

CITY OF NATALIA, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
SEPTEMBER 30, 2013

CITY OF NATALIA, TEXAS
Annual Financial Report
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Natalia, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Natalia, Texas, as of and for the year ended September 30, 2013, 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, each major fund, and the aggregate remaining fund information of the City of Natalia, Texas, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the Public Employees Retirement System on pages 3 through 12 and 43, respectively, 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.

BEYER & CO.
Certified Public Accountants
Pleasanton, Texas
June 10, 2014

Management's Discussion and Analysis

As management of the City of Natalia, Texas, we offer readers of the City of Natalia, Texas's financial statements this narrative overview and analysis of the financial activities of the City of Natalia, Texas for the fiscal year ended September 30, 2013.

Financial Highlights

- . The assets of the City of Natalia, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$2,017,381 (Net Position). Of this amount, \$199,838 or 10% (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total Net Position decreased by \$60,077. This decrease is mainly attributable to a decline in charges for services of \$92,622 in the governmental activities. The Utility fund sustained an operating loss of \$123,131 in the 2012-2013 year.
- . The City of Natalia, Texas's total debt increased by \$57,199 (25 percent) during the current fiscal year. The key factor was the payment of tax notes of \$40,000.

Overview of the Financial Statements

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

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

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

The *statement for activities presents* information showing how the government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City of Natalia, Texas 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 of Natalia, Texas include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Natalia, Texas include a Utility System.

The government-wide financial statements include only the City of Natalia, Texas itself (known as the *primary government*.)

The government-wide financial statements can be found on pages 13-14 for 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 of Natalia, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All other funds of the City of Natalia, Texas 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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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 of Natalia, Texas maintains three 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, the veteran's memorial library fund, and the NPD impound fund.

The City of Natalia, Texas adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on 15-19 of this report.

Proprietary funds: The City of Natalia, Texas maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Natalia, Texas uses enterprise funds to account for its Utility 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 Utility operations, which is considered to be a major fund of the City of Natalia, Texas. The basic proprietary fund financial statements can be found on pages 20-24 of this report.

Notes to the financial statements: The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-42 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Natalia, Texas's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 43 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City of Natalia, Texas, assets exceeded liabilities by \$2,017,381 at the close of the most recent fiscal year.

A significant portion of the City of Natalia, Texas's Net Position (91 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City of Natalia, Texas uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Natalia, Texas's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of *unrestricted Net Position*, \$199,838, may be used to meet the government's ongoing obligations to citizens and creditors.

**CITY OF NATALIA, TEXAS
NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other Assets	\$256,912	\$275,805	\$121,414	\$70,588	\$378,326	\$346,393
Restricted Assets:	65,871	62,791	77,487	61,640	143,358	124,431
Capital Assets:	336,947	393,031	1,584,984	1,715,627	1,921,931	2,108,658
Total Assets	659,730	731,627	1,783,885	1,847,855	2,443,615	2,579,482
Long-term liabilities	166,955	224,587	3,786	3,353	170,741	227,940
Other liabilities (Payable from Restricted Assets)	0	0	40,470	49,729	40,470	49,729
Other liabilities	30,655	107,974	184,368	116,381	215,023	224,355
Total Liabilities	197,610	332,561	228,624	169,463	426,234	502,024
Invested in Capital Assets, Net of Related debt	172,233	174,588	1,584,984	1,715,627	1,757,217	1,890,215
Restricted	23,309	3,360	37,017	0	60,326	3,360
Unrestricted	266,578	221,118	(66,740)	(37,235)	199,838	183,883
Total Net Position	\$462,120	\$399,066	\$1,555,261	\$1,678,392	\$2,017,381	\$2,077,458

At the end of the current fiscal year, the City of Natalia, Texas is able to report positive balances in all three categories of Net Position for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year. The business-type activities showed a positive balance for the Invested in Capital Assets, Net of Related debt for the current year and the prior year but showed negative balances in unrestricted Net Position for both years.

There was a decrease of \$56,966 in restricted Net Position reported in connection with the City of Natalia, Texas's governmental and business-type activities. This decrease is the result of an inclusion of Disposal Fees of \$37,017 collected for future use.

The government's total Net Position decreased by \$60,077. This decrease is mainly attributable to a decline in charges for services of \$92,622 in the governmental activities. The Utility fund sustained an operating loss of \$123,131 in the 2012-2013 year.

Governmental activities: Governmental activities increased the City of Natalia, Texas's Net Position by \$63,054, thereby accounting for 100 percent of the total increase in the Net Position of the City of Natalia, Texas. This increase is mainly attributable to an increase in sales taxes of \$51,065.

