues:                         |                      |                      |                  |                   |                      |                      |
| Property taxes                            | 1,873,694            | 1,918,856            | -                | -                 | 1,873,694            | 1,918,856            |
| Other taxes                               | 3,429,248            | 4,345,293            | -                | -                 | 3,429,248            | 4,345,293            |
| Investment earnings                       | 578                  | 1,574                | 8                | 17                | 586                  | 1,591                |
| Other                                     | 162,729              | 205,386              | -                | 10,694            | 162,729              | 216,080              |
| <b>TOTAL REVENUES</b>                     | <u>9,910,477</u>     | <u>7,422,441</u>     | <u>762,420</u>   | <u>838,778</u>    | <u>10,672,897</u>    | <u>8,261,219</u>     |
| <b>EXPENSES</b>                           |                      |                      |                  |                   |                      |                      |
| General government                        | 2,233,730            | 1,563,234            | -                | -                 | 2,233,730            | 1,563,234            |
| Public safety                             | 1,571,961            | 2,666,282            | -                | -                 | 1,571,961            | 2,666,282            |
| Public works                              | 1,628,513            | 1,389,440            | -                | -                 | 1,628,513            | 1,389,440            |
| Animal control                            | 109,766              | 87,871               | -                | -                 | 109,766              | 87,871               |
| Economic development                      | -                    | 264,621              | -                | -                 | -                    | 264,621              |
| Special services                          | -                    | 171,844              | -                | -                 | -                    | 171,844              |
| EMS/Tech support                          | -                    | 225,082              | -                | -                 | -                    | 225,082              |
| Interest on long-term debt                | 9,593                | 65,266               | -                | -                 | 9,593                | 65,266               |
| Garbage                                   | -                    | -                    | 813,066          | 769,450           | 813,066              | 769,450              |
| <b>TOTAL EXPENSES</b>                     | <u>5,553,563</u>     | <u>6,433,640</u>     | <u>813,066</u>   | <u>769,450</u>    | <u>6,366,629</u>     | <u>7,203,090</u>     |
| Changes in net assets                     |                      |                      |                  |                   |                      |                      |
| Income before special items and transfers | 4,356,914            | 988,801              | ( 50,646)        | 69,328            | 4,306,268            | 1,058,129            |
| Special item                              | -                    | 142,665              | -                | -                 | -                    | 142,665              |
| Transfers In (Out)                        | 105,400              | 95,000               | ( 105,400)       | ( 95,000)         | -                    | -                    |
| Increase (decrease) in net position       | 4,462,314            | 1,226,466            | ( 156,046)       | ( 25,672)         | 4,306,268            | 1,200,794            |
| Net position - beginning                  | 9,272,030            | 11,008,925           | 171,586          | 197,258           | 9,443,616            | 11,206,183           |
| Prior period adjustment (Note II. K.)     | ( 279,589)           | -                    | -                | -                 | ( 279,589)           | -                    |
| Net position - ending                     | <u>\$ 13,454,755</u> | <u>\$ 12,235,391</u> | <u>\$ 15,540</u> | <u>\$ 171,586</u> | <u>\$ 13,470,295</u> | <u>\$ 12,406,977</u> |

### Governmental Activities

Key elements of changes in governmental activities from the prior year follow:

- Total revenues increased by \$2,488,036, primarily due to an increase in capital grants and contributions of \$3,467,280. This amount was attributable to capital assets transferred to the City during the year from the Windcrest Economic Development Corporation, a discretely presented component unit of the City.
- Total expenses decreased by \$880,077, with the largest decrease in public safety expenses.

Property tax rates decreased to \$0.41523 . Property tax rates for general operations decreased to \$0.33587 . The interest and sinking portion, to pay the General Obligation refunding bonds for street improvements, is \$0.079363 . Property taxes levied changed from \$1,926,379 in 2013 to \$1,878,659 in 2014, a decrease of \$47,720 .

Table A-3 presents the net cost of each of the City’s largest functions (total costs less program revenues). The net cost is funded by general revenues, which primarily include taxes.

**Table A-3**  
Net Cost of Select City Functions

|                    | Net Cost of<br>Services |                |
|--------------------|-------------------------|----------------|
|                    | 2014                    | 2013           |
| General government | \$( 1,897,682)          | \$( 1,106,386) |
| Public safety      | ( 931,061)              | ( 2,171,798)   |
| Public works       | 1,838,767               | ( 1,389,440)   |
| Garbage utility    | ( 50,654)               | 58,617         |

The net cost of all governmental activities this year was (\$1,109,335 ).

**Business Type Activities**

Revenues of the City’s business-type activities (garbage utility) were \$762,412 and expenses were \$813,066 , yielding a “net expense” of \$50,654 .

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

Revenues from governmental fund types totaled \$6,433,960 , an increase of \$944,736 from the prior year. Governmental revenues are comprised of property taxes, sales taxes, hotel occupancy taxes, franchise taxes, licenses, permits, court fines, charges for services, grants, interest and miscellaneous revenue. Expenditures totaled \$7,730,612 , an increase of \$1,547,957 over the prior year.

**General Fund Budgetary Highlights**

Over the course of the year, the City had numerous budget adjustments.

Final actual revenues were \$106,935 more than final budgeted revenues.

Final actual expenditures were (\$113,694) more than final budgeted expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2014, the City had invested \$11,168,609 in a broad range of capital assets, including land, equipment, buildings, vehicles and street improvements, net of accumulated depreciation. (See Table A-4). This amount represents a net increase (including additions, deductions, and depreciation) of \$1,577,724 over last year. Significant capital asset events during the year included:

- Capital assets of \$3,467,282 were transferred to the City from the Windcrest Economic Development Corporation.
- A prior period adjustment of \$279,589 was made to decrease beginning capital assets.

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

**Table A-4**  
City's Capital Assets

|                                | Governmental         |                     |
|--------------------------------|----------------------|---------------------|
|                                | Activities           |                     |
|                                | 2014                 | 2013                |
| Land                           | \$ 267,050           | \$ 267,050          |
| Construction in progress       | 1,451,430            | 4,024,343           |
| Buildings and improvements     | 2,376,690            | 2,434,673           |
| Improvements other than bldgs. | 9,918,771            | 5,563,922           |
| Furniture and equipment        | 4,204,045            | 3,816,346           |
| Total                          | <u>18,217,986</u>    | <u>16,106,334</u>   |
| Total accum. depreciation      | <u>( 7,049,377)</u>  | <u>( 6,515,449)</u> |
| Net capital assets             | <u>\$ 11,168,609</u> | <u>\$ 9,590,885</u> |

### Long Term Debt

At year end the City has the following outstanding debt:

- \$12,338 of capital leases
- Compensated absences of \$100,349

See Table A-5. More detailed information about the City's debt is presented in Note II F to the financial statements.

**Table A-5**  
City of Windcrest's Long Term Debt

|                              | Governmental<br>Activities |                   |
|------------------------------|----------------------------|-------------------|
|                              | 2014                       | 2013              |
| Leases payable               | \$ 12,338                  | \$ 24,210         |
| Bonds payable                | -                          | 460,000           |
| Compensated absences payable | 100,349                    | 93,360            |
| Total Long Term Debt         | <u>\$ 112,687</u>          | <u>\$ 577,570</u> |

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

The following economic factors were considered in developing the 2014-2015 budget:

- 2014-2015 General Fund revenues available for appropriation are \$6,243,631.
- 2014-2015 General Fund budgeted expenditures are \$6,226,885.
- The ad valorem tax rate (property tax rate) for fiscal year 2014-15 is budgeted with a decrease of 18% at \$.340900 of taxable assessed valuation. This budget will raise less revenue from property taxes than last year’s budget by an amount of \$224,381, which is a 12% decrease from last year’s budget.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

The financial report is designed to provide a general overview of the City’s finances and to show the City’s accountability to its taxpayers. If you have any questions about this report or need additional information, contact:

Sarah Mangham, CGFO  
Municipal Finance Officer  
City of Windcrest  
8601 Midcrown  
Windcrest, TX 78239  
smangham@windcrest-tx.gov

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**BASIC  
FINANCIAL STATEMENTS**

