

CITY OF YOAKUM, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2013

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council
City of Yoakum, Texas

Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Yoakum, Texas (the "City") 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 the accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Yoakum Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. 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 organization'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 organization'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.

The Honorable Mayor and Members
of the City Council

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 unit, each major fund, and the aggregate remaining fund information of the City 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 budgetary comparison information, as listed in the table of contents, 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable Mayor and Members
of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 11, 2014

The discussion and analysis of the City of Yoakum's (the "City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2013, by \$25,506,459. Of this amount, \$12,494,718 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2013, the City's governmental funds reported combined ending fund balances of \$5,649,292, an increase of \$850,514 in comparison with the prior year.
- At September 30, 2013, unassigned fund balance for the General Fund was \$792,604 or 13.43% of total General Fund expenditures.
- The total cost of all City activities was \$14,205,261 for the fiscal year which is an increase of \$331,435 from the prior year.
- During the year, the City's general revenues exceeded net expenses of all City activities by \$1,015,501. This represents a 4.15% increase in net position from the previous fiscal year as a result of operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information

Independent Auditors' Report <i>Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.</i>	
Management's Discussion and Analysis <i>This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.</i> Page 4 to 10	
Government-wide Financial Statements <i>Provides information on governmental and business-type activities of the primary government.</i> Pages 11 to 13	Fund Financial Statements <i>Provides information on the financial position of specific funds of the primary governments.</i> Pages 14 to 20
Notes to Financial Statements <i>Provides a summary of significant accounting policies and related disclosures.</i> Pages 21 to 41	

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

Statement of Net Position

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net position can be found on page 11.

Statement of Activities

The statement of activities presents information showing how the government's net position changed during fiscal year 2013. 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 and earned, but unused vacation leave). The statement of activities can be found on pages 12 through 13.

Both of these 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, public works, and cultural and recreation. The business-type activities of the City include utilities. The government-wide financial statements can be found immediately following the Management's Discussion and Analysis.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Yoakum Economic Development Corporation. This component unit is not included as part of the primary government.

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 available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

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 financial decisions. Both the governmental fund balance sheet (page 14) and the governmental fund statement of revenues, expenditures, and changes in fund balances (page 16) provide reconciliation to facilitate this comparison between governmental funds and governmental activities (pages 15 and 17, respectively).

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Project Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements and schedules following the required supplementary information.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided to demonstrate compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

Proprietary Funds

The City maintains only one type of proprietary funds. The enterprise fund, or the Utility Fund, is used to report the same functions presented as business-type activities in the government-wide financial statements. The City's Utility Fund accounts for the fiscal activities relating to electric and water/wastewater utilities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements follow the governmental fund financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund. Required supplementary information can be found on pages 42 through 45 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 46 through 61 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, assets exceeded liabilities by \$25,506,459 at the close of the fiscal year ended September 30, 2013.

At the end of fiscal year 2013, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Yoakum, Texas

Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,220,532	\$ 5,418,431	\$ 10,428,275	\$ 10,235,344	\$ 16,648,807	\$ 15,653,775
Capital assets (net)	5,748,537	6,069,869	11,919,583	11,901,974	17,668,120	17,971,843
Total assets	11,969,069	11,488,300	22,347,858	22,137,318	34,316,927	33,625,618
Deferred outflow of resources	-	-	22,052	33,078	22,052	33,078
Current and other liabilities	378,007	500,765	1,559,622	1,300,793	1,937,629	1,801,558
Noncurrent liabilities	127,668	145,504	6,767,223	7,220,676	6,894,891	7,366,180
Total liabilities	505,675	646,269	8,326,845	8,521,469	8,832,520	9,167,738
Net position:						
Net investment in						
capital assets	5,748,537	6,069,869	7,263,204	6,842,790	13,011,741	12,912,659
Unrestricted, as restated	5,714,857	4,772,162	6,779,861	6,806,137	12,494,718	11,578,299
Total net position	\$ 11,463,394	\$ 10,842,031	\$ 14,043,065	\$ 13,648,927	\$ 25,506,459	\$ 24,490,958