**CITY OF NATALIA, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$355,722	\$448,344	\$448,541	\$381,874	\$804,263	\$830,218
Operating Grants and Contributions	29,695	0			29,695	0
Capital Grants and Contributions		0	1,373	0	1,373	0
General Revenues:						
Maintenance and Operations Taxes	256,165	256,914			256,165	256,914
Sales taxes	123,964	72,899			123,964	72,899
Franchise taxes	39,312	39,651			39,312	39,651
Licenses and permits	12,864	6,170			12,864	6,170
Unrestricted investment earnings	8	20	0	0	8	20
Miscellaneous	168,857	236,818			168,857	236,818
Total Revenue	986,587	1,060,816	449,914	381,874	1,436,501	1,442,690
Expenses:						
General Administration	\$336,346	317,932			336,346	317,932
Culture and Recreation	25,200	22,567			25,200	22,567
Public Safety	422,666	471,696			422,666	471,696
Public Works	183,557	181,987			183,557	181,987
Public Transportation	12,860	38,078			12,860	38,078
Interest and Fiscal Charges	13,508	13,585			13,508	13,585
Utility			502,441	491,147	502,441	491,147
Total Expenses	994,137	1,045,845	502,441	491,147	1,496,578	1,536,992
Increase in Net Position before transfers and special items	(7,550)	14,971	(52,527)	(109,273)	(60,077)	(94,302)
Transfers	70,604	3,791	(70,604)	(3,791)	0	0
Increase in Net Position	63,054	18,762	(123,131)	(113,064)	(60,077)	(94,302)
Net Position at 09/30/2012	399,066	380,304	1,678,392	1,791,456	2,077,458	2,171,760
Net Position at 09/30/2013	\$462,120	\$399,066	\$1,555,261	\$1,678,392	\$2,017,381	\$2,077,458

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$336,346	\$0	\$0
Culture and Recreation	25,200		
Public Safety	422,666	148,875	29,695
Public Works	183,557	206,847	
Public Transportation	12,860		
Interest and Fiscal Charges	13,508		
Total Government Activities	\$994,137	\$355,722	\$29,695

Revenues by source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$355,722	36%
Operating Grants and Contributions	29,695	3%
Maintenance and Operations Taxes	256,165	26%
Sales taxes	123,964	13%
Franchise taxes	39,312	4%
Licenses and permits	12,864	1%
Unrestricted investment earnings	8	0%
Miscellaneous	168,857	17%
	\$986,587	100%

For the most part, increases and decreases in expenses closely paralleled inflation and growth or decline in the demand for services.

Business-type activities: Business-type activities decreased the City of Natalia, Texas's Net Position by \$123,131, accounting for 00 percent of the total increase in the government's Net Position. Key elements of this decrease are as follows: This decrease is mainly attributable to a transfer to the general fund of \$70,604 and utility rates not keeping up with the costs of furnishing utility services.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary government			
Business-type activities:			
Utility	\$502,441	\$448,541	\$1,373
Total business-type activities	\$502,441	\$448,541	\$1,373

Revenues by source - Business-type Activities

	REVENUES	%
Charges for Services	\$448,541	99.69%
Capital Grants and Contributions	1,373	0.31%
	\$449,914	100.00%

Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the City of Natalia, Texas'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 of Natalia, Texas's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Natalia, Texas's governmental funds reported combined ending fund balances of \$97,518, an increase of \$60,221 in comparison with the prior year. Approximately 00% of this total amount (a minus \$3,330) constitutes *unassigned fund balance*, which is available for spending at the government's discretion

The general fund is the chief operating fund of the City of Natalia, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$42,738, while total fund balance reached \$143,586. 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, undesignated fund balance represents 5 percent of total general fund expenditures, while total fund balance represents 18 percent of that same amount.

The fund balance of the City of Natalia, Texas's general fund increased by \$100,378 during the current fiscal year. This increase is mainly attributable to an increase in sales taxes received of \$51,065.

At the end of the current fiscal year the restricted fund balance of the NPD Impound fund was \$00, while total fund balance reached a minus \$39,340. As a measure of the NPD Impound fund's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 0 percent of total NPD Impound fund expenditures, while total fund balance represents 0 percent of that same amount.

The fund balance of the City of Natalia, Texas's NPD Impound fund decreased by \$30,074 during the current fiscal year. Key factor in this decrease is as follows: Wages and equipment expenditures increasing.

At the end of the current fiscal year the restricted fund balance of the veteran's memorial library fund was a minus \$6,728, while total fund balance reached a minus \$6,728. As a measure of the veteran's memorial library fund's liquidity, it may be useful to compare both restricted fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 00 percent of total veteran's memorial library fund expenditures, while total fund balance represents 00 percent of that same amount.

The fund balance of the City of Natalia, Texas's veteran's memorial library fund decreased by \$10,083 during the current fiscal year. Key factor in this decrease is as follows: this decrease is a result of a decrease in revenues of \$11,101.

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

Unrestricted Net Position of the Utility Fund at the end of the year amounted to a minus \$66,740. The total decrease in Net Position for the Utility Fund was \$123,131. Key factors in this overall decline are examined above.

General Fund Budgetary Highlights

During the year there was no increase of appropriations between the original and final amended budget for the general fund. The overall budgeted expenditures were \$836,669 while the actual expenditures were \$803,007 thus resulting in a budget underage of \$33,662. The police department actual expenditures of \$201,638 exceeded the final amended budget amount of \$181,840 by \$19,798. There were no budgeted amounts for either the NPD Impound fund or the Veterans Memorial Library fund.

