

CITY OF OVILLA, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2014

CITY OF OVILLA, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 Ovilla, 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.

Honorable Mayor and Members of the City Council
City of Ovilla, Texas

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-11 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ovilla, Texas' basic financial statements. The combining and individual fund financial statements and schedules, the combining component unit financial statements and the supplementary financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Yeldell, Wilson & Co., P.C.
Certified Public Accountants

April 2, 2015

CITY OF OVILLA, TEXAS

105 South Cockrell Hill Road · Ovilla, Texas 75154 · (972) 617-7262 · FAX (972) 515-3221

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$884,699 (net position). Of this amount, \$2,427,490 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$186,280.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,767,508, an increase of \$182,351 in comparison with the prior year. Approximately 90% of this amount (\$1,590,503) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,590,503, or approximately 68% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, cultural and recreational, and solid waste. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate economic development corporation and municipal development corporation for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

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

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *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 assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprises fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer fund, which is considered to be major fund of the City.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Fiduciary Funds. The City maintains one fiduciary fund. The *fiduciary fund* is used to account for resources held for the benefit of parties outside the government. The *fiduciary fund* is not reflected in the government-wide financial statement because the resources of this fund are not available to support the City's own programs. The accounting used for the *fiduciary fund* is much like that used for the proprietary fund.

The basic fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-49 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's General fund Budget Comparison Schedule. Required supplementary information can be found on page 51 of this report.

This report also presents combining and individual fund financial statements and schedules in connection with the nonmajor governmental funds and water and sewer fund. These combining and individual fund financial statements and schedules can be found on pages 52-58 of this report.

In addition, this report presents a fund financial statement and schedule in connection with the Ovilla 4B Economic Development Corporation and Ovilla Municipal Development Corporation. The individual fund financial statements can be found on pages 59-61 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$884,699, at the close of the most recent fiscal year.

CITY OF OVILLA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,912,192	\$ 2,096,732	\$ 1,337,675	\$ 1,407,733	\$ 3,249,867	\$ 3,504,465
Capital assets	1,639,478	1,845,157	2,693,775	2,844,358	4,333,253	4,689,515
Total assets	<u>3,551,670</u>	<u>3,941,889</u>	<u>4,031,450</u>	<u>4,252,091</u>	<u>7,583,120</u>	<u>8,193,980</u>
Long term liabilities	5,102,022	5,394,891	1,247,902	1,324,198	6,349,924	6,719,089
Other liabilities	152,500	516,763	195,997	252,149	348,497	768,912
Total liabilities	<u>5,254,522</u>	<u>5,911,654</u>	<u>1,443,899</u>	<u>1,576,347</u>	<u>6,698,421</u>	<u>7,488,001</u>
Net position:						
Net investment in capital assets	(3,422,855)	(3,508,888)	1,587,982	1,666,957	(1,834,873)	(1,841,931)
Restricted	177,005	177,354	115,077	109,575	292,082	286,929
Unrestricted	1,542,998	1,361,769	884,492	899,212	2,427,490	2,260,981
Total net position (deficit)	<u>\$ (1,702,852)</u>	<u>\$ (1,969,765)</u>	<u>\$ 2,587,551</u>	<u>\$ 2,675,744</u>	<u>\$ 884,699</u>	<u>\$ 705,979</u>

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$292,082) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,427,490 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's overall net position increased \$186,280 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF OVILLA'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 670,723	\$ 607,256	\$ 1,267,882	\$ 1,180,731	\$ 1,938,605	\$ 1,787,987
Operating grants and contributions	12,388	18,720	-	-	12,388	18,720
Capital grants and contributions	2,310	-	20,732	-	23,042	-
General revenues:						
Property tax	1,664,265	1,668,401	-	-	1,664,265	1,668,401
Sales tax	221,125	221,114	-	-	221,125	221,114
Franchise tax	153,077	149,703	-	-	153,077	149,703
Investment earnings	6,175	7,265	3,322	3,150	9,497	10,415
Gain on sale of capital assets	7,678	32,196	-	-	7,678	32,196
Miscellaneous	127,768	136,713	-	-	127,768	136,713
Total revenues	2,865,509	2,841,368	1,291,936	1,183,881	4,157,445	4,025,249
Expenses:						
General government	353,835	341,985	-	-	353,835	341,985
Public safety	1,575,569	1,498,932	-	-	1,575,569	1,498,932
Streets	402,904	371,237	-	-	402,904	371,237
Cultural and recreational	27,221	21,695	-	-	27,221	21,695
Solid waste	200,910	199,979	-	-	200,910	199,979
Interest on long-term debt	168,048	174,287	-	-	168,048	174,287
Water and sewer	-	-	1,242,678	1,212,352	1,242,678	1,212,352
Total expenses	2,728,487	2,608,115	1,242,678	1,212,352	3,971,165	3,820,467
Increase in net position before transfers	137,022	233,253	49,258	(28,471)	186,280	204,782
Transfers	129,891	138,803	(129,891)	(138,803)	-	-
Increase in net position	266,913	372,056	(80,633)	(167,274)	186,280	204,782
Net position - beginning	(1,969,765)	(2,341,821)	2,668,184	2,835,458	698,419	493,637
Net position - ending	\$ (1,702,852)	\$ (1,969,765)	\$ 2,587,551	\$ 2,668,184	\$ 884,699	\$ 698,419

- The majority of the increase in revenue resulted from a increase in charges for services of about \$151,000.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,767,508, an increase of \$182,351 in comparison with the prior year. Approximately 90% of this total amount (\$1,590,503) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is restricted for particular purposes (\$177,005).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,590,503 while total fund balance reached \$1,623,421. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 68% of total general fund expenditures, while total fund balance represents 69% of that same amount.

The fund balance of the City's general fund increased \$191,293 during the current fiscal year.

The debt service fund has a total fund balance of \$83,418. The net decrease in fund balance during the current year in the debt service fund was \$26,668.

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

Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$884,492. Net position decreased in 2014 by \$80,633. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City increased the original estimated revenue by \$92,387. This was offset with an increase in expenditures of \$70,776. The main components of the difference between original budget and final amended budget can be briefly summarized as follows:

- \$101,760 increase in license and permit revenue
- \$20,229 decrease in charges for services revenue
- \$52,000 increase in code enforcement expenditures

Final budget compared to actual results. General fund actual revenues of \$2,441,668 exceeded budgeted revenues of \$2,355,865 by \$85,803.