## CITY OF WINDCREST, TEXAS

### STATEMENT OF NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2014

|   | Primary Government         |                             |               |
|---|----------------------------|-----------------------------|---------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total         |
| <b>ASSETS</b>                                       |                            |                             |               |
| Cash and cash equivalents                           | \$ 2,082,779               | \$ 61,319                   | \$ 2,144,098  |
| Receivables (net of allowances for uncollectibles): |                            |                             |               |
| Taxes   | 698,771                    | -                           | 698,771       |
| Fines   | 180,412                    | -                           | 180,412       |
| Other   | 31,553                     | 86,491                      | 118,044       |
| Due from component unit                             | 77,000                     | -                           | 77,000        |
| Prepaid items                                       | 48,234                     | -                           | 48,234        |
| Internal balances                                   | 59,100                     | ( 59,100)                   | -             |
| Capital assets:                                     |                            |                             |               |
| Land  | 267,050                    | -                           | 267,050       |
| Construction in progress                            | 1,451,430                  | -                           | 1,451,430     |
| Buildings and improvements                          | 2,376,690                  | -                           | 2,376,690     |
| Improvements other than buildings                   | 9,918,771                  | -                           | 9,918,771     |
| Furniture and equipment                             | 4,204,045                  | -                           | 4,204,045     |
| Less: accumulated depreciation                      | ( 7,049,377)               | -                           | ( 7,049,377)  |
| Total capital assets                                | 11,168,609                 | -                           | 11,168,609    |
| Total assets  | 14,346,458                 | 88,710                      | 14,435,168    |
| <b>LIABILITIES</b>                                  |                            |                             |               |
| Accounts payable                                    | 391,739                    | 68,127                      | 459,866       |
| Accrued liabilities                                 | 123,056                    | -                           | 123,056       |
| Due to other governments                            | 264,221                    | 5,043                       | 269,264       |
| Due to primary government                           | -                          | -                           | -             |
| Noncurrent liabilities:                             |                            |                             |               |
| Due within one year                                 | 32,408                     | -                           | 32,408        |
| Due in more than one year                           | 80,279                     | -                           | 80,279        |
| Total liabilities                                   | 891,703                    | 73,170                      | 964,873       |
| <b>NET POSITION</b>                                 |                            |                             |               |
| Net investment in capital assets                    | 11,156,271                 | -                           | 11,156,271    |
| Restricted for:                                     |                            |                             |               |
| Debt service  | 4,829                      | -                           | 4,829         |
| Other purposes                                      | 110,738                    | -                           | 110,738       |
| Economic development                                | -                          | -                           | -             |
| Crime control                                       | -                          | -                           | -             |
| Unrestricted  | 2,182,917                  | 15,540                      | 2,198,457     |
| Total net position                                  | \$ 13,454,755              | \$ 15,540                   | \$ 13,470,295 |

**The accompanying notes are an integral part of these financial statements.**

| Component Units                        |   |
|--|---|
| Economic<br>Development<br>Corporation | Crime Control<br>and Prevention<br>District |
| \$ 9,102                               | \$ 208,712                                  |
| 110,103                                | 110,050                                     |
| -                                      | -   |
| -                                      | -   |
| -                                      | -   |
| -                                      | -   |
| -                                      | -   |
| -                                      | -   |
| 60,780                                 | -   |
| -                                      | -   |
| 19,364                                 | 340,959                                     |
| ( 76,994)                              | ( 50,431)                                   |
| <u>3,150</u>                           | <u>290,528</u>                              |
| <u>122,355</u>                         | <u>609,290</u>                              |
| -                                      | 28,602                                      |
| -                                      | 1,082                                       |
| 31,440                                 | -   |
| 40,000                                 | 37,000                                      |
| 117,196                                | 1,345                                       |
| <u>553,903</u>                         | <u>5,379</u>                                |
| <u>742,539</u>                         | <u>73,408</u>                               |
| 3,150                                  | 290,528                                     |
| -                                      | -   |
| -                                      | -   |
| ( 623,334)                             | -   |
| -                                      | 245,354                                     |
| -                                      | -   |
| <u>\$( 620,184)</u>                    | <u>\$ 535,882</u>                           |

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

|                                       | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
|---------------------------------------|---------------------|-------------------------|--|--|
| <b>Primary Government</b>             |                     |                         |  |  |
| <b>GOVERNMENTAL ACTIVITIES:</b>       |                     |                         |  |  |
| General government                    | \$ 2,233,730        | \$ 336,048              | \$ -                                     | \$ -                                   |
| Public safety                         | 1,571,961           | 624,694                 | 16,206                                   | -                                      |
| Public works                          | 1,628,513           | -                       | -  | 3,467,280                              |
| Animal control                        | 109,766             | -                       | -  | -                                      |
| Interest                              | 9,593               | -                       | -  | -                                      |
| Total governmental activities         | <u>5,553,563</u>    | <u>960,742</u>          | <u>16,206</u>                            | <u>3,467,280</u>                       |
| <b>BUSINESS-TYPE ACTIVITIES:</b>      |                     |                         |  |  |
| Garbage utility                       | <u>813,066</u>      | <u>762,412</u>          | <u>-</u>                                 | <u>-</u>                               |
| Total business-type activities        | <u>813,066</u>      | <u>762,412</u>          | <u>-</u>                                 | <u>-</u>                               |
| Total primary government              | <u>\$ 6,366,629</u> | <u>\$ 1,723,154</u>     | <u>\$ 16,206</u>                         | <u>\$ 3,467,280</u>                    |
| <b>Component Units</b>                |                     |                         |  |  |
| Economic Development Corporation      | 3,821,667           | -                       | -  | -                                      |
| Crime Control and Prevention District | <u>600,752</u>      | <u>-</u>                | <u>-</u>                                 | <u>-</u>                               |
| Total component units                 | <u>\$ 4,422,419</u> | <u>\$ -</u>             | <u>\$ -</u>                              | <u>\$ -</u>                            |

General Revenues:

|                                       |
|---------------------------------------|
| Taxes:                                |
| Property, levied for general purposes |
| Property, levied for debt service     |
| Sales                                 |
| Hotel occupancy                       |
| Franchise                             |
| Mixed beverage                        |
| Investment earnings                   |
| Miscellaneous                         |
| Transfers in (out)                    |
| Total general revenues and transfers  |
| Change in net position                |
| Net position - beginning              |
| Prior period adjustment               |
| Net position - ending                 |

**The accompanying notes are an integral part of these financial statements.**

Net (Expense) Revenue and  
Changes in Net Position  
Primary Government

| Governmental<br>Activities | Business-type<br>Activities | Total                 |
|----------------------------|-----------------------------|-----------------------|
| \$( 1,897,682)             | \$ -                        | \$( 1,897,682)        |
| ( 931,061)                 | -                           | ( 931,061)            |
| 1,838,767                  | -                           | 1,838,767             |
| ( 109,766)                 | -                           | ( 109,766)            |
| <u>( 9,593)</u>            | <u>-</u>                    | <u>( 9,593)</u>       |
| <u>( 1,109,335)</u>        | <u>-</u>                    | <u>( 1,109,335)</u>   |
| <br>                       |                             |                       |
| <u>-</u>                   | <u>( 50,654)</u>            | <u>( 50,654)</u>      |
| <u>-</u>                   | <u>( 50,654)</u>            | <u>( 50,654)</u>      |
| <br>                       |                             |                       |
| <u>\$( 1,109,335)</u>      | <u>\$( 50,654)</u>          | <u>\$( 1,159,989)</u> |

Component Units

| Economic<br>Development<br>Corporation | Crime Control<br>and Prevention<br>District |
|--|---|
| ( 3,821,667)                           | -   |
| <u>-</u>                               | <u>( 600,752)</u>                           |
| <u>\$( 3,821,667)</u>                  | <u>\$( 600,752)</u>                         |
| <br>                                   |   |
| -                                      | -   |
| -                                      | -   |
| 452,688                                | 628,509                                     |
| -                                      | -   |
| -                                      | -   |
| -                                      | -   |
| 21,291                                 | -   |
| 578                                    | 8   |
| 162,729                                | 586   |
| 105,400                                | 162,729                                     |
| <u>5,571,649</u>                       | <u>-</u>                                    |
| 4,462,314                              | <u>452,749</u>                              |
| 9,272,030                              | <u>628,526</u>                              |
| <u>( 279,589)</u>                      | <u>27,774</u>                               |
| <u>\$ 13,454,755</u>                   | <u>\$ 508,108</u>                           |
| <u>\$ 15,540</u>                       | <u>-</u>                                    |
| <u>\$ 13,470,295</u>                   | <u>\$ 535,882</u>                           |