Capital Asset and Debt Administration

Capital assets: The City of Natalia, Texas's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$1,921,931 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Natalia, Texas's investment in capital assets for the current fiscal year was \$186,727 or 9 percent (a 14 percent decrease for governmental activities and a 8 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following: None.

City of Natalia, Texas's Capital Assets (Net of depreciation)

CITY OF NATALIA, TEXAS
CAPITAL ASSETS (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities		2013	2012
	2013	2012	2013	2012		
Land	\$16,902	\$16,902	\$15,570	\$15,570	\$32,472	\$32,472
Building and improvements	240,336	255,942	52,529	53,852	292,865	309,794
Intangible	33,699	35,571	0	0	33,699	35,571
Machinery and equipment	46,010	84,616	5,218	2,436	51,228	87,052
Infrastructure	0	0	0	0	0	0
Distribution System	0	0	1,511,667	1,643,769	1,511,667	1,643,769
Total	\$336,947	\$393,031	\$1,584,984	\$1,715,627	\$1,921,931	\$2,108,658

Additional information of the City of Natalia, Texas's capital assets can be found in note IV.C on pages 36-37 of this report.

Long-term debt: At the end of the current fiscal year, the City of Natalia, Texas had the following outstanding bonded debt.

City of Natalia, Texas’s Outstanding Bonded Debt

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>	<u>Due after one year</u>
<u>Governmental activities:</u>						
Tax Notes	\$165,000	\$0	\$40,000	\$125,000	\$40,000	\$85,000
	<u>165,000</u>	<u>0</u>	<u>40,000</u>	<u>125,000</u>	<u>40,000</u>	<u>85,000</u>
Grand Total	<u>\$165,000</u>	<u>\$0</u>	<u>\$40,000</u>	<u>\$125,000</u>	<u>\$40,000</u>	<u>\$85,000</u>

The City of Natalia, Texas’s total bonded debt decreased by \$40,000 during the current fiscal year. This was a result of a bond payment of \$40,000.

Additional information on the City of Natalia, Texas’s long-term debt can be found in note IV.F on pages 38-39 of this report.

Economic Factors

The City currently has a Loves Truck Stop that is being built along IH 35. This is projected to generate additional sales taxes for the City.

Requests for Information

This financial report is designed to provide a general overview of the City of Natalia, Texas’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 Finance Department, P.O. Box 270, Natalia, Texas, 78059.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NATALIA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$54,722	\$62,691	\$117,413
Receivables (net of allowance for uncollectibles)	200,190	58,723	258,913
Unamortized Tax Note Issuance Costs	2,000		2,000
Restricted Assets:			
Cash and Cash Equivalents	65,871	77,487	143,358
Capital Assets Not Being Depreciated:			
Land	16,902	15,570	32,472
Total Capital Assets Being Depreciated, Net			
Building and Improvements	240,336	52,529	292,865
Intangible	33,699		33,699
Machinery and Equipment	46,010	5,218	51,228
Distribution System		1,511,667	1,511,667
Total Assets	\$659,730	\$1,783,885	\$2,443,615
LIABILITIES:			
Accounts Payable	\$23,564	\$77,084	\$100,648
Accrued Wages	3,620	1,517	5,137
Interest Payable	3,471		3,471
Customer Deposits		33,750	33,750
Deferred Revenues		72,017	72,017
Consumer Meter Deposit		40,470	40,470
Noncurrent Liabilities:			
Due Within One Year	62,344	3,786	66,130
Due in More Than One Year	104,611		104,611
Total Liabilities	197,610	228,624	426,234
NET POSITION			
Invested in Capital Assets, Net of Related Debt	172,233	1,584,984	1,757,217
Restricted			
Disposal Fees		37,017	37,017
Debt Service	5		5
Municipal Court Reserve	18,121		18,121
Municipal Development	5,183		5,183
Unrestricted	266,578	(66,740)	199,838
Total Net Position	\$462,120	\$1,555,261	\$2,017,381
	0	0	0

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in		Net (Expense) Revenue and Changes in Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Primary Government						
Government Activities:						
General Administration	\$336,346	\$0	\$0	\$0	(\$336,346)	(\$336,346)
Culture and Recreation	25,200				(25,200)	(25,200)
Public Safety	422,666	148,875	29,695		(244,096)	(244,096)
Public Works	183,557	206,847			23,290	23,290
Public Transportation	12,860				(12,860)	(12,860)
Interest and Fiscal Charges	13,508				(13,508)	(13,508)
Total Government Activities	994,137	355,722	29,695	0	(608,720)	0
Business-Type Activities:						
Utility	502,441	448,541		1,373		(52,527)
Total Business-Type Activities	502,441	448,541	0	1,373	0	(52,527)
Total Primary Government	\$1,496,578	\$804,263	\$29,695	\$1,373	(608,720)	(52,527)
General Revenues						
Property Taxes, Levies for General Purposes					256,165	256,165
Sales Taxes					123,964	123,964
Franchise Taxes					39,312	39,312
Licenses and Permits					12,864	12,864
Unrestricted Investment Earnings					8	8
Miscellaneous					168,857	168,857
Transfers					70,604	(70,604)
Total General Revenues and Transfers					671,774	(70,604)
Change in Net Position					63,054	(123,131)
Net Position - Beginning					399,066	1,678,392
Net Position - Ending					\$462,120	\$1,555,261
					0	0