Budgeted general fund expenditures of \$2,681,850 exceeded actual expenditures of \$2,296,246. This \$385,604 positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$4,333,253 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

**City of Ovilla's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 147,035	\$ 147,035	\$ 86,700	\$ 86,700	\$ 233,735	\$ 233,735
Construction in progress	-	-	14,740	14,740	14,740	14,740
Buildings	163,841	174,435	59,788	62,119	223,629	236,554
Improvements	-	-	2,440,511	2,577,323	2,440,511	2,577,323
Machinery and equipment	492,637	657,972	92,036	103,476	584,673	761,448
Infrastructure	835,965	865,715	-	-	835,965	865,715
Total	\$ 1,639,478	\$ 1,845,157	\$ 2,693,775	\$ 2,844,358	\$ 4,333,253	\$ 4,689,515

Major capital asset events during the current fiscal year included the following:

- Machinery and equipment additions of approximately \$27,000.
- Infrastructure improvements of approximately \$29,000.
- Machinery and equipment disposals of approximately \$149,000.

Additional information on the City of Ovilla's capital assets can be found in note 2.E on pages 33-34 of this report.

Long-term Debt. At the end of the current fiscal year, the City had a total bonded debt of \$6,175,000, all of which comprises bonded debt backed by the full faith and credit of the government.

City of Ovilla's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation refunding	\$ 4,963,016	\$ 5,248,339	\$ 1,211,984	\$ 1,281,661	\$ 6,175,000	\$ 6,530,000
Total	\$ 4,963,016	\$ 5,248,339	\$ 1,211,984	\$ 1,281,661	\$ 6,175,000	\$ 6,530,000

The City's General Obligation Refunding Bonds ratings are listed below.

	<u>Standard's & Poor's</u>
General Obligation Refunding	AA

Additional information on the City of Ovilla's long term-debt can be found in note 2.J on pages 46-48 of this report.

Economic Factors and Next Year's Budgets and Rates

The FY2014-15 Budget calls for adopting the Effective Tax Rate (ETR) of \$0.6719 per \$100 of assessed property valuation. The operating tax rate is projected to increase from \$0.5019 to \$0.5101 and the debt rate will decrease from \$0.1700 to \$0.1618. The adopted tax rate of \$0.6719 is the same tax rate as fiscal year 2013-2014. The total combined budget of \$4,938,006 represents a decrease of \$27,120 less than the FY2013-14 Amended Budget of \$4,965,126, and an increase of \$371,512, or 7.5% over FY2013-2014 Adopted Budget.

According to both Ellis County and Dallas County Appraisal Districts, the total assessed property value for 2014 equals \$261,857,352. Additionally, existing property values increased \$13,696,611 and includes \$5,171,120 of new property coming on-line. Total exemptions account for \$49,555,985 in assessed property value, which equates to \$332,967 in lost property tax revenue.

Other revenues are projected to increase slightly in FY2014-2015. Sales tax collections are projected up by 9% over FY2013-2014 and building permits and related fees are projected to rise based on an estimated thirty (30) new housing permits for the remaining lots in Ovilla Parc and Ovilla Creek Estates subdivisions.

The City's annual debt service, including principal of \$365,000 and interest of \$210,325 is \$575,325. The outstanding debt reflects \$7,415,000 in General Obligation Refunding Bonds payable through 2029.

The Five-Year Strategic Guide adopted in March 2014 provides the focus of this year's budget. The City will continue to pursue its mission of adopting policies that reflect the values of the citizens. Staff will continue their focus on providing quality services to our citizens. The main emphasis will be on road and street improvements including Ellis County portion of Cockrell Hill Road, and neighborhood streets Silverwood Drive, Westlawn, and East Highland. This budget includes funding to revise the Comprehensive Land Plan, install the Water Street waterline and the road repair on Water Street after construction, as well as funding for the City's estimated portion for right-of-way acquisition and utility relocation for the expansion of FM664, revisions to the zoning maps, four quarterly newsletters, the purchase of a used truck for Public Works, salary and wage adjustments, and a merit increase based on performance of up to 3%. There was one part-time position authorized in this budget for public safety.

The budget includes cost increases from the Trinity River Authority for wastewater treatment and from Dallas Water Utilities for wholesale water. The water rate increase will impact the City's water customer base rate by \$0.77 per month. There was a 5% increase to the cost of employee health insurance premiums and a 3.23% increase to the City's portion of Texas Municipal Retirement System.

Funding from Emergency Services District #2 for fire protection services was increased from \$145,000 to \$165,000 to cover the cost of additional staffing hours between 4 p.m. - 8 p.m. Monday through Friday, and to compensate the volunteer firefighters on Saturday and Sunday. Funding from Emergency Services District #4 increased from \$18,000 to \$18,745 with the intent of the District to hold an election in 2015 to increase the District's tax rate.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 105 South Cockrell Hill Rd., Ovilla, Texas 75154.

CITY OF OVILLA, TEXAS
STATEMENT OF NET POSITION
September 30, 2014

	Primary Government			Component Units	
	Governmental	Business-type	Total	Ovilla 4B	Ovilla
	Activities	Activities		Economic	Municipal
				Development	Development
				Corporation	District
ASSETS					
Cash and cash equivalents	\$ 1,356,389	\$ 971,309	\$ 2,327,698	\$ 376,575	\$ 94,872
Investments	304,656	1,145	305,801	-	-
Receivables (net of allowance for uncollectibles)	84,687	267,908	352,595	-	4,776
Due from primary government	-	-	-	6,544	-
Internal balances	166,460	(166,460)	-	-	-
Inventories	-	17,198	17,198	-	-
Restricted assets:					
Cash and cash equivalents	-	241,720	241,720	-	-
Investments	-	4,855	4,855	-	-
Capital assets:					
Non-depreciable	147,035	101,440	248,475	-	-
Depreciable (net of accumulated depreciation)	1,492,443	2,592,335	4,084,778	-	-
Total Assets	3,551,670	4,031,450	7,583,120	383,119	99,648
LIABILITIES					
Accounts payable and other current liabilities	94,955	126,045	221,000	-	-
Accrued payroll payable	30,191	9,722	39,913	-	-
Accrued interest payable	21,131	5,160	26,291	-	-
Due to component unit	6,223	-	6,223	-	-
Due to primary government	-	-	-	-	321
Customer deposits payable	-	55,070	55,070	-	-
Noncurrent liabilities:					
Due within one year	333,049	82,251	415,300	-	-
Due in more than one year	4,768,973	1,165,651	5,934,624	-	-
Total Liabilities	5,254,522	1,443,899	6,698,421	-	321
NET POSITION					
Net investment in capital assets	(3,422,855)	1,587,982	(1,834,873)	-	-
Restricted for:					
Public safety	19,728	-	19,728	-	-
Cultural and recreational	73,859	-	73,859	-	-
Debt service	83,418	-	83,418	-	-
Infrastructure improvements	-	115,077	115,077	-	-
Unrestricted	1,542,998	884,492	2,427,490	383,119	99,327
Total Net Position	\$ (1,702,852)	\$ 2,587,551	\$ 884,699	\$ 383,119	\$ 99,327