**CITY OF WINDCREST, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|   | General      | Debt Service |
|---|--------------|--------------|
| <b>ASSETS</b>   |              |              |
| Cash and cash equivalents   | \$ 1,629,924 | \$ -         |
| Receivables (net of allowances for uncollectibles):                   |              |              |
| Accounts  | 211,965      | -            |
| Taxes   | 583,840      | 4,828        |
| Due from component unit   | 77,000       | -            |
| Due from other funds  | 460,675      | -            |
| Prepaid items   | 48,234       | -            |
| Total assets  | \$ 3,011,638 | \$ 4,828     |
| <b>LIABILITIES</b>  |              |              |
| Accounts payable  | \$ 385,113   | \$ -         |
| Accrued liabilities   | 123,056      | -            |
| Due to other funds  | -            | -            |
| Due to other governments  | 233,283      | -            |
| Total liabilities   | 741,452      | -            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |              |              |
| Unavailable revenue - property taxes                                  | 21,307       | 4,828        |
| Unavailable revenue - fines   | 180,412      | -            |
| Total deferred inflows of resources                                   | 201,719      | 4,828        |
| <b>FUND BALANCES</b>  |              |              |
| Nonspendable:   |              |              |
| Prepaid items   | 48,234       | -            |
| Restricted  | -            | -            |
| Unassigned  | 2,020,233    | -            |
| Total fund balances   | 2,068,467    | -            |
| Total liabilities, deferred inflows of<br>resources and fund balances | \$ 3,011,638 | \$ 4,828     |

**The accompanying notes are an integral part of these financial statements.**

| <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------------|--|---|
| \$ 277,403                  | \$ 175,452                                 | \$ 2,082,779                            |
| -                           | -  | 211,965                                 |
| 110,103                     | -  | 698,771                                 |
| -                           | -  | 77,000                                  |
| -                           | -  | 460,675                                 |
| -                           | -  | 48,234                                  |
| <u>\$ 387,506</u>           | <u>\$ 175,452</u>                          | <u>\$ 3,579,424</u>                     |
| <br>                        |  |   |
| \$ 5,487                    | \$ 1,139                                   | \$ 391,739                              |
| -                           | -  | 123,056                                 |
| 338,000                     | 63,575                                     | 401,575                                 |
| 30,938                      | -  | 264,221                                 |
| <u>374,425</u>              | <u>64,714</u>                              | <u>1,180,591</u>                        |
| <br>                        |  |   |
| -                           | -  | 26,135                                  |
| -                           | -  | 180,412                                 |
| <u>-</u>                    | <u>-</u>                                   | <u>206,547</u>                          |
| <br>                        |  |   |
| -                           | -  | 48,234                                  |
| 13,081                      | 110,738                                    | 123,819                                 |
| -                           | -  | 2,020,233                               |
| <u>13,081</u>               | <u>110,738</u>                             | <u>2,192,286</u>                        |
| <br>                        |  |   |
| <u>\$ 387,506</u>           | <u>\$ 175,452</u>                          | <u>\$ 3,579,424</u>                     |

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**CITY OF WINDCREST, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|   |    |                          |
|---|----|--------------------------|
| Total fund balances - governmental funds balance sheet  | \$ | 2,192,286                |
| Amounts reported for governmental activities in the statement of net position are different because:  |    |                          |
| Capital assets (net of accumulated depreciation) used in governmental funds are not financial resources and, therefore, are not reported in the funds.                  |    | 11,168,609               |
| Long-term liabilities, including bonds payable (net of unamortized costs), are not due and payable in the current period and, therefore, are not reported in the funds. | (  | 112,687)                 |
| Other long-term assets/liabilities are not available to pay for current period expenditures and, therefore, are deferred in the funds.                                  |    | <u>206,547</u>           |
| Net position of governmental activities - statement of net position   | \$ | <u><u>13,454,755</u></u> |

**The accompanying notes are an integral part of these financial statements.**

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

|   | General      | Debt Service |
|---|--------------|--------------|
| <b>REVENUES</b>   |              |              |
| Taxes:  |              |              |
| Property  | \$ 1,517,413 | \$ 358,416   |
| Sales   | 2,263,440    | -            |
| Franchise   | 520,077      | -            |
| Hotel occupancy   | -            | -            |
| Mixed beverage  | 21,291       | -            |
| Fines and fees  | 585,637      | -            |
| License and permits                                       | 236,410      | -            |
| Intergovernmental   | 105,904      | -            |
| Charges for services                                      | 99,638       | -            |
| Donations   | -            | -            |
| Investment earnings                                       | 502          | -            |
| Miscellaneous   | 56,825       | -            |
| Total revenues  | 5,407,137    | 358,416      |
| <b>EXPENDITURES</b>                                       |              |              |
| Current:  |              |              |
| General government  | 1,950,827    | -            |
| Public safety   | 2,320,571    | -            |
| Public works  | 927,150      | -            |
| Animal control  | 98,904       | -            |
| Debt service:   |              |              |
| Principal   | 11,872       | 460,000      |
| Interest  | 1,004        | 16,054       |
| Capital outlay  | 708,724      | -            |
| Total expenditures  | 6,019,052    | 476,054      |
| Excess (deficiency) of revenues over (under) expenditures | ( 611,915)   | ( 117,638)   |
| <b>OTHER FINANCING SOURCES (USES):</b>                    |              |              |
| Transfers in  | 342,247      | 112,467      |
| Transfers out   | ( 772,277)   | -            |
| Total other financing sources (uses)                      | ( 430,030)   | 112,467      |
| Net change in fund balances                               | ( 1,041,945) | ( 5,171)     |
| Fund balance - beginning                                  | 3,110,412    | 5,171        |
| Fund balance - ending                                     | \$ 2,068,467 | \$ -         |

**The accompanying notes are an integral part of these financial statements.**

| Capital<br>Projects | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---------------------|-----------------------------------|--------------------------------|
| \$ -                | \$ -                              | \$ 1,875,829                   |
| 452,688             | -                                 | 2,716,128                      |
| -                   | -                                 | 520,077                        |
| -                   | 171,752                           | 171,752                        |
| -                   | -                                 | 21,291                         |
| -                   | 27,685                            | 613,322                        |
| -                   | -                                 | 236,410                        |
| -                   | 9,648                             | 115,552                        |
| -                   | -                                 | 99,638                         |
| -                   | 6,558                             | 6,558                          |
| 54                  | 22                                | 578                            |
| -                   | -                                 | 56,825                         |
| <u>452,742</u>      | <u>215,665</u>                    | <u>6,433,960</u>               |
| -                   | 61,871                            | 2,012,698                      |
| -                   | 48,164                            | 2,368,735                      |
| 3,953               | -                                 | 931,103                        |
| -                   | -                                 | 98,904                         |
| -                   | -                                 | 471,872                        |
| -                   | -                                 | 17,058                         |
| <u>1,085,018</u>    | <u>36,500</u>                     | <u>1,830,242</u>               |
| <u>1,088,971</u>    | <u>146,535</u>                    | <u>7,730,612</u>               |
| ( 636,229)          | 69,130                            | ( 1,296,652)                   |
| 724,972             | 7,000                             | 1,186,686                      |
| ( 72,162)           | ( 236,847)                        | ( 1,081,286)                   |
| <u>652,810</u>      | <u>( 229,847)</u>                 | <u>105,400</u>                 |
| 16,581              | ( 160,717)                        | ( 1,191,252)                   |
| ( 3,500)            | 271,455                           | 3,383,538                      |
| <u>\$ 13,081</u>    | <u>\$ 110,738</u>                 | <u>\$ 2,192,286</u>            |

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**CITY OF WINDCREST, 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 - total governmental funds \$( 1,191,252)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report all capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling item represents the amount by which capital outlay exceeded depreciation in the current period. 1,704,701

The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This reconciling item represents the net effect of these differences in the treatment of long-term debt and related items. 471,872

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This reconciling item reflects the net of such expenses. 476

Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds. 9,237

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. 3,467,280

Change in net position of governmental activities - statement of activities \$ 4,462,314

**The accompanying notes are an integral part of these financial statements.**

**CITY OF WINDCREST, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | <u>Business-Type<br/>Activities</u> |
|--|-------------------------------------|
|  | <u>Garbage<br/>Utility</u>          |
| <b>ASSETS</b>                                      |                                     |
| Current assets:                                    |                                     |
| Cash and cash equivalents                          | \$ 61,319                           |
| Receivables (net of allowances for uncollectibles) | <u>86,491</u>                       |
| Total assets                                       | <u>147,810</u>                      |
| <b>LIABILITIES</b>                                 |                                     |
| Current liabilities:                               |                                     |
| Accounts payable                                   | 68,127                              |
| Due to general fund                                | 59,100                              |
| Due to other governments                           | <u>5,043</u>                        |
| Total liabilities                                  | <u>132,270</u>                      |
| <b>NET POSITION</b>                                |                                     |
| Unrestricted                                       | <u>15,540</u>                       |
| Total net position                                 | <u>\$ 15,540</u>                    |