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF NATALIA, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	NPD Impound Fund	Veterans Memorial Library Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$24,054	\$30,668	\$0	\$54,722
Receivables (net of allowance for uncollectibles)	93,325			93,325
Due from Other Funds	78,251			78,251
Restricted Assets:				
Cash and Cash Equivalents	62,256		3,615	65,871
Total Assets	\$257,886	\$30,668	\$3,615	\$292,169
LIABILITIES AND FUND BALANCES:				
Accounts Payable	\$21,464	\$1,231	\$869	\$23,564
Due to Other Funds		68,777	9,474	78,251
Accrued Wages	3,620			3,620
Unearned Revenues	89,216			89,216
Total Liabilities	114,300	70,008	10,343	194,651
Fund Balances:				
Nonspendable				
Due to Others	71,990			71,990
Restricted				
Debt Service	5			5
Municipal Court Reserve	18,121			18,121
Municipal Development	5,183			5,183
Committed				
Centennial	5,549			5,549
Unassigned	42,738	(39,340)	(6,728)	(3,330)
Total Fund Balance	143,586	(39,340)	(6,728)	97,518
Total Liabilities and Fund Balances	\$257,886	\$30,668	\$3,615	\$292,169
	0	0	0	0

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2013

Total Fund Balances - governmental funds balance sheet	\$97,518
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	336,947
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	89,216
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	106,865
Tax Note Issuance Costs are expenditures in the funds but are recorded as assets in the governmental activities.	2,000
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(170,426)
Net Position of governmental activities - statement of Net Position	<u>\$462,120</u>
The accompanying notes are an integral part of this statement.	0

CITY OF NATALIA, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 YEAR ENDED SEPTEMBER 30, 2013

	General Fund	NPD Impound Fund	Veterans Memorial Library Fund	Total Governmental Funds
REVENUES				
Taxes				
Property	\$249,342	\$0	\$0	\$249,342
Sales	123,964			123,964
Franchise	39,312			39,312
Licenses and Permits	12,864			12,864
Intergovernmental	29,695			29,695
Charges for Services	206,847			206,847
Fines and Forfeitures	153,524			153,524
Interest		8		8
Miscellaneous	17,233	137,074	14,550	168,857
Total Revenues	832,781	137,082	14,550	984,413
EXPENDITURES				
Current:				
General Administration	327,886			327,886
Culture and Recreation			24,633	24,633
Public Safety	215,206	167,156		382,362
Public Works	183,557			183,557
Public Transportation	10,010			10,010
Debt Service				
Principal Retirement	53,729			53,729
Interest Retirement	12,619			12,619
Total Expenditures	803,007	167,156	24,633	994,796
Excess (Deficiency) of Revenues Over (Under) Expenditures	29,774	(30,074)	(10,083)	(10,383)
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Notes Payable				0
Other Financing Sources - Capital Leases				0
Operating Transfers In	70,604			70,604
Total Other Financing Sources (Uses)	70,604	0	0	70,604
Net Changes in Fund Balances	100,378	(30,074)	(10,083)	60,221
Fund Balances - Beginning	43,208	(9,266)	3,355	37,297
Fund Balances - Ending	\$143,586	(\$39,340)	(\$6,728)	\$97,518
	0	0	0	0

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 SEPTEMBER 30, 2013

Net Changes in Fund Balances - total governmental funds	\$60,221
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(56,084)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	6,823
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	(4,649)
Bond Issuance Costs and Premiums is an expense in the funds but not an expense in the SOA.	(2,000)
Increase in loan principal are receipts in the funds but not revenue in the SOA.	53,729
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	3,903
(Increase) decrease in Compensated Absences Payable from beginning of period to end of period.	1,111
(Increase) decrease in Accrued Interest Payable from beginning of period to end of period.	1,111
Change in Net Position of governmental activities - statement of activities	<u>\$63,054</u>
	<u>0</u>

The accompanying notes are an integral part of this statement.

CITY OF NATALIA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$256,856	\$256,856	\$249,342	(\$7,514)
Sales	120,000	120,000	123,964	3,964
Franchise	31,000	31,000	39,312	8,312
Licenses and Permits	3,500	3,500	12,864	9,364
Intergovernmental	28,000	28,000	29,695	1,695
Charges for Services	216,270	216,270	206,847	(9,423)
Fines and Forfeitures	206,000	206,000	153,524	(52,476)
Miscellaneous	700	700	17,233	16,533
Total Revenues	862,326	862,326	832,781	(29,545)
EXPENDITURES				
Current:				
General Administration				
General Administration	326,759	326,759	327,886	(1,127)
Public Safety				
Animal Control	33,000	33,000	2,413	30,587
Police	181,840	181,840	201,638	(19,798)
Municipal Court	10,500	10,500	11,155	(655)
Public Works				
Sanitation	194,113	194,113	183,557	10,556
Public Transportation				
Streets	30,000	30,000	10,010	19,990
Debt Service				
Principal Retirement	50,457	50,457	53,729	(3,272)
Interest Retirement	10,000	10,000	12,619	(2,619)
Total Expenditures	836,669	836,669	803,007	33,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,657	25,657	29,774	4,117
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	0	70,604	70,604
Total Other Financing Sources (Uses)	0	0	70,604	70,604
Net Changes in Fund Balances	25,657	25,657	100,378	70,604
Fund Balances - Beginning	43,208	43,208	43,208	
Fund Balances - Ending	\$68,865	\$68,865	\$143,586	\$70,604