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

CITY OF OVILLA, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2014

Function/Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activities	Total	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
Primary government:									
Governmental activities:									
General government	\$ 353,835	\$ 200,092	\$ 3,000	\$ -	\$ (150,743)	\$ -	\$ (150,743)	\$ -	\$ -
Public safety	1,575,569	218,434	9,388	2,310	(1,345,437)	-	(1,345,437)	-	-
Streets	402,904	-	-	-	(402,904)	-	(402,904)	-	-
Cultural and recreational	27,221	22,413	-	-	(4,808)	-	(4,808)	-	-
Solid waste	200,910	229,784	-	-	28,874	-	28,874	-	-
Interest on long-term debt	168,048	-	-	-	(168,048)	-	(168,048)	-	-
Total governmental activities	<u>2,728,487</u>	<u>670,723</u>	<u>12,388</u>	<u>2,310</u>	<u>(2,043,066)</u>	<u>-</u>	<u>(2,043,066)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	1,242,678	1,267,882	-	20,732	-	45,936	45,936	-	-
Total business-type activities	<u>1,242,678</u>	<u>1,267,882</u>	<u>-</u>	<u>20,732</u>	<u>-</u>	<u>45,936</u>	<u>45,936</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$3,971,165</u>	<u>\$ 1,938,605</u>	<u>\$ 12,388</u>	<u>\$ 23,042</u>	<u>(2,043,066)</u>	<u>45,936</u>	<u>(1,997,130)</u>	<u>-</u>	<u>-</u>
Component Units:									
Economic development	31,547	-	-	-	-	-	-	(31,547)	-
Municipal development	2,384	-	-	-	-	-	-	-	(2,384)
Total component units	<u>\$ 33,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,547)</u>	<u>(2,384)</u>
General revenues:									
Property taxes					1,664,265	-	1,664,265	-	-
Sales taxes					221,125	-	221,125	88,450	30,675
Franchise taxes					153,077	-	153,077	-	-
Investment earnings					6,175	3,322	9,497	1,093	256
Gain on sale of capital assets					7,678	-	7,678	-	-
Miscellaneous					127,768	-	127,768	-	-
Transfers					129,891	(129,891)	-	-	-
Total general revenues and transfers					<u>2,309,979</u>	<u>(126,569)</u>	<u>2,183,410</u>	<u>89,543</u>	<u>30,931</u>
Change in net position					266,913	(80,633)	186,280	57,996	28,547
Net position - beginning					(1,969,765)	2,668,184	698,419	325,123	70,780
Net position - ending					<u>\$ (1,702,852)</u>	<u>\$ 2,587,551</u>	<u>\$ 884,699</u>	<u>\$ 383,119</u>	<u>\$ 99,327</u>

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

CITY OF OVILLA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,273,622	\$ 21,658	\$ 61,109	\$ 1,356,389
Investments	304,656	-	-	304,656
Receivables (net of allowance for uncollectibles)	80,871	3,816	-	84,687
Due from other funds	105,060	61,800	-	166,860
Total assets	<u>\$ 1,764,209</u>	<u>\$ 87,274</u>	<u>\$ 61,109</u>	<u>\$ 1,912,592</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 94,515	\$ -	\$ 440	\$ 94,955
Accrued payroll payable	30,191	-	-	30,191
Due to other funds	-	400	-	400
Due to component unit	6,223	-	-	6,223
Total liabilities	<u>130,929</u>	<u>400</u>	<u>440</u>	<u>131,769</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property tax	<u>9,859</u>	<u>3,456</u>	<u>-</u>	<u>13,315</u>
FUND BALANCES				
Restricted for:				
Public safety	8,787	-	10,941	19,728
Cultural and recreational	24,131	-	49,728	73,859
Debt service	-	83,418	-	83,418
Unassigned	1,590,503	-	-	1,590,503
Total fund balances	<u>1,623,421</u>	<u>83,418</u>	<u>60,669</u>	<u>1,767,508</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,764,209</u>	<u>\$ 87,274</u>	<u>\$ 61,109</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,639,478
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		13,315
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest payable	\$ (21,131)	
Due within one year	(333,049)	
Due in more than one year	(4,768,973)	(5,123,153)
Net position of governmental activities		<u>\$ (1,702,852)</u>

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

CITY OF OVILLA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 1,245,694	\$ 421,915	\$ -	\$ 1,667,609
Sales taxes	221,125	-	-	221,125
Franchise taxes	153,077	-	-	153,077
Licenses and permits	195,404	-	-	195,404
Fines and forfeitures	54,903	-	-	54,903
Charges for current services	398,003	-	-	398,003
Revenues from use of money and property	5,464	642	69	6,175
Miscellaneous	127,762	-	22,413	150,175
Intergovernmental	4,988	-	-	4,988
Contributions and donations	3,000	-	4,400	7,400
Total revenues	<u>2,409,420</u>	<u>422,557</u>	<u>26,882</u>	<u>2,858,859</u>
EXPENDITURES				
Current:				
General government	346,449	-	-	346,449
Public safety	1,401,367	-	9,156	1,410,523
Streets	370,393	-	-	370,393
Cultural and recreational	25,329	-	-	25,329
Solid waste	200,910	-	-	200,910
Debt service:				
Principal retirement	-	285,323	-	285,323
Interest and fiscal charges	-	175,150	-	175,150
Total expenditures	<u>2,344,448</u>	<u>460,473</u>	<u>9,156</u>	<u>2,814,077</u>
Excess (deficiency) of revenues over (under) expenditures	<u>64,972</u>	<u>(37,916)</u>	<u>17,726</u>	<u>44,782</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	7,678	-	-	7,678
Transfers in	118,643	11,248	-	129,891
Total other financing sources (uses)	<u>126,321</u>	<u>11,248</u>	<u>-</u>	<u>137,569</u>
Net change in fund balances	191,293	(26,668)	17,726	182,351
Fund balances-beginning of year	<u>1,432,128</u>	<u>110,086</u>	<u>42,943</u>	<u>1,585,157</u>
Fund balances-end of year	<u>\$ 1,623,421</u>	<u>\$ 83,418</u>	<u>\$ 60,669</u>	<u>\$ 1,767,508</u>

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

CITY OF OVILLA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2014

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net Change in Fund Balances - total governmental funds (page 15)	\$	182,351
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		30,562
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(230,317)
The issuance of long-term debt (e.g., bonds) 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond principal repayments	\$	285,323
Amortization of bond discount		(773)
Amortization of bond premium		<u>7,162</u>
		291,712
Payment of compensated absences is reported as expenditures in the governmental funds when actually paid. However, on the government-wide statement of changes in net position compensated absences are expensed as they are accrued. Change in the compensated absences liability.		1,157
Some property tax will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in unavailable revenue on fund statements.		(3,342)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		<u>714</u>
Change in net position of governmental activities (page 13)	\$	<u><u>266,913</u></u>