**The accompanying notes are an integral part of these financial statements.**

**CITY OF WINDCREST, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | Business-Type<br>Activities |
|--|-----------------------------|
|  | Garbage<br>Utility          |
| <b>OPERATING REVENUES:</b>                   |                             |
| Commercial customer charges                  | \$ 360,312                  |
| Residential customer charges                 | 371,858                     |
| Other  | 30,242                      |
| Total operating revenues                     | 762,412                     |
| <b>OPERATING EXPENSES:</b>                   |                             |
| Contracted services - commercial sanitation  | 364,170                     |
| Contracted services - residential sanitation | 447,022                     |
| Other  | 1,874                       |
| Total operating expenses                     | 813,066                     |
| Operating income (loss)                      | ( 50,654)                   |
| <b>NONOPERATING REVENUES (EXPENSES):</b>     |                             |
| Investment earnings                          | 8                           |
| Total nonoperating revenues (expenses)       | 8                           |
| Income before transfers                      | ( 50,646)                   |
| Transfers out                                | ( 105,400)                  |
| Change in net position                       | ( 156,046)                  |
| Total net position - beginning               | 171,586                     |
| Total net position - ending                  | \$ 15,540                   |

**The accompanying notes are an integral part of these financial statements.**

**CITY OF WINDCREST, TEXAS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|   | <u>Business-Type<br/>Activities</u> |
|---|-------------------------------------|
|   | <u>Garbage<br/>Utility</u>          |
| Cash flows from operating activities:   |                                     |
| Cash received from customers  | \$ 732,784                          |
| Cash payments to suppliers  | <u>( 814,727)</u>                   |
| Net cash provided (used) by operating activities  | <u>( 81,943)</u>                    |
| Cash flows from non-capital financing activities:   |                                     |
| Transfers from other funds  | 59,100                              |
| Payments to other governments   | 5,043                               |
| Transfers to other funds  | <u>( 105,400)</u>                   |
| Net cash provided (used) by non-capital financing activities  | <u>( 41,257)</u>                    |
| Cash flows from investing activities:   |                                     |
| Interest on investments   | <u>8</u>                            |
| Net increase (decrease) in cash and cash equivalents  | ( 123,192)                          |
| Cash and cash equivalents at beginning of year  | <u>184,511</u>                      |
| Cash and cash equivalents at end of year  | <u>\$ 61,319</u>                    |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities:        |                                     |
| Operating income (loss)   | \$( 50,654)                         |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                                     |
| Decrease (increase) in receivables  | ( 29,628)                           |
| Increase (decrease) in accounts payable   | <u>( 1,661)</u>                     |
| Net cash provided (used) by operating activities  | <u>\$( 81,943)</u>                  |

**The accompanying notes are an integral part of these financial statements.**

**CITY OF WINDCREST, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Windcrest, Texas (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

**A. DESCRIPTION OF GOVERNMENT-WIDE 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 nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. REPORTING ENTITY**

The City is a governed by an elected mayor and five-member governing council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The City has no blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

**Discretely Presented Component Units**

The Windcrest Economic Development Corporation (the Corporation) was created pursuant to state law on September 25, 1998, to act on behalf of the City for the promotion, development and enhancement of economic development within the City. The Corporation is governed by seven members who are appointed by and serve at the pleasure of the City Council.

The Corporation is fiscally dependent on the City because it receives predominantly all of its revenue from the City's sales taxes. Separate financial statements for the Corporation can be obtained by contacting the Corporation located at 210 South First Street, Windcrest, Texas 76522.

The Windcrest Crime Control and Prevention District (the District) was created for the promotion, development, and enhancement of crime control and prevention within the City on September 20, 2004. The District was established under state law to allow the collection of \$0.0025 sales tax revenue to supplement the Windcrest Police Department. The District is governed by six members who are appointed by and serve at the pleasure of the City Council.

The District is fiscally dependent on the City because it receives predominantly all of its revenue from the City's sales taxes. Separate financial statements for the District are not issued.

### **C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has two discretely presented component units that are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are eliminations of charges that would distort the direct costs and program revenues reported for the various functions concerned.

### **D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS**

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**General Fund** – This is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**Capital Projects Fund** – Accounts for the acquisition and construction of the City's major capital facilities, other than those financed by the enterprise fund.

**Debt Service Fund** – Accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The City reports the following major enterprise fund:

**Garbage Utility Fund** – Accounts for the provision of residential and commercial garbage collection services.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

## **E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded as soon as 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

## **F. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. Actual expenditures may not legally exceed appropriations at the fund level. For the year ended September 30, 2014, expenditures exceeded appropriations by \$113,694.

## **G. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION/FUND BALANCE AND REVENUES**

### **1. Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, and investments with original maturities of three (3) months or less from the date of acquisition.

### **2. Investments**

At September 30, 2014, the City's investments are comprised of a local government investment pool, which is reported as cash and cash equivalents.

The Texas Local Government Investment Pool (TexPool) operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in each pool. Financial information for TexPool can be accessed at the following website (<http://www.texpool.com>).

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust company, which is authorized to operate TexPool. Administrative and investment services are provided by Federated Investors, Inc., acting on behalf of the Texas Treasury Safekeeping Trust Company. In addition, the TexPool Advisory Board advised on TexPool's Investment Policy. This Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

### **3. Property Taxes Receivable**

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

Tax collections are prorated between the general fund and debt service fund based on the tax rate approved by the City Council. For the year ended September 30, 2014, the general and debt service fund rates were \$0.335868 and \$0.079363, respectively, for a total of \$0.415231 per \$100 of assessed valuation.

Allowances for uncollectible tax receivables are based on historical collections.

#### 4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### 5. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more and an estimated useful life of three (3) years or more. Such assets are recorded at historical cost as purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Infrastructure assets acquired prior to October 1, 2003, are not reported in the financial statements.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

| Assets                            | Years   |
|-----------------------------------|---------|
| Building improvements             | 5 - 50  |
| Improvements other than buildings | 20 - 50 |
| Vehicles                          | 3 - 10  |
| Furniture and equipment           | 3 - 10  |

#### 6. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under the modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and fines.

These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### 7. Compensated Absences

The City permits full-time employees to accumulate earned but unused vacation pay benefits up to certain limits. Upon resignation, the employee may receive pay for any unused accrued vacation provided the employee gives two weeks written notice of the resignation and is not subject to discharge for misconduct. Liabilities for compensated absences are recognized in the fund financial statements to the extent the liabilities have matured (i.e. are due for payment) and recognized as a long term liability in the government-wide financial statements. The general fund generally liquidates the liability when it matures.

Unused sick leave may be accumulated to certain limits; however, in the event of termination, reimbursement to the employee is not made for accumulated sick leave; therefore, a liability does not exist at September 30, 2014.

#### 8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

#### 9. 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.

#### 10. Fund Balance Flow Assumptions

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 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.

## 11. Fund Balance Policies

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 City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has authorized the Finance Director or City Manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally need to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The City's goal is to achieve and maintain an unassigned fund balance in the general fund equal to 30% of the current year's expenditures. At September 30, 2014, the general fund's unassigned fund balance is \$2,020,233, which equals 33.56% of the current year's expenditures.

## 12. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

## 13. Sales and Use Taxes

The City's sales and use tax is currently levied at 2.00%. The sales and use tax is allocated as follows: 1.25% to the City's general fund; .25% to the City's capital projects fund; .25% to the District; and, .25% to the Corporation.

## 14. Use of Estimates

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

## II. DETAILED NOTES

### A. CASH AND CASH EQUIVALENTS

At September 30, 2014, cash and cash equivalents are comprised of the following:

|                         | General<br>Fund     | Capital<br>Projects | Nonmajor<br>Governmental<br>Funds | Garbage<br>Utility<br>Fund | Discretely<br>Presented<br>Component Units | Total               |
|-------------------------|---------------------|---------------------|-----------------------------------|----------------------------|--|---------------------|
| Demand deposits         | \$ 1,275,574        | \$ 258,846          | \$ 171,506                        | \$ 20,887                  | \$ 217,592                                 | \$ 1,944,405        |
| Certificates of deposit | 228,873             | -                   | -                                 | -                          | -  | 228,873             |
| Cash on hand            | 6,018               | -                   | -                                 | -                          | 222  | 6,240               |
| Investment pool         | 119,459             | 18,557              | 3,946                             | 40,432                     | -  | 182,394             |
| Total                   | <u>\$ 1,629,924</u> | <u>\$ 277,403</u>   | <u>\$ 175,452</u>                 | <u>\$ 61,319</u>           | <u>\$ 217,814</u>                          | <u>\$ 2,361,912</u> |

The City's cash deposits at September 30, 2014 and during the year then ended were entirely covered by FDIC insurance or pledged collateral held in the name of the City by the Federal Reserve Bank.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturities of investment pools to less than 12 months. At September 30, 2014, the weighted average maturity of the TexPool investment was 51 days.