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

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CITY OF NATALIA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$62,691	\$14,125	\$62,691
Accounts Receivables (net of allowance for uncollectibles)	58,723	56,463	58,723
Total Current Assets	121,414	70,588	121,414
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents - Debt Service	0	11,911	0
Cash and Cash Equivalents - Disposal Fees	37,017	0	37,017
Cash and Cash Equivalents - Water Meters	40,470	49,729	40,470
Total Restricted Assets	77,487	61,640	77,487
Capital Assets			
Land	15,570	15,570	15,570
Buildings and Improvements	62,734	62,734	62,734
Machinery and Equipment	73,457	68,457	73,457
Distribution System	4,766,713	4,766,713	4,766,713
Total Capital Assets	4,918,474	4,913,474	4,918,474
Less Accumulated Depreciation			
Total Capital Assets (net of accumulated depreciation)	(3,333,490)	(3,197,847)	(3,333,490)
Total Noncurrent Assets	1,584,984	1,715,627	1,584,984
TOTAL ASSETS	\$1,783,885	\$1,847,855	\$1,783,885

(continued)

(continued)

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$77,084	\$76,815	\$77,084
Accrued Wages	1,517	1,066	1,517
Compensated Absences	3,786	3,353	3,786
Consumer Deposit	33,750	38,500	33,750
Deferred Revenues	72,017	0	72,017
Total Current Liabilities (Payable from Current Assets)	<u>188,154</u>	<u>119,734</u>	<u>188,154</u>
Current Liabilities (Payable from Restricted Assets)			
Consumer Meter Deposits	40,470	49,729	40,470
Total Current Liabilities Payable from Restricted Assets	<u>40,470</u>	<u>49,729</u>	<u>40,470</u>
Total Liabilities	<u>228,624</u>	<u>169,463</u>	<u>228,624</u>
Invested in Capital Assets, Net of Related Debt	1,584,984	1,715,627	1,584,984
Restricted for:			
Disposal Fees - Non-Expendable	37,017	0	37,017
Unrestricted	(66,740)	(37,235)	(66,740)
Total Net Position	<u>\$1,555,261</u>	<u>\$1,678,392</u>	<u>\$1,555,261</u>
	0	0	0

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

CITY OF NATALIA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
OPERATING REVENUES:			
Charges for Services (Water and Sewer)	\$409,466	\$360,004	\$409,466
Miscellaneous	39,075	21,870	39,075
Total Operating Revenues	448,541	381,874	448,541
OPERATING EXPENSES:			
Personal Services	159,658	155,237	159,658
Supplies	33,001	27,016	33,001
Other Services and Charges	174,139	174,251	174,139
Depreciation	135,643	134,643	135,643
Total Operating Expenses	502,441	491,147	502,441
Operating Income (Loss)	(53,900)	(109,273)	(53,900)
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	0	0	0
Intergovernmental	1,373	0	1,373
Total Non-Operating Revenues (Expenses)	1,373	0	1,373
Income Before Contributions and Transfers	(52,527)	(109,273)	(52,527)
Transfers In (Out) - Net	(70,604)	(3,791)	(70,604)
Change in Net Position	(123,131)	(113,064)	(123,131)
Total Net Position - Beginning	1,678,392	1,791,456	1,678,392
Total Net Position - Ending	\$1,555,261	\$1,678,392	\$1,555,261
	0	0	0

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

CITY OF NATALIA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

BUSINESS TYPE ACTIVITIES
- ENTERPRISE FUNDS

	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$504,289	\$421,070	\$504,289
Payments to Suppliers	(206,871)	(211,690)	(206,871)
Payments to Employees	(158,774)	(155,544)	(158,774)
Net Cash Provided (Used) by Operating Activities	138,644	53,836	138,644
Cash Flows from Non-Capital and Related Financing Activities			
Transfers Out	(70,604)	(3,791)	(70,604)
Intergovernmental	1,373	0	1,373
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(69,231)	(3,791)	(69,231)
Cash Flows from Capital and Related Financing Activities			
Principal Payment on Revenue Bonds, Notes and Capital Leases	0	0	0
Purchases of Capital Assets	(5,000)	(14,939)	(5,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,000)	(14,939)	(5,000)
Cash Flows from Investing Activities			
Interest Received	0	0	0
Net Cash Provided (Used) by Investment Activities	0	0	0
Net Increase (Decrease) in Cash Equivalents	64,413	35,106	64,413
Cash and Cash Equivalents at Beginning of Year	75,765	40,659	75,765
Cash and Cash Equivalents at End of Year	\$140,178	\$75,765	\$140,178
	0	0	0
Restricted Cash	\$77,487	\$61,640	\$77,487
Unrestricted Cash	62,691	14,125	62,691
	\$140,178	\$75,765	\$140,178