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

CITY OF OVILLA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2014

	Business-type Activities - Enterprise (Water and Sewer) Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 971,309
Investments	1,145
Receivables (net of allowance for uncollectibles)	267,908
Inventory	17,198
Total current assets	1,257,560
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	241,720
Investments	4,855
Total restricted assets	246,575
Capital assets (net, where applicable of accumulated depreciation)	2,693,775
Total noncurrent assets	2,940,350
Total assets	4,197,910
LIABILITIES	
Current liabilities:	
Accounts payable and other current liabilities	126,045
Accrued payroll payable	9,722
Due to other funds	166,460
Accrued interest payable	5,160
Compensated absences	10,611
Customer deposits payable	55,070
Bonds payable	71,640
Total current liabilities	444,708
Noncurrent liabilities:	
Bonds payable	1,165,651
Total noncurrent liabilities	1,165,651
Total liabilities	1,610,359
NET POSITION	
Net investment in capital assets	1,587,982
Restricted for infrastructure improvements	115,077
Unrestricted	884,492
Total net position	\$ 2,587,551

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

CITY OF OVILLA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2014

	Business-type Activities - Enterprise (Water and Sewer) Fund
Operating revenues:	
Water sales	\$ 831,451
Sewer service charge	264,658
Impact fees	5,285
Infrastructure improvement fees	135,386
Miscellaneous	31,102
Total operating revenues	1,267,882
Operating expenses:	
Water administration	120,976
Water	539,126
Sewer	360,251
Depreciation	181,496
Total operating expenses	1,201,849
Operating income	66,033
Nonoperating revenue (expenses)	
Investment earnings	3,322
Interest and fiscal charges	(40,829)
Total nonoperating revenue (expenses)	(37,507)
Income before capital contributions and transfers	28,526
Capital contributions	20,732
Transfer out	(129,891)
Change in net position	(80,633)
Net position - beginning	2,668,184
Net position - ending	\$ 2,587,551

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

CITY OF OVILLA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2014

	Business-type Activities - Enterprise (Water and Sewer) Fund
	Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,259,446
Payments to suppliers	(798,604)
Payments to employees	(292,715)
Net cash provided by (used for) operating activities	168,127
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	166,460
Transfers to other funds	(129,891)
Net cash provided by (used for) noncapital financing activities	36,569
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contribution	20,732
Acquisition and construction of capital assets	(30,913)
Principal paid on bond maturities	(69,677)
Interest and fiscal charges paid on bonds	(42,675)
Net cash provided by (used for) capital and related financing activities	(122,533)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	3,322
Net cash provided by investing activities	3,322
Net increase in cash and cash equivalents	85,485
Cash and cash equivalents - beginning	1,133,544
Cash and cash equivalents - ending	\$ 1,219,029
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income	\$ 66,033
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	181,496
(Increase) decrease in accounts receivable	(17,876)
(Increase) decrease in inventory	(601)
Increase (decrease) in accounts payable and accrued expenses	(70,365)
Increase (decrease) in customer deposits	9,440
Total adjustments	102,094
Net cash provided by (used for) operating activities	\$ 168,127

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

CITY OF OVILLA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2014

	Insurance Trust Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,266
Total assets	<u>11,266</u>
LIABILITIES	-
NET POSITION	
Restricted for employee benefits	11,266
Total net position	<u>\$ 11,266</u>

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

CITY OF OVILLA, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended September 30, 2014

	Insurance Trust Fund
Additions	
Contributions	
Employer	\$ 11,266
Total contributions	11,266
Total additions	
Deductions	-
Change in net position	11,266
Net position - beginning	-
Net position - ending	\$ 11,266

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 of Ovilla, Texas (the "City") is a general law municipality and was incorporated in 1963. The accompanying financial statements present the City and its component units, entities for which the government is considered financially accountable. The Corporations described below are included in the City's reporting entity because the City appoints the governing body and the Corporations are fiscally dependent on the City. The Corporations are reported as discretely presented component units since their governing bodies are not substantively the same as the governing body of the City, and they provide services to the citizens of Ovilla and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the City, they are reported in separate columns in the financial statements. Fund information for the component units may be found in the supplementary information in this report.

Discretely presented component units. *The Ovilla 4B Economic Development Corporation* was created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The Corporation is presented as a governmental fund type and has a September 30 year-end.

The Ovilla Municipal Development District was created in accordance with Chapter 377 of the Texas Local Government Code and is responsible for collecting and disbursing the one-quarter percent sales tax to be used for municipal development within the City. The members of the District's board are appointed by the City. The District is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements for the Corporation and District are not issued.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. The statement of net position reports all financial and capital resources. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

As discussed earlier, the City has two discretely presented component units. The Ovilla 4B Economic Development Corporation and Ovilla Municipal Development District are considered to be major component units and 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 charges between the City's water and sewer function and various other functions of the City. Elimination of these charges 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 and enterprise 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:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest and related costs on long-term general obligation debt of governmental funds.

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the sewage pumping stations and collection systems, and the water distribution system.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation - fund financial statements (continued)

The City reports the following fiduciary fund:

The *insurance trust fund* is used to account for the receipt, investment, and distribution of contributions used to pay premiums on insured employee welfare benefit plans.

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 and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) 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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

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 when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, 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 permits, charges for services, 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, if available. 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.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets for the general, debt service and water and sewer funds are adopted on the budgetary basis of accounting. All annual appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

2. Compliance with finance related legal and contractual provisions

The City has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance

1. Cash and cash equivalents

For purposes of the statement of cash flows the City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with a maturity of three months or less from the date of acquisition.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexSTAR.

In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

J.P. Morgan Investment Management Inc. ("JPMIM" or the "investment manager") and First Southwest Company ("FSC") serve as co-administrators for TEXSTAR. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. ("BFDS" or the "Transfer Agent"). Each of JPMIM, FSC, BFDS and JPMorgan Chase Bank, N.A. may provide certain services, including those described herein, through the use of subcontractors and/or delegates.

3. Receivables and Allowances for Doubtful Accounts

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of ninety days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

4. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

5. Restricted assets

Certain proceeds of the City's enterprise fund bonds are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "bond construction" account is used to report those proceeds of bond issuances that are restricted for use in construction. The "infrastructure impact fees" account is used to segregate resources accumulated for infrastructure improvements.

6. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

As the City constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. No interest was capitalized during 2014.