The largest portion of the City's net position (51.01% or \$13,011,741) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Yoakum, Texas**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for services	\$ 2,805,575	\$ 2,652,412	\$ 10,904,021	\$ 10,777,573	\$ 13,709,596	\$ 13,429,985
Operating grants and contributions	49,266	34,000	-	-	49,266	34,000
Capital grants and contributions	-	-	59,809	-	59,809	-
General revenues:						
Property taxes	174,879	174,096	-	-	174,879	174,096
Other taxes	1,108,747	1,073,246	-	-	1,108,747	1,073,246
Other	73,956	175,715	44,509	44,871	118,465	220,586
Total revenues	<u>4,212,423</u>	<u>4,109,469</u>	<u>11,008,339</u>	<u>10,822,444</u>	<u>15,220,762</u>	<u>14,931,913</u>
EXPENSES						
General government	926,155	899,172	-	-	926,155	899,172
Public safety	2,145,161	2,097,704	-	-	2,145,161	2,097,704
Public works	2,525,980	2,449,719	-	-	2,525,980	2,449,719
Cultural and recreation	666,180	700,102	-	-	666,180	700,102
Utilities	-	-	7,941,785	7,727,129	7,941,785	7,727,129
Total expenses	<u>6,263,476</u>	<u>6,146,697</u>	<u>7,941,785</u>	<u>7,727,129</u>	<u>14,205,261</u>	<u>13,873,826</u>
Change in net position before transfers	(2,051,053)	(2,037,228)	3,066,554	3,095,315	1,015,501	1,058,087
Transfers	2,672,416	2,280,049	(2,672,416)	(2,280,049)	-	-
Change in net position	621,363	242,821	394,138	815,266	1,015,501	1,058,087
Net position - beginning, as restated	10,842,031	10,599,210	13,648,927	12,833,661	24,490,958	23,432,871
Net position - ending	<u>\$ 11,463,394</u>	<u>\$ 10,842,031</u>	<u>\$ 14,043,065</u>	<u>\$ 13,648,927</u>	<u>\$ 25,506,459</u>	<u>\$ 24,490,958</u>

Governmental activities increased the City's net position by \$621,363, thereby the business-type activities increased by \$394,138. Inter-fund transfers were approximately \$400,000 higher than the prior year.

The City's total revenues increased from the prior year. Charges for services increased due to higher utility sales. The capital grant revenues decreased due to no grants being received during the year. The City's governmental activities expenses increased from prior year by \$116,779, primarily in public works and public safety.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved 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 fiscal year 2013, the City's governmental funds reported combined ending fund balances of \$5,649,292, an increase of \$850,514 in comparison with the prior year. Substantially the entire balance is available for spending, subject to regulatory, statutory, and budgetary restrictions.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2013, unassigned fund balance of the General Fund was \$792,604. The unassigned fund balance represents 13.43% of the total General Fund expenditures.

The fund balance of the City's General Fund increased by \$6,058 during the current fiscal year compared to an increase in the prior year of \$309,712. Key factors in this change compared to the prior year are as follows:

- Net transfers in fiscal year 2013 were \$307,123 lower than that reported in the prior year.
- Charges for services were \$78,001 lower than the prior year.

The Capital Project Fund had a \$698,100 increase in fund balance in comparison with the prior year. This is due to an increase in net transfers compared to the prior year.

Proprietary Funds

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

Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and final amended budget includes an increase in anticipated revenues of \$184,400. Actual revenue realized in fiscal year 2013 exceeded the budget by \$211,309. This was mainly due to an increase in the revenues realized from various solid waste activities and new sources of revenue that resulted from various industrial users of the City's service.

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, 2013, amounts to \$17,668,120 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, machinery and equipment, infrastructure, water works system, sewer system, electric system, and construction in progress. The net decrease in the City's investment in capital assets for the current fiscal year was 1.28% (a 4.76% decrease for governmental activities and .5% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- Improvements to the waste water utility system.
- Various vehicles and equipment.

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term Debt

At the end of fiscal year 2013, the City had total bonded debt outstanding of \$7,145,000. All of the debt is related to utility system improvements.

The City had outstanding \$210,990 in compensated absences, which was a decrease of approximately 16.47% from the prior year.

Additional information on the City's debt can be found in Note 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Inflationary trends in the region are consistent with national and state indices.
- The FY 2014 budget anticipates a slight revenue decrease from FY 2013 which was a record year.
- The overall ad valorem tax rate remained at \$0.09087. The tax rate for the debt service decreased to \$0.05701 from \$0.05848. The M & O tax rate increased from \$0.03239 to \$0.03386.
- Lower regional unemployment will increase labor and contract costs.

Requests for Information

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Office of the Finance Director in the Yoakum City Hall or at P.O. Box 738, Yoakum, Texas 77995.