(continued)

(continued)

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS		
	UTILITY CURRENT YEAR	UTILITY PRIOR YEAR	TOTALS CURRENT YEAR
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating Income (Loss)	(\$53,900)	(\$109,273)	(\$53,900)
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	135,643	134,643	135,643
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(2,260)	(1,248)	(2,260)
Increase (Decrease) in Accounts Payable	269	(10,423)	269
Increase (Decrease) in Accrued Wages	451	16	451
Increase (Decrease) in Compensated Absences	433	(323)	433
Increase (Decrease) in Consumer Deposits	(4,750)	38,500	(4,750)
Increase (Decrease) in Deferred Revenues	72,017	0	72,017
Increase (Decrease) in Consumer Meter Deposits	(9,259)	1,944	(9,259)
			0
Net Cash Provided (Used)			
By Operating Activities	<u>\$138,644</u>	<u>\$53,836</u>	<u>\$138,644</u>
	0	0	0
Noncash Investing, Capital, and Financing Activities:			
Federal Grant	<u>\$1,373</u>	<u>\$0</u>	<u>\$1,373</u>
	<u>\$1,373</u>	<u>\$0</u>	<u>\$1,373</u>

Note: The above funds are all Enterprise Funds.

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

CITY OF NATALIA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. Summary of significant accounting policies

A. Reporting entity

The City of Natalia, Texas, was incorporated by an election. The City operates under a General Law type of government and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The accounting policies of the City of Natalia, Texas, (the City) conform to generally accepted accounting principles generally accepted in the United States of America. The City also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities those transactions between governmental and business-type activities have not been eliminated.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City’s deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government’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 NPD Impound fund is used to collect monies from impounding vehicles to be used for law enforcement purposes.

The veteran’s memorial library fund is used to collect monies for the operation of the city library.

C. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The government reports the following major proprietary funds:

The utility fund accounts for the activities of the government's water and sewer operations.

D. Assets, liabilities, and Net Position or equity

1. Deposits and investments

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Current trade accounts receivable allowance is equal to 1 percent of outstanding utility billings at September 30, 2013, trade accounts receivable allowance in excess of 30 days is equal to 5 percent of outstanding utility billings at September 30, 2013, the trade accounts receivable allowance in excess of 60 days is equal to 10 percent of outstanding utility billings at September 30, 2013, the trade accounts receivable allowance in excess of 90 days is equal to 25 percent of outstanding utility billings at September 30, 2013, and the trade accounts receivable allowance in excess of 120 days is equal to 75 percent of outstanding utility billings at September 30, 2013. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2013, and 10 percent of delinquent outstanding property taxes at September 30, 2013.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2013.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items at September 30, 2013.

4. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by applicable contract covenants.

The restricted assets consist of the following cash items:

	Governmental Activities	Business-type Activities	Total
Restricted for:			
Contingency	\$33,398	\$0	\$33,398
Centennial	5,549		5,549
Debt Service	5		5
Disposal Fees		37,017	37,017
Library	3,615		3,615
Municipal Court Reserve	18,121		18,121
Municipal Development	5,183		5,183
Meters		40,470	40,470
Total	\$65,871	\$77,487	\$143,358

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City had no projects during the 2012-2013 year.

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

Asset	Years
Buildings	50
Building improvements	20
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. **Compensated absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.

7. **Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. **Comparative data/reclassifications**

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

9. **Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 government 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. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

10. Net position flow assumption

Sometimes the government 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 government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

11. Fund Balances – Governmental Funds

As of September 30, 2013, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2013, fund balances are composed of the following:

Fund Balances:	
Nonspendable	
Due to Others	\$71,990
Restricted	
Debt Service	5
Municipal Court Reserve	18,121
Municipal Development	5,183
Committed	
Centennial	5,549
Unassigned	(3,330)
Total Fund Balance	<u>\$97,518</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council or the finance committee has provided otherwise in its commitment or assignment actions. In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 15 to 25 percent of the subsequent year's budgeted General Fund expenditures.

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$170,426 difference are as follows:

Compensated Absences	\$2,241
Interest Payable	3,471
Tax Notes	125,000
Capital Lease	28,714
Notes Payable	11,000
	<u>\$170,426</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.)" The details of this \$89,216 difference are as follows:

Property Taxes Receivable	\$96,610
Allowance for Doubtful Accounts	<u>(7,394)</u>
Net	<u>\$89,216</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$336,947 difference are as follows:

Capital assets not being depreciated	\$16,902
Capital assets being depreciated	914,308
Depreciation expense	(594,263)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in Net Position of governmental activities	<u>\$336,947</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "Municipal fines and fees receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles.") The details of this \$106,865 difference are as follows:

Fines and Fees receivable	\$260,506
Allowance for Doubtful Accounts	<u>(153,641)</u>
Net	<u>\$106,865</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$56,084 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	0
Capital Outlay - Deletions	0
Depreciation Expense	(56,084)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>(\$56,084)</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The City Manager has been authorized by the council to prepare the budget. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the City Manager. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the City Manager is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations as long as they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (IE. the level at which expenditures may not legally exceed appropriations) is the department level.