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

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	30-40
Improvements	7-40
Machinery and equipment	3-15
Infrastructure	15-40

7. 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 a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

8. 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.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

9. Fund balance flow assumption

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

10. Fund balance policies

The governmental fund financial statement present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

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

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

The City's goal is to maintain an unassigned fund balance in the general fund equal to twenty-five percent of budgeted expenditures less budgeted capital equipment items and any amounts budgeted as reserves.

H. Revenues and expenditures/expenses

1. 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 (including special assessments) 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.

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st on the assessed value listed as of the prior January 1st for all real and personal property. Appraised values are established by the Ellis Appraisal District as market value and assessed at 100% of appraised value. The Ellis County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

3. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation pay benefits. The liability for such unused vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused vacation shall be taken during the year following its accumulation.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater fund are charges to customers for sales and services. Operating expenses for the water and wastewater fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

5. Long-term obligations

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

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the City's bank balance was \$2,881,505. Of the bank balance, \$709,571 was covered by federal depository insurance and the remaining balance, \$2,171,934 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately \$4,086,000.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Investments

Public funds of the City of Ovilla may be invested in the following obligations: (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities and including or any obligation fully guaranteed or insured by the FDIC, (2) direct obligations of the State of Texas, or its agencies and instrumentalities, (3) other obligations which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-related securities, (4) fully insured or collateralized certificates of deposits at a national or state bank with FDIC membership, domiciled within the State of Texas, (5) investment pools meeting the criteria established by section 2256.016 of the Texas Government Code, (6) repurchase agreements, reverse repurchase agreements, bankers' acceptances, and commercial paper provided these instruments are authorized for the City to the extent that they are contained in the portfolios of approved public funds investment pools in which the City invests, and (7) regulated no-load money market mutual funds.

The State Treasurer's Investment Pools (TexPool and TexSTAR) operate in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, Investments, for a discussion of how the shares in the Pool are valued. The Pools have a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool and TexSTAR invest in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

<u>Investment Type</u>	<u>Fair Value</u>
TexPool	\$ 308
TexSTAR	10,345
Certificates of deposit	300,003
	<u>\$ 310,656</u>

Generally, *credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2014, the City's investment in both TexPool and TexSTAR are rated AAAM by Standard & Poor's

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in authorized local government investment pools.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

C. Restricted assets

The balances of the restricted asset accounts in the proprietary fund are as follows:

Bond construction account	\$ 131,498
Infrastructure impact fees	115,077
	\$ 246,575

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service, and water and sewer funds, including the applicable allowances for uncollectible accounts:

<u>Receivables:</u>	General	Debt Service	Water and Sewer	Total
Taxes	\$ 75,502	\$ 10,216	\$ -	\$ 85,718
Accounts	21,711	-	277,532	299,243
Gross receivables	97,213	10,216	277,532	384,961
Less: allowance for uncollectibles	(16,342)	(6,400)	(9,624)	(32,366)
Net total receivables	\$ 80,871	\$ 3,816	\$ 267,908	\$ 352,595

E. Capital assets

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

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 147,035	\$ -	\$ -	\$ 147,035
Total capital assets not being depreciated	147,035	-	-	147,035
Capital assets being depreciated:				
Buildings	317,819	-	-	317,819
Machinery and equipment	2,763,300	24,638	(79,178)	2,708,760
Infrastructure	1,116,210	5,924	-	1,122,134
Totals capital assets being depreciated	4,197,329	30,562	(79,178)	4,148,713
Less accumulated depreciation for:				
Buildings	(143,384)	(10,594)	-	(153,978)
Machinery and equipment	(2,105,328)	(184,049)	73,254	(2,216,123)
Infrastructure	(250,495)	(35,674)	-	(286,169)
Total accumulated depreciation	(2,499,207)	(230,317)	73,254	(2,656,270)
Total capital assets, being depreciated, net	1,698,122	(199,755)	(5,924)	1,492,443
Governmental activities capital assets, net	\$ 1,845,157	\$ (199,755)	\$ (5,924)	\$ 1,639,478

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets (continued)

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

Governmental activities:

General government	\$ 12,598
Public safety	164,413
Streets	51,414
Cultural and recreational	1,892
Total depreciation expense - governmental activities	\$ 230,317

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 86,700	\$ -	\$ -	\$ 86,700
Construction in progress	14,740	-	-	14,740
Total capital assets not being depreciated	101,440	-	-	101,440
Capital assets being depreciated:				
Buildings	85,084	-	-	85,084
Improvements	4,856,192	28,833	-	4,885,025
Machinery and equipment	328,852	2,080	(75,456)	255,476
Total capital assets being depreciated	5,270,128	30,913	(75,456)	5,225,585
Less accumulated depreciation for:				
Buildings	(22,965)	(2,331)	-	(25,296)
Improvements	(2,278,869)	(165,645)	-	(2,444,514)
Machinery and equipment	(225,376)	(13,520)	75,456	(163,440)
Total accumulated depreciation	(2,527,210)	(181,496)	75,456	(2,633,250)
Total capital assets being depreciated, net	2,742,918	(150,583)	-	2,592,335
Business-type capital assets, net	\$ 2,844,358	\$ (150,583)	\$ -	\$ 2,693,775

F. Significant commitments

The City has entered into a memorandum of agreement with the City of Dallas, Texas to purchase treated water for a term of thirty years, expiring in 2039. The City pays for water based on the volume received at a flat rate as determined under the contract. The City of Dallas agrees to provide potable water to meet volume and demand requirements of the City. Delivery of potable water are subject to and limited to available system supply and system deliverability, as determined by the Director of Water Utilities of Dallas. If the City ceases to take water from the City of Dallas because other surface water supplies have been developed or acquired, the City shall for five years or the balance of this contract, whichever is less, remain liable for demand charges at the billing level in effect at such cessation.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Significant commitments (continued)

Actual payments for the year ended September 30, 2014 were \$313,814.

The City has entered into a contract with the Trinity River Authority of Texas - Red Oak Creek Regional Wastewater System to obtain wastewater treatment services, expiring in 2017. In the contract, the Authority agreed to acquire and construct a regional wastewater treatment system to serve the City and other contractual parties, in the area of the watershed or drainage basin of Red Oak Creek, being a tributary of the Trinity River, and located in Ellis and Dallas Counties, Texas. The Trinity River Authority (TRA) is a governmental agency, which is controlled by directors appointed by the governor.

The City is responsible for a proportionate share of the system's annual operation, maintenance and debt service costs for the term of the contract. These costs are determined annually and are payable in monthly installments. A current schedule of estimated future contractual payments due to the Authority is shown below:

Year Ending 30-Sep	Amount
2015	\$ 223,992
2016	223,992
2017	14,000
	\$ 461,984

Actual payments for the year ended September 30, 2014 were \$263,554.