Credit Risk. In accordance with the City's investment policy, investments in investment pools must be rated at least AAA, AAAM, or its equivalent. At September 30, 2014, the TexPool investment rating is AAAM.

### B. RECEIVABLES

Receivables at September 30, 2014 were as follows:

|                                   | General<br>Fund   | Debt Service<br>Fund | Capital<br>Projects<br>Fund | Garbage<br>Utility<br>Fund | Discretely<br>Presented<br>Component Units | Total               |
|-----------------------------------|-------------------|----------------------|-----------------------------|----------------------------|--|---------------------|
| Receivables:                      |                   |                      |                             |                            |  |                     |
| Taxes                             | \$ 590,943        | \$ 6,438             | \$ 110,103                  | \$ -                       | \$ 220,153                                 | \$ 927,637          |
| Fines                             | 1,804,122         | -                    | -                           | -                          | -  | 1,804,122           |
| Utilities                         | -                 | -                    | -                           | 177,970                    | -  | 177,970             |
| Miscellaneous                     | 31,553            | -                    | -                           | -                          | -  | 31,553              |
| Component unit                    | 77,000            | -                    | -                           | -                          | -  | 77,000              |
| Gross receivables                 | <u>2,503,618</u>  | <u>6,438</u>         | <u>110,103</u>              | <u>177,970</u>             | <u>220,153</u>                             | <u>3,018,282</u>    |
| Less: allowance for uncollectible | ( 1,630,813)      | ( 1,610)             | -                           | ( 91,479)                  | -  | (1,723,902)         |
| Net total receivables             | <u>\$ 872,805</u> | <u>\$ 4,828</u>      | <u>\$ 110,103</u>           | <u>\$ 86,491</u>           | <u>\$ 220,153</u>                          | <u>\$ 1,294,380</u> |

### C. DUE TO/FROM OTHER FUNDS

At September 30, 2014, the due to/from other fund balances represent temporary short-term loans to other funds as a result of overdraws of pooled cash. All loans are expected to be paid back within one year. The following is a summary of the due to/from other funds.

|                             | Due from<br>Other Funds | Due to<br>Other Funds |
|-----------------------------|-------------------------|-----------------------|
| General Fund                |                         |                       |
| Capital Projects Fund       | \$ 338,000              | \$ -                  |
| Garbage Utility Fund        | 59,100                  | -                     |
| Nonmajor Governmental Funds | 63,575                  | -                     |
| Capital Projects Fund       |                         |                       |
| General Fund                | -                       | 338,000               |
| Nonmajor Governmental Funds |                         |                       |
| General Fund                | -                       | 63,575                |
| Garbage Utility Fund        |                         |                       |
| General Fund                | -                       | 59,100                |
|                             | <u>          </u>       | <u>          </u>     |
| Total                       | <u>\$ 460,675</u>       | <u>\$ 460,675</u>     |

### D. CAPITAL ASSETS

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

|  | October 1, 2013     | Additions           | Deletions            | September 30,<br>2014 |
|--|---------------------|---------------------|----------------------|-----------------------|
| Governmental Activities:                     |                     |                     |                      |                       |
| Capital Assets, Not Being Depreciated:       |                     |                     |                      |                       |
| Land   | \$ 267,050          | \$ -                | \$ -                 | \$ 267,050            |
| Construction in progress                     | 721,225             | 1,252,863           | ( 522,658)           | 1,451,430             |
| Total Capital Assets, Not Being Depreciated  | <u>988,275</u>      | <u>1,252,863</u>    | <u>( 522,658)</u>    | <u>1,718,480</u>      |
| Capital Assets, Being Depreciated:           |                     |                     |                      |                       |
| Buildings and improvements                   | 2,373,893           | -                   | 2,797                | 2,376,690             |
| Improvements other than buildings            | 5,563,922           | 4,377,563           | ( 22,714)            | 9,918,771             |
| Furniture and equipment                      | 3,724,482           | 724,001             | ( 244,438)           | 4,204,045             |
| Equipment under capital leases               | 72,500              | -                   | ( 72,500)            | -                     |
| Total Capital Assets, Being Depreciated      | <u>11,734,797</u>   | <u>5,101,564</u>    | <u>( 336,855)</u>    | <u>16,499,506</u>     |
| Less Accumulated Depreciation for:           |                     |                     |                      |                       |
| Buildings and improvements                   | ( 1,449,460)        | ( 72,520)           | ( 1)                 | ( 1,521,981)          |
| Improvements other than buildings            | ( 1,908,801)        | ( 322,839)          | -                    | ( 2,231,640)          |
| Furniture and equipment                      | ( 3,054,359)        | ( 191,929)          | ( 49,468)            | ( 3,295,756)          |
| Equipment under capital leases               | ( 34,235)           | -                   | 34,235               | -                     |
| Total Accumulated Depreciation               | <u>( 6,446,855)</u> | <u>( 587,288)</u>   | <u>( 15,234)</u>     | <u>( 7,049,377)</u>   |
| Total Capital Assets, Being Depreciated, Net | <u>5,287,942</u>    | <u>4,514,276</u>    | <u>( 352,089)</u>    | <u>9,450,129</u>      |
| Governmental Activities Capital Assets, Net  | <u>\$ 6,276,217</u> | <u>\$ 5,767,139</u> | <u>\$ ( 874,747)</u> | <u>\$ 11,168,609</u>  |

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

|                            |    |                |
|----------------------------|----|----------------|
| General government         | \$ | 213,021        |
| Public safety              |    | 259,859        |
| Public works               |    | 103,558        |
| Animal control             |    | 10,850         |
| Total Depreciation Expense | \$ | <u>587,288</u> |

### Discretely Presented Component Units

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

|  | October 1, 2013     | Additions         | Deletions              | September 30, 2014 |
|--|---------------------|-------------------|------------------------|--------------------|
| Discretely Presented Component Units:                    |                     |                   |                        |                    |
| Capital Assets, Not Being Depreciated:                   |                     |                   |                        |                    |
| Construction in progress                                 | \$ 3,303,118        | \$ 164,164        | \$ ( 3,467,282)        | \$ -               |
| Total Capital Assets, Not Being Depreciated              | <u>3,303,118</u>    | <u>164,164</u>    | <u>( 3,467,282)</u>    | <u>-</u>           |
| Capital Assets, Being Depreciated:                       |                     |                   |                        |                    |
| Buildings and improvements                               | 60,780              | -                 | -                      | 60,780             |
| Furniture and equipment                                  | <u>19,364</u>       | <u>18,451</u>     | <u>322,507</u>         | <u>360,322</u>     |
| Total Capital Assets, Being Depreciated                  | <u>80,144</u>       | <u>18,451</u>     | <u>322,507</u>         | <u>421,102</u>     |
| Less Accumulated Depreciation for:                       |                     |                   |                        |                    |
| Buildings and improvements                               | ( 50,054)           | ( 7,576)          | -                      | ( 57,630)          |
| Furniture and equipment                                  | <u>( 18,540)</u>    | <u>( 22,227)</u>  | <u>( 29,027)</u>       | <u>( 69,794)</u>   |
| Total Accumulated Depreciation                           | <u>( 68,594)</u>    | <u>( 29,803)</u>  | <u>( 29,027)</u>       | <u>( 127,424)</u>  |
| Total Capital Assets, Being Depreciated, Net             | <u>11,550</u>       | <u>( 11,352)</u>  | <u>293,480</u>         | <u>293,678</u>     |
| Discretely Presented Component Units Capital Assets, Net | \$ <u>3,314,668</u> | \$ <u>152,812</u> | \$ <u>( 3,173,802)</u> | \$ <u>293,678</u>  |

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

|                            |    |               |
|----------------------------|----|---------------|
| Public safety              | \$ | 21,404        |
| Economic development       |    | 8,399         |
| Total Depreciation Expense | \$ | <u>29,803</u> |

## E. TRANSFERS

Transfers during the year ended September 30, 2014, were:

|                        | <u>Transfers In</u>     | <u>Transfers Out</u>    |
|------------------------|-------------------------|-------------------------|
| General Fund:          |                         |                         |
| Debt Service Fund      | \$ -                    | \$ 40,305               |
| Capital Projects Fund  | -                       | 724,972                 |
| Garbage Utility Fund   | 105,400                 | -                       |
| Nonmajor funds         | 236,847                 | 7,000                   |
| Debt service:          |                         |                         |
| General Fund           | 40,305                  |                         |
| Capital Projects Fund  | 72,162                  | -                       |
| Capital Projects Fund: |                         |                         |
| General Fund           | 724,972                 | -                       |
| Debt Service Fund      | -                       | 72,162                  |
| Nonmajor funds:        |                         |                         |
| General Fund           | 7,000                   | 236,847                 |
| Garbage Utility Fund:  |                         |                         |
| General Fund           | -                       | 105,400                 |
|                        | <u>-</u>                | <u>105,400</u>          |
| <br>Total              | <br><u>\$ 1,186,686</u> | <br><u>\$ 1,186,686</u> |

The primary purpose of interfund transfers is to support expenditures/expenses of one fund in accordance with the authority established for the transferring fund.