B. Excess of expenditures over appropriations

For the year ended September 30, 2013, excess of expenditures over appropriations DID NOT occur in the general fund.

C. Deficit fund equity

The City did not have a deficit fund balance as of September 30, 2013 except for the NPD Impound fund which had a deficit fund balance of \$39,340 and the veteran's memorial library fund which had a deficit fund balance of \$6,728. These deficits are expected to be liquidated by future resource of these funds.

IV. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is not in compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

The City has not have a depository contract with its depository bank but has adopted an investment policy. That City does address the following risks:

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City is not exposed to custodial credit risk because during the year the City was fully covered by either depository insurance and/or collateral held by the government's agent in the government's name. The total amount of cash in the bank at September 30, 2013 is \$293,087 while the total pledged securities are \$183,300 and the FDIC insurance coverage is \$500,000. The book balance was \$260,771. As of September 30, 2013, the city had no investments.

B. Receivables

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

	General	Utility	Total
<u>Receivables</u>			
Taxes	\$96,610		\$96,610
Charges for Services		74,858	74,858
Fines	260,506		260,506
Other	4,109	2,029	6,138
Gross receivables	361,225	76,887	438,112
Less: Allowance for uncollectibles	161,035	18,164	179,199
Net total receivables	<u>\$200,190</u>	<u>\$58,723</u>	<u>\$258,913</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unearned Revenue</u>	<u>Unavailable Revenue</u>
Delinquent Property Taxes Receivable (General Fund)-Net	\$ 89,216	
Cash seizures	<u> </u>	\$ -0-
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 89,216</u>	<u>\$ -0-</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$16,902			\$16,902
Total capital assets not being depreciated	16,902	0	0	16,902
Capital assets being depreciated:				
Building and improvements	312,112			312,112
Intangible	76,324			76,324
Machinery and equipment	283,622		11,000	272,622
Infrastructure	253,250			253,250
Total capital assets being depreciated	925,308	0	11,000	914,308
Less accumulated depreciation for:				
Building and improvements	56,170	15,606		71,776
Intangible	40,753	1,872		42,625
Machinery and equipment	199,006	38,606	11,000	226,612
Infrastructure	253,250	0		253,250
Total accumulated depreciation	549,179	56,084	11,000	594,263
Total Capital assets being depreciated, net	376,129	(56,084)	0	320,045
Governmental activities capital assets, net	\$393,031	(\$56,084)	\$0	\$336,947

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$15,570			\$15,570
Total capital assets not being depreciated	15,570	0	0	15,570
Capital assets being depreciated:				
Building and improvements	62,734			62,734
Machinery and equipment	68,457	5,000		73,457
Distribution System	4,766,713			4,766,713
Total capital assets being depreciated	4,897,904	5,000	0	4,902,904
Less accumulated depreciation for:				
Building and improvements	8,882	1,323		10,205
Machinery and equipment	66,021	2,218		68,239
Distribution System	3,122,944	132,102		3,255,046
Total accumulated depreciation	3,197,847	135,643	0	3,333,490
Total Capital assets being depreciated, net	1,700,057	(130,643)	0	1,569,414
Business-type activities capital assets, net	\$1,715,627	(\$130,643)	\$0	\$1,584,984

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

Governmental activities	
General Administration	\$11,867
Culture and Recreation	567
Public Safety	40,800
Public Transportation	<u>2,850</u>
Total depreciation expense - governmental activities	<u>\$56,084</u>
Business-type activities	
Utility	<u>\$135,643</u>
Total depreciation expense - Business-type activities	<u>\$135,643</u>

Construction commitments: The City had no projects during the 2012-2013 year.

D. Interfund receivables, payables, and transfers

The City had a due to General fund from the NPD Impound fund for \$68,777 at September 30, 2013. This was for payroll facilitation on behalf of the Impound fund. This amount is expected to be repaid within the next fiscal year.

The City had a due to General fund from the Veterans Memorial Library fund for \$9,474 at September 30, 2013. This was for operating funds. This amount is expected to be repaid within the next fiscal year.

The City had a transfer of \$70,604 from the Utility fund to the General fund for the year ended September 30, 2013. This transfer was for operating capital and is recurring.

E. Leases

The City had no operating leases at September 30, 2013.

F. Long-term debt

Tax Notes

The government issues tax notes to provide funds for the acquisition and construction of major capital facilities. Tax Notes have been issued for governmental activities. The original amount of the tax notes issued in the 2008-2009 year was \$200,000.

Tax notes are direct obligations and pledge the full faith and credit of the government. Tax notes outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Governmental activities	6.0	\$ 125,000

The general fund is used to service the tax notes.