The payments to be received from the City of Ovilla, Texas are used as collateral for the bonds issued by TRA to construct the facility.

Complete separate financial statements for the Trinity River Authority may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76004.

The City has entered into a contract with Progressive Waste Solutions of TX, Inc. that grants the exclusive right to operate and maintain the collection, transportation and recycling or disposal of municipal solid waste, expiring in 2018. At which time there is an option for a one-year renewal for each of the two following years.

Actual payments for the year ended September 30, 2014 were \$200,910.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations

Texas Municipal Retirement System (TMRS)

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

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

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the plan's 25.0-year amortization period. 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.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations (continued)

The City contributes to the TMRS Plan at an actuarially determined rate, which for 2014 and 2013 was 5.54% and 5.72%, respectively. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015). The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 52,626
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	52,626
Contributions Made	(52,626)
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beginning of year	-
Net Pension Obligation/(Asset), end of year	\$ -

Six-year trend information is as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2009	\$ 48,420	\$ 48,420	100%	\$ -
2010	49,069	49,069	100%	-
2011	51,525	51,525	100%	-
2012	48,607	48,607	100%	-
2013	50,623	50,623	100%	-
2014	52,626	52,626	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, also follows:

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations (continued)

Valuation Date	12/31/2011	12/31/2012	12/31/2013
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
GASB 25 Equivalent Single Amortization Period	23.8 years; closed period	23.1 years; closed period	30.0 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	22 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0% 0%	3.0% 0%	3.0% 0%

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2008	\$ 722,820	\$ 844,686	85.6%	\$ 121,866	\$ 854,190	14.3%
12/31/2009	857,209	976,704	87.8%	119,495	845,619	14.1%
12/31/2010	1,274,261	1,495,042	85.2%	220,781	895,775	24.6%
12/31/2011	1,417,592	1,641,208	86.4%	223,616	891,271	25.1%
12/31/2012	1,593,975	1,739,542	91.6%	145,567	914,994	15.9%
12/31/2013	1,774,669	1,843,952	96.2%	69,283	894,924	7.7%

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations (continued)

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.

Texas Emergency Services Retirement System

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

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

Retirees and Beneficiaries Currently Receiving Benefits*	3,073
Terminated Participants Entitled to Benefits but Not Yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	4,036

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations (continued)

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

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

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

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

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations (continued)

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

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

Contributions Required and Contributions Made. The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2014 total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,530,343 for the fiscal year ended August 31, 2014.

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

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations (continued)

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

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

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

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

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations (continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability ¹ - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Total Members Covered	UAAL Per Member Covered
08/31/2009	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2010 ³	\$ 64,113,803	\$ 81,264,230	\$ 17,150,427	78.9%	\$ 8,644	\$ 1,984
08/31/2011	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2012 ²	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585
08/31/2013	N/A	N/A	N/A	N/A	N/A	N/A
08/31/2014	83,761,038	109,854,799	26,093,761	76.2%	9,270	2,815

Notes:

- ¹ The actuarial accrued liability is based upon the entry age actuarial cost method.
- ² Changes in actuarial assumptions were reflected in this valuation.
- ³ Changes in actuarial assumption and method were reflected in this valuation.

Six-year trend information is as follows:

Fiscal Year Ending	Annual Required Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
08/31/2009	\$ 2,698,271 ¹	\$ 2,698,271	100%
08/31/2010	2,875,103 ²	2,875,103	100%
08/31/2011	3,125,329 ²	3,125,329	100%
08/31/2012	4,423,898 ^{3,5}	3,517,455	N/A
08/31/2013	5,020,980 ³	5,020,980	N/A
08/31/2014	5,707,002 ^{4,6}	4,176,659	N/A

- ¹ Based on the August 31, 2008 actuarial valuation.
- ² Based on the revised August 31, 2010 actuarial valuation.
- ³ Based on the August 31, 2012 actuarial valuation.
- ⁴ Based on the August 31, 2014 actuarial valuation.
- ⁵ Includes a requested state contribution of \$906,443.
- ⁶ Includes a requested state contribution of \$1,530,343.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Pension obligations (continued)

Valuation Date	8/31/2012	8/31/2014
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level dollar, open	Level dollar, open
Amortization Period	Infinity	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on
Actuarial Assumptions:		
Investment Rate of Return*	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses
Projected Salary Increases	N/A	N/A
* Includes Inflation at	3.50%	3.50%
Cost-of-Living Adjustments	None	None

H. Postemployment Benefits

Program Description:

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

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

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Postemployment Benefits (continued)

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

The City's contributions to the TMRS SDBF is as follows:

Plan / Calendar Year	City's Contribution		Schedule of Contribution Rates As a Percentage of Covered Payroll		
	Annual Required Contribution	Actual Contribution Made	Annual Required Contribution	Actual Contribution Made	Percentage of ARC Contributed
2009	\$ 1,268	\$ 1,268	0.15%	0.15%	100.0%
2010	1,440	1,440	0.15%	0.15%	100.0%
2011	1,344	1,344	0.19%	0.19%	100.0%
2012	1,337	1,337	0.15%	0.15%	100.0%
2013	1,464	1,464	0.16%	0.16%	100.0%
2014	1,509	1,509	0.16%	0.16%	100.0%

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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2014 are as follows:

Governmental Activities:

<u>Series</u>	<u>Maturity Issue Amount</u>	<u>Interest Date</u>	<u>Year-end Rate</u>	<u>Balances</u>
2011	\$ 5,959,638	8/15/2029	2%-4%	<u>\$ 4,963,016</u>

Business-type Activities:

<u>Series</u>	<u>Maturity Issue Amount</u>	<u>Interest Date</u>	<u>Year-end Rate</u>	<u>Balances</u>
2011	\$ 1,455,362	8/15/2029	2%-4%	<u>\$ 1,211,984</u>

Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation					
refunding bonds	\$ 5,248,339	\$ -	\$ (285,323)	\$ 4,963,016	\$ 293,360
Less deferred amounts:					
For issuance discount	(8,892)	-	773	(8,119)	-
For issuance premium	114,598	-	(7,162)	107,436	-
Total bonds payable	5,354,045	-	(291,712)	5,062,333	293,360
Compensated absences	40,846	28,577	(29,734)	39,689	39,689
Governmental activity					
Long-term liabilities	<u>\$ 5,394,891</u>	<u>\$ 28,577</u>	<u>\$ (321,446)</u>	<u>\$ 5,102,022</u>	<u>\$ 333,049</u>

General obligation refunding bonds issued for governmental activity purposes are liquidated by the debt service fund. Governmental compensated absences will be liquidated by the general fund.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Long-term liabilities (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation					
refunding bonds	\$ 1,281,661	\$ -	\$ (69,677)	\$ 1,211,984	\$ 71,640
Less deferred amounts:					
For issuance discount	(1,006)	-	77	(929)	-
For issuance premium	27,985	-	(1,749)	26,236	-
Total bonds payable	1,308,640	-	(71,349)	1,237,291	71,640
Compensated absences	15,558	9,580	(14,527)	10,611	10,611
Business-type activity					
Long-term liabilities	\$ 1,324,198	\$ 9,580	\$ (85,876)	\$ 1,247,902	\$ 82,251

General obligation refunding bonds issued for business-type activities are repaid from those activities. Business-type compensated absences will be liquidated by those activities.