## F. LONG-TERM LIABILITIES

### Bonds Payable

On September 30, 2008, the City issued \$2,545,000 in General Obligation Refunding Bonds, Series 2008 for the purpose of refunding certain obligations. The interest rate was 3.49 percent and was payable May 1 and November 1 each year, with final maturity on May 1, 2014.

The following is a summary of changes in bonds payable for the year ended September 30, 2014:

|                              |                    |
|------------------------------|--------------------|
| Balance - October 1, 2013    | \$ 460,000         |
| Retired                      | ( <u>460,000</u> ) |
| Balance - September 30, 2014 | <u>\$ -</u>        |

### Capital Lease

The City has a commitment under a capital lease agreement for public works and police equipment. The agreement bears an interest rate of 4.22% and contains a bargain purchase option.

The following is a summary of changes in capital leases for the year ended September 30, 2014:

|                              |    |                      |
|------------------------------|----|----------------------|
| Balance - October 1, 2013    | \$ | 24,210               |
| Retired                      | (  | <u>11,872)</u>       |
| Balance - September 30, 2014 |    | <u>12,338</u>        |
| Due Within One Year          | \$ | <u><u>12,338</u></u> |

Loan Payable – Discretely Presented Component Unit

During fiscal year 2011, the City of Windcrest Economic Development Corporation obtained a Texas Leverage Fund (TLF) loan from the Office of the Governor Economic Development and Tourism Division in the amount of \$1,600,000 for the purpose of building a road for handling the increased employment traffic to the Rackspace location in the City. The interest rate is variable based on the federal funds rate plus 3%. The loan has a first lien on economic development sales and use tax receipts. The final maturity on the loan is January 1, 2020.

A summary of changes in the loan payable for the year ended September 30, 2014 follows:

|                               |    |                       |
|-------------------------------|----|-----------------------|
| Balance -- October 1, 2013    | \$ | 951,899               |
| Retired                       | (  | <u>280,800)</u>       |
| Balance -- September 30, 2014 |    | <u>671,099</u>        |
| Due Within One Year           | \$ | <u><u>117,196</u></u> |

Annual debt service requirements to maturity for the loan payable follows:

| <u>Year Ending</u><br><u>September 30,</u> | <u>Principal</u>         | <u>Interest</u>         | <u>Total</u><br><u>Requirements</u> |
|--|--------------------------|-------------------------|-------------------------------------|
| 2015                                       | \$ 117,196               | \$ 17,764               | \$ 134,960                          |
| 2016                                       | 118,716                  | 16,244                  | 134,960                             |
| 2017                                       | 122,633                  | 12,327                  | 134,960                             |
| 2018                                       | 126,678                  | 8,282                   | 134,960                             |
| 2019                                       | 130,858                  | 4,102                   | 134,960                             |
| 2020                                       | <u>55,018</u>            | <u>416</u>              | <u>55,434</u>                       |
| Total                                      | \$ <u><u>671,099</u></u> | \$ <u><u>59,135</u></u> | \$ <u><u>730,234</u></u>            |

## Compensated Absences

Compensated absences activity for the primary government for the year ended September 30, 2014 was as follows:

|                               |    |                  |
|-------------------------------|----|------------------|
| Balance -- October 1, 2013    | \$ | 93,360           |
| Additions                     |    | 337,608          |
| Payments                      | (  | <u>330,619</u> ) |
| Balance -- September 30, 2014 |    | <u>100,349</u>   |
| Amount Due Within One Year    | \$ | <u>20,070</u>    |

## **G. RETIREMENT PLAN**

### **Plan Description**

The City provides pension benefits for all of its fulltime employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide 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 statutes of TMRS.

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

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

|   | <u>Plan Year 2013 and 2014</u> |
|---|--------------------------------|
| Employee Deposit Rate   | 6%                             |
| Matching Ratio (City to Employee)                                       | 1.5 to 1                       |
| Years Required for Vesting  | 5                              |
| Service Retirement Eligibility (Expressed as Age /<br>Years of Service) | 60 / 5,<br>0 / 20              |
| Updated Service Credit  | 100% Repeating,<br>Transfers   |
| Annuity Increase (to Retirees)  | 70% of CPI Repeating           |

## Contributions

Under the state law governing TMRS, the contribution rate is determined annually by the actuary, using the Entry Age Normal (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 prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases.

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

Contributions to TMRS made for the last 3 years follows:

| <u>Fiscal Year</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Contribution Made</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------------|---------------------------------|--------------------------------------|-------------------------------|
| 2012               | \$ 142,861                       | \$ 142,861                      | 100%                                 | \$ -                          |
| 2013               | 141,466                          | 141,466                         | 100%                                 | -                             |
| 2014               | 162,716                          | 162,716                         | 100%                                 | -                             |

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, is as follows:

|                              |                            |                            |                            |
|------------------------------|----------------------------|----------------------------|----------------------------|
| Actuarial Valuation Date:    | December 31, 2011          | December 31, 2012          | December 31, 2013          |
| Actuarial Cost Method:       | Projected Unit Credit      | Projected Unit Credit      | Entry Age Normal           |
| Amortization Method:         | Level Percent of Payroll   | Level Percent of Payroll   | Level Percent of Payroll   |
| Amortization Period (years): | 25.9 -- Closed Period      | 25.0 -- Closed Period      | 30.0 -- Closed Period      |
| Asset Valuation Method:      | 10-year Smoothed Market    | 10-year Smoothed Market    | 10-year Smoothed Market    |
| Investment Rate of Return:   | 7.00%                      | 7.00%                      | 7.00%                      |
| Projected Salary Increases:  | Varies by Ages and Service | Varies by Ages and Service | Varies by Ages and Service |
| Inflation Rate:              | 3.0%                       | 3.0%                       | 3.0%                       |
| Cost of Living Adjustments:  | 2.1%                       | 2.1%                       | 2.1%                       |

## Funded Status and Funding Progress

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

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

| Actuarial<br>Valuation Date | Actuarial<br>Value of Assets | Actuarial<br>Accrued<br>Liability (AAL) | Funded<br>Ratio | Unfunded<br>AAL<br>(UAAL) | Covered<br>Payroll | UAAL as a<br>Percentage of<br>Covered Payroll |
|-----------------------------|------------------------------|---|-----------------|---------------------------|--------------------|---|
| 12/31/2013                  | \$ 6,502,980                 | \$ 7,031,387                            | 92.5%           | \$ 528,407                | \$ 2,344,313       | 22.5%   |

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.

## H. OTHER POST-EMPLOYMENT BENEFITS

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operating by 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 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 provide a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment 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 1 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 life insurance during the employees' entire careers.

The City's contribution to the TMRS SDBF for the years September 30, 2014, 2013, and 2012 were \$4,640, \$3,925, and \$4,872, respectively, which equaled the required contributions each year. Therefore, the City does not have an OPEB liability at September 30, 2014.

## **I. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML and liability to the City is generally limited to the contributed amounts. There were no significant reductions in coverage in the past fiscal year and settlements did not exceed insurance coverage for each of the past three fiscal years.

## **J. COMMITMENTS AND CONTINGENCIES**

### Contingencies

In previous years the City and the Corporation filed a lawsuit against a former City Manager alleging various causes of action in the nature of fraud and theft of public funds for which he had been indicted. The former City Manager has filed a counterclaim against the City seeking severance benefits. The City and Corporation are not considered by management to be subject to any further liability and have no reasonable expectation of any future recoveries related to the incident.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

### Commitments

In 2007, the City of Windcrest entered into an agreement with the City of San Antonio, Texas, under which the City of San Antonio released an area from its jurisdiction and allowed for the City of Windcrest to accept and annex the area into the municipal limits of the City of Windcrest. The boundary change agreement provides for the sharing of future tax revenues on the annexed area for the next 30 years. Under the terms of the agreement, the City of San Antonio and the City of Windcrest each receive 50% of the local sales taxes due to the City of Windcrest and distributed by the State Comptroller for taxable business activity conducted on the annexed area. For the fiscal year ended September 30, 2014, the amount of the local sales taxes due to the City of San Antonio under this agreement amounted to \$1,267,159.