Annual debt service requirements to maturity for the Certificates of Obligation bonds and Revenue bonds are as follows:

Year Ending September 30,	<u>Governmental activities:</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$40,000	\$7,500
2015	40,000	5,100
2016	45,000	2,700
TOTALS	<u>\$125,000</u>	<u>\$15,300</u>

Capital Leases

The Capital Leases consists of one COPSYNCR computer system for the police department Governmental Fund Capital Assets at \$37,443. The debt will be serviced by the General Fund. The accumulated depreciation of the above equipment is \$3,744. The following for the above debt is a schedule of the future minimum lease payments and the present value of net minimum lease payments at September 30, 2013.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2013, were as follows:

<u>YEAR</u>	<u>Governmental Activities Amount</u>
2014	\$10,557
2015	10,557
2016	10,557
Total Minimum Lease Payments	<u>31,671</u>
Less: Amount Representing Interest	<u>2,957</u>
Present Value of Net Minimum Lease Payments	<u>\$28,714</u>

The general fund is used to service the capital lease.

Notes Payable

The City acquired a notes payable on May 12, 2010 for \$28,000 from the Security State Bank. The loan is to be paid off on July 31, 2013 including interest at 5.5%. This note was processed in the general fund and was used to pay off prior notes. The rate of interest is 5.5%. The current balance of the note at September 30, 2013 is \$11,000.

Changes in long-term liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>	<u>Due after one year</u>
<u>Business-type activities:</u>						
Compensated Absences	\$3,353	\$3,786	\$3,353	\$3,786	\$3,786	\$0
	3,353	3,786	3,353	3,786	3,786	0
<u>Governmental activities:</u>						
Notes Payable	16,000		5,000	11,000	11,000	0
Capital Lease	37,443		8,729	28,714	9,103	19,611
Tax Notes	165,000		40,000	125,000	40,000	85,000
Compensated Absences	6,144	2,241	6,144	2,241	2,241	0
	224,587	2,241	59,873	166,955	62,344	104,611
 Grand Total	 \$227,940	 \$6,027	 \$63,226	 \$170,741	 \$66,130	 \$104,611

The general fund and the utility fund are used to service the compensated absences. The estimated amount due in the 2014 year is \$6,027.

The general fund and the Impound fund are to be used to service the notes payable. The estimated amount due in the 2013-2014 year is \$11,000.

The government-wide statement of activities includes \$66,130 as "noncurrent liabilities, due within one year".

The total amount of interest expensed in 2012-2013 is \$13,508. There was no interest capitalized in capital assets.

V. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

	Year ended <u>09/30/13</u>	Year ended <u>09/30/12</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurring claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

B. Related party transaction

The City Manager's son mowed the lawn for the City \$150. The City was then reimbursed by the property owner

C. Contingent liabilities

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

The government is not a defendant in any lawsuit.

D. Subsequent events

On March 17, 2014 the City accepted the resignation of the City Administrator, Sandra Passailaigue. Lisa S. Hernandez accepted the position of City Administrator/City Secretary with a 2-year contract, annual salary of \$52,500 with health, vision and dental benefits.

E. Other Post Employment Benefits

The City had no Other Post Employment Benefits at September 30, 2013.

F. Pension Plan

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on 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:

PLAN YEAR	2012	2013
EMPLOYEE DEPOSIT RATE	5.00%	5.00%
MATCHING RATIO (city to employee)	1 to 1	1 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	0%	0%
ANNUITY INCREASE (to retirees)	00% of CPI	00% of CPI

Contributions

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

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

The annual pension cost and net pension obligation/(asset) are as follows:

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09-30-11	13,871	100%	-0-
09-30-12	8,598	100%	-0-
09-30-13	8,375	100%	-0-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest valuation, December 31, 2012, also follows:

VALUATION DATE	12/31/2009	12/31/2010	12/31/2012
ACTUARIAL COST METHOD	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
AMORTIZATION METHOD	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 EQUIVALENT SINGLE	22.6 years; closed period	21.3 years; closed period	20.4 years; closed period
ASSET VALUATION METHOD	10 Year Smoothed Mkt.	10 Year Smoothed Mkt.	10 Year Smoothed Mkt.
AMORTIZATION PERIOD	Closed Period	Closed Period	Closed Period
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	3.00%	3.00%	3.00%
COST-OF-LIVING ADJUSTMENTS	0.0	0.0%	0.0%
AMORTIZATION PERIOD FOR NEW GAINS/LOSES	16 years	18 years	18 years

The funded status as of December 31, 2012, the most actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
12/31/2012	\$137,075	\$200,163	\$63,088	68.5%	\$388,337	16.2%

The schedule of funding progress presented as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

ANALYSIS OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
12/31/2009	\$39,495	\$85,385	\$45,890	46.3%	\$375,687	12.2%
12/31/2010	\$77,609	\$142,350	\$64,741	54.5%	\$443,232	14.6%
12/31/2012	\$107,776	\$170,702	\$62,926	63.1%	\$390,301	16.1%
12/31/2012	\$137,075	\$200,163	\$63,088	68.5%	\$388,337	16.2%

Funded Status and funding Progress – In June, 2010, SB was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial study that was adopted by the TMRS Board at their May, 2013 meeting (the review compared actual to expected experience for the four year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please refer to the December 31, 2010 TMRS Comprehensive Annual financial Report (CAFR).