The debt service requirements for the City's bonds payable are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	General Obligation Refunding Bonds		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 293,360	\$ 169,045	\$ 71,640	\$ 41,281
2016	301,398	163,178	73,602	39,848
2017	301,398	157,150	73,602	38,376
2018	313,454	149,614	76,546	36,536
2019	321,491	140,210	78,509	32,240
2020-2024	1,752,126	540,627	427,874	132,023
2025-2029	1,679,789	171,837	410,211	41,963
	<u>\$ 4,963,016</u>	<u>\$ 1,491,661</u>	<u>\$ 1,211,984</u>	<u>\$ 362,267</u>

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

K. Interfund receivables and payables

The composition of interfund balances as of September 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 400
General	Water and sewer	104,660
Debt service	Water and sewer	61,800
		<u>\$ 166,860</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

L. Interfund transfers

The composition of interfund transfers as of September 30, 2014 is as follows:

	<u>Transfer In:</u>		
	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Transfer out:			
Water and Sewer	<u>\$ 118,643</u>	<u>\$ 11,248</u>	<u>\$ 129,891</u>
	<u>\$ 118,643</u>	<u>\$ 11,248</u>	<u>\$ 129,891</u>

Transfers were primarily used to move funds from the Water and Sewer Fund to the Debt Service Fund for the payment of bonds and from the Water and Sewer Fund to the General Fund for operations.

M. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

N. Subsequent events

Subsequent to year end, the City entered into a joint participation agreement with the Texas Department of Transportation in which the City will pay \$88,236, representing its portion of the cost of right-of-way acquisition in relation to the FM664 road expansion project.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

N. Discretely presented component units

1. Ovilla 4B Economic Development Corporation

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the governmental entity's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end the bank balance of Ovilla 4B Economic Development Corporation's deposits at year end was \$376,575. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance of \$126,575 was covered by collateral pledged in the name of the City of Ovilla, Texas.

2. Ovilla Municipal Development District

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the governmental entity's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end the bank balance of Ovilla Municipal Development District's deposits was \$94,872. Of the bank balance, \$94,872 was covered by federal depository insurance.

REQUIRED SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

This supplementary schedule is included to supplement the basic financial statements as required by the Governmental Accounting Standards Board.

CITY OF OVILLA, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
For the Fiscal Year Ended September 30, 2014

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget-
	Original	Final				
REVENUES						
Property taxes	\$ 1,235,108	\$ 1,235,108	\$ 1,245,694	\$ (639)	\$ 1,245,055	\$ 9,947
Sales taxes	235,510	235,510	221,125	5,342	226,467	(9,043)
Franchise taxes	150,000	150,000	153,077	5,728	158,805	8,805
Licenses and permits	49,100	150,860	195,404	-	195,404	44,544
Fines and forfeitures	93,345	94,347	54,903	33,690	88,593	(5,754)
Charges for current services	385,900	365,671	398,003	(8,050)	389,953	24,282
Revenues from use of money and property	5,500	5,500	5,464	-	5,464	(36)
Miscellaneous	106,015	114,704	127,762	-	127,762	13,058
Intergovernmental	-	1,165	4,988	(3,823)	1,165	-
Contributions and donations	3,000	3,000	3,000	-	3,000	-
Total revenues	<u>2,263,478</u>	<u>2,355,865</u>	<u>2,409,420</u>	<u>32,248</u>	<u>2,441,668</u>	<u>85,803</u>
EXPENDITURES						
Current:						
General government	405,990	415,990	346,449	(6,761)	339,688	(76,302)
Public safety:						
Fire protection	637,645	637,645	620,376	(15,124)	605,252	(32,393)
Police protection	609,658	617,584	584,520	(14,737)	569,783	(47,801)
Municipal court	99,404	100,254	62,999	(8,037)	54,962	(45,292)
Code enforcement	75,583	127,583	133,472	(1,347)	132,125	4,542
Total public safety	<u>1,422,290</u>	<u>1,483,066</u>	<u>1,401,367</u>	<u>(39,245)</u>	<u>1,362,122</u>	<u>(120,944)</u>
Streets	556,407	556,407	370,393	(2,196)	368,197	(188,210)
Cultural and recreational	26,060	26,060	25,329	-	25,329	(731)
Solid waste	200,327	200,327	200,910	-	200,910	583
Total expenditures	<u>2,611,074</u>	<u>2,681,850</u>	<u>2,344,448</u>	<u>(48,202)</u>	<u>2,296,246</u>	<u>(385,604)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(347,596)</u>	<u>(325,985)</u>	<u>64,972</u>	<u>80,450</u>	<u>145,422</u>	<u>471,407</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	3,925	7,678	-	7,678	3,753
Transfers in	118,643	118,643	118,643	-	118,643	-
Total other financing sources and uses	<u>118,643</u>	<u>122,568</u>	<u>126,321</u>	<u>-</u>	<u>126,321</u>	<u>3,753</u>
Net change in fund balance	<u>\$ (228,953)</u>	<u>\$ (203,417)</u>	<u>\$ 191,293</u>	<u>\$ 80,450</u>	<u>\$ 271,743</u>	<u>\$ 475,160</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

Fire Department Auxiliary - This fund is used to account for donations to the Fire Department which in turn are spent on education, firefighter awards banquet and community services such as National Night Out and Heritage Day.

Park Impact Fees - This fund is used to account for funds received from an impact fee assessed through new building permits and is used to purchase new park equipment and make improvements to our parks.

Police Department Special - This fund is used to account for donations to the Police Department which in turn are spent on education, protective equipment, police awards and community services such as National Night Out and Heritage Day.