### **K. PRIOR PERIOD ADJUSTMENT**

During the current year, management determined that certain expenses had been capitalized in prior years that should not have been. Accordingly, beginning net position for governmental activities was decreased by \$279,589.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**CITY OF WINDCREST, TEXAS**

**GENERAL FUND**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <b>REVENUES</b>  |                     |                     |                     |   |
| Taxes  | \$ 4,473,616        | \$ 4,435,923        | \$ 4,322,221        | \$( 113,702)  |
| Licenses and permits   | 211,110             | 192,595             | 236,410             | 43,815  |
| Intergovernmental  | 38,000              | 45,000              | 105,904             | 60,904  |
| Charges for services   | 122,810             | 121,850             | 99,638              | ( 22,212)   |
| Fines  | 571,854             | 470,734             | 585,637             | 114,903   |
| Investment earnings  | 675                 | 1,600               | 502                 | ( 1,098)  |
| Miscellaneous  | <u>77,500</u>       | <u>32,500</u>       | <u>56,825</u>       | <u>24,325</u>   |
| Total revenues   | <u>5,495,565</u>    | <u>5,300,202</u>    | <u>5,407,137</u>    | <u>106,935</u>  |
| <b>EXPENDITURES</b>  |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| General government   | 2,040,672           | 2,051,901           | 1,950,827           | 101,074   |
| Public safety  | 2,255,727           | 2,358,841           | 2,320,571           | 38,270  |
| Public works   | 898,851             | 852,985             | 927,150             | ( 74,165)   |
| Animal control   | 95,937              | 89,071              | 98,904              | ( 9,833)  |
| Capital outlay   | <u>738,917</u>      | <u>552,560</u>      | <u>708,724</u>      | <u>( 156,164)</u>   |
| Total expenditures   | <u>6,030,104</u>    | <u>5,905,358</u>    | <u>6,019,052</u>    | <u>( 113,694)</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>( 534,539)</u>   | <u>( 605,156)</u>   | <u>( 611,915)</u>   | <u>( 6,759)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                     |                     |                     |   |
| Transfers in   | 422,042             | 422,047             | 342,247             | ( 79,800)   |
| Transfers out  | <u>( 731,972)</u>   | <u>( 731,972)</u>   | <u>( 772,277)</u>   | <u>( 40,305)</u>  |
| Total other financing sources (uses)                                 | <u>( 309,930)</u>   | <u>( 309,925)</u>   | <u>( 430,030)</u>   | <u>( 120,105)</u>   |
| <b>NET CHANGE IN FUND BALANCE</b>                                    | <u>( 844,469)</u>   | <u>( 915,081)</u>   | <u>( 1,041,945)</u> | <u>( 126,864)</u>   |
| <b>FUND BALANCE, BEGINNING</b>                                       | <u>3,110,412</u>    | <u>3,110,412</u>    | <u>3,110,412</u>    | <u>-</u>  |
| <b>FUND BALANCE, ENDING</b>  | <u>\$ 2,265,943</u> | <u>\$ 2,195,331</u> | <u>\$ 2,068,467</u> | <u>\$( 126,864)</u>                                       |

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**CITY OF WINDCREST, TEXAS**

**SCHEDULE OF FUNDING PROGRESS - TEXAS MUNICIPAL RETIREMENT SYSTEM**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of Assets<br/>(a)</u> | <u>Actuarial<br/>Accrued Liability<br/>(AAL)<br/>(b)</u> | <u>Funded<br/>Ratio<br/>(a/b)</u> | <u>Unfunded<br/>AAL<br/>(UAAL)<br/>(b-a)</u> | <u>Covered<br/>Payroll<br/>( c )</u> | <u>UAAL as a<br/>Percentage<br/>of Payroll<br/>((b-a)/c)</u> |
|---|--|--|-----------------------------------|--|--------------------------------------|--|
| 12/31/11                                | \$ 5,498,300                                 | \$ 6,026,441   | 91.2%                             | \$ 528,141                                   | \$ 2,019,671                         | 26.1%  |
| 12/31/12                                | 5,955,000                                    | 6,316,072  | 94.3%                             | 361,072                                      | 2,176,402                            | 16.6%  |
| 12/31/13                                | 6,502,980                                    | 7,031,387  | 92.5%                             | 528,407                                      | 2,344,313                            | 22.5%  |

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**COMBINING FUND  
STATEMENTS**

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## CITY OF WINDCREST, TEXAS

### SPECIAL REVENUE FUNDS DESCRIPTIONS

Special Revenue Funds are used to account for specific revenues where expenditures are legally restricted for particular purposes. Funds included in the Special Revenue Funds category that are non-major are described below.

***School Crossing Guard Fund*** – used to account for revenues restricted by the State to provide for school crossing guards and maintenance of school zones.

***Assets Seizure and Forfeitures (Federal) Fund*** – used to account for revenues provided by police seizures restricted by the Federal government to provide crime prevention and detection.

***Assets Seizure and Forfeitures (State) Fund*** – used to account for revenues provided by police seizures restricted by the State government to provide crime prevention and detection.

***County Fire Contributions Fund*** – used to account for funds provided by Bexar County to offset expenditures incurred in providing fire protection outside the City limits.

***Police Donations Fund*** – used to account for donations provided for police protection within the City.

***Police Education and Training Fund*** – used to account for L.E.O.S.E. funds received from the State to be used for police education and training.

***Roosevelt Scholarships Fund*** – used to account for donations from the Windfest Family Fund Day to provide for a scholarship to be awarded to a graduating Roosevelt High School senior.

***Court Technology Fund*** – used to account for fees assessed for the purpose of improving technology.

***Building Security Fund*** – used to account for fees assessed for providing security to City facilities.

***Hotel/ Motel Tax Fund*** – used to account for hotel occupancy taxes.

***Friends to Animal Control Fund*** – used to account for the trap and release program for the feral cat program within the City. Donations are accepted and the City matches the donations 1 to 1 up to \$2,000.

**CITY OF WINDCREST, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2014**

|                                     | School<br>Crossing<br>Guard | Asset Seizure<br>and Forfeitures<br>(Federal) | Asset Seizure<br>and Forfeitures<br>(State) | County Fire<br>Contributions |
|-------------------------------------|-----------------------------|---|---|------------------------------|
| <b>ASSETS</b>                       |                             |   |   |                              |
| Cash and cash equivalents           | \$ 36,285                   | \$ 347  | \$ 514                                      | \$ 22,921                    |
| Total assets                        | <u>\$ 36,285</u>            | <u>\$ 347</u>                                 | <u>\$ 514</u>                               | <u>\$ 22,921</u>             |
| <b>LIABILITIES</b>                  |                             |   |   |                              |
| Accounts payable                    | \$ 23                       | \$ -  | \$ -  | \$ -                         |
| Due to other funds                  | <u>-</u>                    | <u>-</u>                                      | <u>-</u>                                    | <u>22,000</u>                |
| Total liabilities                   | <u>23</u>                   | <u>-</u>                                      | <u>-</u>                                    | <u>22,000</u>                |
| <b>FUND BALANCES</b>                |                             |   |   |                              |
| Restricted                          | <u>36,262</u>               | <u>347</u>                                    | <u>514</u>                                  | <u>921</u>                   |
| Total fund balances                 | <u>36,262</u>               | <u>347</u>                                    | <u>514</u>                                  | <u>921</u>                   |
| Total liabilities and fund balances | <u>\$ 36,285</u>            | <u>\$ 347</u>                                 | <u>\$ 514</u>                               | <u>\$ 22,921</u>             |

| <u>Police Donations</u> | <u>Police Education and Training</u> | <u>Roosevelt Scholarships</u> | <u>Court Technology</u> | <u>Building Security</u> | <u>Hotel/Motel Tax</u> |
|-------------------------|--------------------------------------|-------------------------------|-------------------------|--------------------------|------------------------|
| \$ <u>6,686</u>         | \$ <u>5,090</u>                      | \$ <u>4,092</u>               | \$ <u>56,561</u>        | \$ <u>808</u>            | \$ <u>39,821</u>       |
| \$ <u>6,686</u>         | \$ <u>5,090</u>                      | \$ <u>4,092</u>               | \$ <u>56,561</u>        | \$ <u>808</u>            | \$ <u>39,821</u>       |
| \$ 699                  | \$ 417                               | \$ -                          | \$ -                    | \$ -                     | \$ -                   |
| <u>1,200</u>            | <u>1,150</u>                         | <u>-</u>                      | <u>-</u>                | <u>-</u>                 | <u>39,225</u>          |
| <u>1,899</u>            | <u>1,567</u>                         | <u>-</u>                      | <u>-</u>                | <u>-</u>                 | <u>39,225</u>          |
| <u>4,787</u>            | <u>3,523</u>                         | <u>4,092</u>                  | <u>56,561</u>           | <u>808</u>               | <u>596</u>             |
| <u>4,787</u>            | <u>3,523</u>                         | <u>4,092</u>                  | <u>56,561</u>           | <u>808</u>               | <u>596</u>             |
| \$ <u>6,686</u>         | \$ <u>5,090</u>                      | \$ <u>4,092</u>               | \$ <u>56,561</u>        | \$ <u>808</u>            | \$ <u>39,821</u>       |