CITY OF OVILLA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2014

	Fire Department Auxiliary	Park Impact Fees	Police Department Special	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,224	\$ 49,728	\$ 7,157	\$ 61,109
Total assets	<u>\$ 4,224</u>	<u>\$ 49,728</u>	<u>\$ 7,157</u>	<u>\$ 61,109</u>
LIABILITIES				
Accounts payable	\$ 440	\$ -	\$ -	\$ 440
Total liabilities	<u>440</u>	<u>-</u>	<u>-</u>	<u>440</u>
FUND BALANCES				
Restricted for:				
Public safety	3,784	-	7,157	10,941
Cultural and recreational	-	49,728	-	49,728
Total fund balances	<u>3,784</u>	<u>49,728</u>	<u>7,157</u>	<u>60,669</u>
Total liabilities and fund balances	<u>\$ 4,224</u>	<u>\$ 49,728</u>	<u>\$ 7,157</u>	<u>\$ 61,109</u>

CITY OF OVILLA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2014

	Fire Department Auxiliary	Park Impact Fees	Police Department Special	Total Nonmajor Governmental Funds
REVENUES				
Revenues from use of money	\$ -	\$ 69	\$ -	\$ 69
Miscellaneous	-	22,413	-	22,413
Contributions and donations	4,050	-	350	4,400
Total revenues	<u>4,050</u>	<u>22,482</u>	<u>350</u>	<u>26,882</u>
EXPENDITURES				
Current:				
Public safety	4,333	-	4,823	9,156
Total expenditures	<u>4,333</u>	<u>-</u>	<u>4,823</u>	<u>9,156</u>
Net change in fund balances	(283)	22,482	(4,473)	17,726
Fund balances - beginning	<u>4,067</u>	<u>27,246</u>	<u>11,630</u>	<u>42,943</u>
Fund balances - ending	<u>\$ 3,784</u>	<u>\$ 49,728</u>	<u>\$ 7,157</u>	<u>\$ 60,669</u>

DEBT SERVICE FUND

The *debt service fund* is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

CITY OF OVILLA, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended September 30, 2014

	Original and Final Budgeted Amounts	Actual GAAP Amounts	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget-
REVENUES					
Property tax	\$ 419,636	\$ 421,915	\$ (78)	\$ 421,837	\$ (2,201)
Revenues from use of money	765	642	-	642	123
Total revenues	<u>420,401</u>	<u>422,557</u>	<u>(78)</u>	<u>422,479</u>	<u>(2,078)</u>
EXPENDITURES					
Debt service:					
Principal on bonds	355,000	285,323	69,677	355,000	-
Interest and fiscal charges	217,925	175,150	42,675	217,825	100
Total expenditures	<u>572,925</u>	<u>460,473</u>	<u>112,352</u>	<u>572,825</u>	<u>100</u>
Excess (deficiency) of revenues over expenditures	<u>(152,524)</u>	<u>(37,916)</u>	<u>(112,430)</u>	<u>(150,346)</u>	<u>(2,178)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	123,600	11,248	112,352	123,600	-
Total other financing sources (uses)	<u>123,600</u>	<u>11,248</u>	<u>112,352</u>	<u>123,600</u>	<u>-</u>
Net change in fund balance	<u>\$ (28,924)</u>	<u>\$ (26,668)</u>	<u>\$ (78)</u>	<u>\$ (26,746)</u>	<u>\$ (2,178)</u>

PROPRIETARY FUND

ENTERPRISE FUND

Water and Sewer Fund - The City's water and sewer operations are accounted for in this fund.

CITY OF OVILLA, TEXAS
SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER AND SEWER
For the Fiscal Year Ended September 30, 2014

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
Operating revenues:						
Water sales	\$ 985,000	\$ 985,000	\$ 831,451	\$ 38,329	\$ 869,780	\$ (115,220)
Sewer service charge	155,000	233,829	264,658	(44,726)	219,932	(13,897)
Impact fees	1,044	4,044	5,285	-	5,285	1,241
Infrastructure improvement fees	64,068	122,568	135,386	(807)	134,579	12,011
Miscellaneous	41,000	26,000	31,102	(717)	30,385	4,385
Total operating revenues	<u>\$1,246,112</u>	<u>\$ 1,371,441</u>	<u>\$1,267,882</u>	<u>\$ (7,921)</u>	<u>\$1,259,961</u>	<u>\$ (111,480)</u>
Operating expenses:						
Water administration	\$ 137,575	\$ 137,575	\$ 120,976	\$ 888	\$ 121,864	\$ (15,711)
Water	635,217	635,217	539,126	(35,034)	504,092	(131,125)
Sewer	160,853	475,412	360,251	18,550	378,801	(96,611)
Depreciation	-	-	181,496	(181,496)	-	-
Total operating expenses	<u>\$ 933,645</u>	<u>\$ 1,248,204</u>	<u>\$1,201,849</u>	<u>\$ (197,092)</u>	<u>\$1,004,757</u>	<u>\$ (243,447)</u>

COMPONENT UNITS FINANCIAL STATEMENTS

Ovilla 4B Economic Development Corporation - This fund is used to account for the Ovilla 4B Economic Development Corporation created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended. The Ovilla 4B Economic Development Corporation initiative is to promote economic development in Ovilla and is currently accumulating funds to spend on future projects.

Ovilla Municipal Development District - This fund is used to account for the Ovilla Municipal Development District, a political subdivision of the State of Texas and the City, created in accordance with Chapter 377 of the Texas Local Government Code (the "Act"). The Ovilla Municipal Development District was established for the purpose of developing and financing all permissible projects prescribed by the Act.

CITY OF OVILLA, TEXAS
BALANCE SHEET
COMPONENT UNITS
September 30, 2014

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
ASSETS		
Cash and cash equivalents	\$ 376,575	\$ 94,872
Receivables	-	4,776
Due from primary government	6,544	-
Total assets	\$ 383,119	\$ 99,648
LIABILITIES		
Due to primary government	\$ -	\$ 321
Total liabilities	-	321
FUND BALANCES		
Restricted for:		
Economic development	383,119	-
Municipal development	-	99,327
Total fund balances	383,119	99,327
Total liabilities and fund balances	\$ 383,119	\$ 99,648

CITY OF OVILLA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
COMPONENT UNITS
For the Fiscal Year Ended September 30, 2014

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
REVENUES		
Sales tax	\$ 88,450	\$ 30,675
Revenues from use of money	1,093	256
Total revenues	89,543	30,931
 EXPENDITURES		
Current:		
Economic development	31,547	-
Municipal development	-	2,384
Total expenditures	31,547	2,384
 Net change in fund balances	57,996	28,547
 Fund balances - beginning	325,123	70,780
 Fund balances - ending	\$ 383,119	\$ 99,327

SUPPLEMENTARY FINANCIAL DATA

CITY OF OVILLA, TEXAS
MISCELLANEOUS STATISTICAL FACTS
September 30, 2014

Estimated gallons billed (in thousands)	179,694
Estimated gallons purchased (in thousands)	186,625
Percent billed to purchased	96.29%