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**CITY OF WINDCREST, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2014**

|                                     | Friends to<br>Animal<br>Control | Total<br>Nonmajor<br>Governmental<br>Funds |
|-------------------------------------|---------------------------------|--|
| <b>ASSETS</b>                       |                                 |  |
| Cash and cash equivalents           | \$ <u>2,327</u>                 | \$ <u>175,452</u>                          |
| Total assets                        | \$ <u><u>2,327</u></u>          | \$ <u><u>175,452</u></u>                   |
| <b>LIABILITIES</b>                  |                                 |  |
| Accounts payable                    | \$ -                            | \$ 1,139                                   |
| Due to other funds                  | <u>-</u>                        | <u>63,575</u>                              |
| Total liabilities                   | <u>-</u>                        | <u>64,714</u>                              |
| <b>FUND BALANCES</b>                |                                 |  |
| Restricted                          | <u>2,327</u>                    | <u>110,738</u>                             |
| Total fund balances                 | <u>2,327</u>                    | <u>110,738</u>                             |
| Total liabilities and fund balances | \$ <u><u>2,327</u></u>          | \$ <u><u>175,452</u></u>                   |

**CITY OF WINDCREST, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**

**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | School<br>Crossing<br>Guard | Asset Seizure<br>and Forfeitures<br>(Federal) | Asset Seizure<br>and Forfeitures<br>(State) | County Fire<br>Contributions |
|--|-----------------------------|---|---|------------------------------|
|  | <u>          </u>           | <u>          </u>                             | <u>          </u>                           | <u>          </u>            |
| <b>REVENUES</b>  |                             |   |   |                              |
| Taxes:   |                             |   |   |                              |
| Hotel occupancy  | \$ -                        | \$ -  | \$ -  | \$ -                         |
| Intergovernmental  | 5,825                       | -   | -   | 1,756                        |
| Fines and fees   | -                           | -   | -   | -                            |
| Donations  | -                           | -   | -   | -                            |
| Investment earnings  | <u>1</u>                    | <u>-</u>                                      | <u>-</u>                                    | <u>2</u>                     |
| Total revenues   | <u>5,826</u>                | <u>-</u>                                      | <u>-</u>                                    | <u>1,758</u>                 |
| <b>EXPENDITURES</b>  |                             |   |   |                              |
| Current:   |                             |   |   |                              |
| General government   | -                           | -   | -   | -                            |
| Public safety  | 150                         | -   | 4,899                                       | 22,000                       |
| Capital outlay   | <u>-</u>                    | <u>-</u>                                      | <u>-</u>                                    | <u>-</u>                     |
| Total expenditures   | <u>150</u>                  | <u>-</u>                                      | <u>4,899</u>                                | <u>22,000</u>                |
| Excess (deficiency) of revenues over (under)<br>expenditures | <u>5,676</u>                | <u>-</u>                                      | <u>( 4,899)</u>                             | <u>( 20,242)</u>             |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |   |   |                              |
| Transfers in   | -                           | -   | -   | -                            |
| Transfers out  | <u>-</u>                    | <u>-</u>                                      | <u>-</u>                                    | <u>-</u>                     |
| Total other financing sources (uses)                         | <u>-</u>                    | <u>-</u>                                      | <u>-</u>                                    | <u>-</u>                     |
| Net change in fund balances                                  | 5,676                       | -   | ( 4,899)                                    | ( 20,242)                    |
| Fund balance - beginning                                     | <u>30,586</u>               | <u>347</u>                                    | <u>5,413</u>                                | <u>21,163</u>                |
| Fund balance - ending  | <u>\$ 36,262</u>            | <u>\$ 347</u>                                 | <u>\$ 514</u>                               | <u>\$ 921</u>                |

| <u>Police Donations</u> | <u>Police Education and Training</u> | <u>Roosevelt Scholarships</u> | <u>Court Technology</u> | <u>Building Security</u> | <u>Hotel/Motel Tax</u> |
|-------------------------|--------------------------------------|-------------------------------|-------------------------|--------------------------|------------------------|
| \$ -                    | \$ -                                 | \$ -                          | \$ -                    | \$ -                     | \$ 171,752             |
| -                       | 2,067                                | -                             | -                       | -                        | -                      |
| -                       | -                                    | -                             | 15,820                  | 11,865                   | -                      |
| 2,291                   | -                                    | -                             | -                       | -                        | -                      |
| <u>1</u>                | <u>-</u>                             | <u>-</u>                      | <u>4</u>                | <u>2</u>                 | <u>12</u>              |
| <u>2,292</u>            | <u>2,067</u>                         | <u>-</u>                      | <u>15,824</u>           | <u>11,867</u>            | <u>171,764</u>         |
| -                       | -                                    | -                             | -                       | -                        | 61,871                 |
| 2,669                   | 5,665                                | -                             | -                       | 12,781                   | -                      |
| <u>480</u>              | <u>-</u>                             | <u>-</u>                      | <u>180</u>              | <u>35,840</u>            | <u>-</u>               |
| <u>3,149</u>            | <u>5,665</u>                         | <u>-</u>                      | <u>180</u>              | <u>48,621</u>            | <u>61,871</u>          |
| <u>( 857)</u>           | <u>( 3,598)</u>                      | <u>-</u>                      | <u>15,644</u>           | <u>( 36,754)</u>         | <u>109,893</u>         |
| -                       | -                                    | -                             | -                       | 7,000                    | -                      |
| <u>-</u>                | <u>-</u>                             | <u>-</u>                      | <u>-</u>                | <u>-</u>                 | <u>( 236,847)</u>      |
| <u>-</u>                | <u>-</u>                             | <u>-</u>                      | <u>-</u>                | <u>7,000</u>             | <u>( 236,847)</u>      |
| <u>( 857)</u>           | <u>( 3,598)</u>                      | <u>-</u>                      | <u>15,644</u>           | <u>( 29,754)</u>         | <u>( 126,954)</u>      |
| <u>5,644</u>            | <u>7,121</u>                         | <u>4,092</u>                  | <u>40,917</u>           | <u>30,562</u>            | <u>127,550</u>         |
| <u>\$ 4,787</u>         | <u>\$ 3,523</u>                      | <u>\$ 4,092</u>               | <u>\$ 56,561</u>        | <u>\$ 808</u>            | <u>\$ 596</u>          |

**CITY OF WINDCREST, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**

**FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

|  | Friends to<br>Animal<br>Control | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|---------------------------------|--|
|  | <u>          </u>               | <u>          </u>                          |
| <b>REVENUES</b>  |                                 |  |
| Taxes:   |                                 |  |
| Hotel occupancy  | \$ -                            | \$ 171,752                                 |
| Intergovernmental  | -                               | 9,648                                      |
| Fines and fees   | -                               | 27,685                                     |
| Donations  | 4,267                           | 6,558                                      |
| Investment earnings  | <u>-</u>                        | <u>22</u>                                  |
| Total revenues   | <u>4,267</u>                    | <u>215,665</u>                             |
| <b>EXPENDITURES</b>  |                                 |  |
| Current:   |                                 |  |
| General government   | -                               | 61,871                                     |
| Public safety  | -                               | 48,164                                     |
| Capital outlay   | <u>-</u>                        | <u>36,500</u>                              |
| Total expenditures   | <u>-</u>                        | <u>146,535</u>                             |
| Excess (deficiency) of revenues over (under)<br>expenditures | <u>4,267</u>                    | <u>69,130</u>                              |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                 |  |
| Transfers in   | -                               | 7,000                                      |
| Transfers out  | <u>-</u>                        | <u>( 236,847)</u>                          |
| Total other financing sources (uses)                         | <u>-</u>                        | <u>( 229,847)</u>                          |
| Net change in fund balances                                  | 4,267                           | ( 160,717)                                 |
| Fund balance - beginning                                     | <u>( 1,940)</u>                 | <u>271,455</u>                             |
| Fund balance - ending  | <u>\$ 2,327</u>                 | <u>\$ 110,738</u>                          |