Basic Financial Statements

CITY OF YOAKUM, TEXAS
STATEMENT OF NET POSITION
September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Yoakum Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,602,224	\$ 5,604,745	\$ 11,206,969	\$ 1,399,363
Receivables (net)	467,664	1,967,013	2,434,677	-
Due from other governments	143,180	-	143,180	47,060
Due from primary government	-	-	-	500
Inventory	7,464	367,896	375,360	-
Restricted assets				
Cash and cash equivalents	-	2,488,621	2,488,621	-
Total current assets	6,220,532	10,428,275	16,648,807	1,446,923
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	361,498	133,341	494,839	63,653
Buildings, infrastructure, and equipment (net)	5,387,039	11,786,242	17,173,281	-
Total noncurrent assets	5,748,537	11,919,583	17,668,120	63,653
Total assets	11,969,069	22,347,858	34,316,927	1,510,576
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on refunding	-	22,052	22,052	-
Total deferred outflow of resources	-	22,052	22,052	-
LIABILITIES				
Current liabilities				
Accounts payable	190,033	791,067	981,100	7,100
Accrued expenditures/expenses	164,725	87,735	252,460	-
Deposits	3,516	233,054	236,570	-
Due to other governments	5,048	-	5,048	-
Due to component unit	500	-	500	-
Accrued compensated absences	14,185	6,914	21,099	-
Accrued interest payable	-	852	852	-
Current portion of long-term obligations	-	440,000	440,000	-
Total current liabilities	378,007	1,559,622	1,937,629	7,100
Noncurrent liabilities				
Accrued compensated absences	127,668	62,223	189,891	-
Noncurrent portion of long-term obligations	-	6,705,000	6,705,000	-
Total noncurrent liabilities	127,668	6,767,223	6,894,891	-
Total liabilities	505,675	8,326,845	8,832,520	7,100
NET POSITION				
Net investment in capital assets	5,748,537	7,263,204	13,011,741	-
Unrestricted net position	5,714,857	6,779,861	12,494,718	1,503,476
Total net position	\$ 11,463,394	\$ 14,043,065	\$ 25,506,459	\$ 1,503,476

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2013

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 926,155	\$ 174,078	\$ -	\$ -
Public safety	2,145,161	411,425	49,266	-
Public works	2,525,980	2,033,924	-	-
Cultural and recreation	666,180	186,148	-	-
Total governmental activities	<u>6,263,476</u>	<u>2,805,575</u>	<u>49,266</u>	<u>-</u>
Business-type activities				
Utilities	<u>7,941,785</u>	<u>10,904,021</u>	<u>-</u>	<u>59,809</u>
Total business-type activities	<u>7,941,785</u>	<u>10,904,021</u>	<u>-</u>	<u>59,809</u>
Total primary government	<u>\$ 14,205,261</u>	<u>\$ 13,709,596</u>	<u>\$ 49,266</u>	<u>\$ 59,809</u>
Component Unit				
Yoakum Economic Development Corporation	<u>\$ 275,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Franchise taxes
- Other taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Yoakum Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ (752,077)	\$ -	\$ (752,077)	\$ -
(1,684,470)	-	(1,684,470)	-
(492,056)	-	(492,056)	-
(480,032)	-	(480,032)	-
<u>(3,408,635)</u>	<u>-</u>	<u>(3,408,635)</u>	<u>-</u>
-	3,022,045	3,022,045	-
-	3,022,045	3,022,045	-
<u>(3,408,635)</u>	<u>3,022,045</u>	<u>(386,590)</u>	<u>-</u>
-	-	-	<u>(275,111)</u>
61,228	-	61,228	-
113,651	-	113,651	-
893,286	-	893,286	297,761
126,120	-	126,120	-
89,341	-	89,341	-
47,057	44,509	91,566	11,568
26,899	-	26,899	-
<u>2,672,416</u>	<u>(2,672,416)</u>	<u>-</u>	<u>-</u>
<u>4,029,998</u>	<u>(2,627,907)</u>	<u>1,402,091</u>	<u>309,329</u>
621,363	394,138	1,015,501	34,218
<u>10,842,031</u>	<u>13,648,927</u>	<u>24,490,958</u>	<u>1,469,258</u>
<u>\$ 11,463,394</u>	<u>\$ 14,043,065</u>	<u>\$ 25,506,459</u>	<u>\$ 1,503,476</u>

CITY OF YOAKUM, TEXAS**BALANCE SHEET****GOVERNMENTAL FUNDS**

September 30, 2013

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,296,311	\$ 3,002,399	\$ 303,514	\$ 5,602,224
Receivables (net)	432,555	-	35,109	467,664
Due from other funds	-	-	231,001	231,001
Due from other governments	143,180	-	-	143,180
Inventory	7,464	-	-	7,464
Total assets	<u>\$ 2,879,510</u>	<u>\$ 3,002,399</u>	<u>\$ 569,624</u>	<u>\$ 6,451,533</u>
LIABILITIES				
Accounts payable	\$ 175,796	\$ -	\$ 14,237	\$ 190,033
Accrued expenditures	164,725	-	-	164,725
Deposits	3,516	-	-	3,516
Due to other funds	231,001	-	-	231,001
Due to component unit	500	-	-	500
Due to other governments	5,048	-	-	5,048
Total liabilities	<u>580,586</u>	<u>-</u>	<u>14,237</u>	<u>594,823</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>196,037</u>	<u>-</u>	<u>11,381</u>	<u>207,418</u>
Total deferred inflows of resources	<u>196,037</u>	<u>-</u>	<u>11,381</u>	<u>207,418</u>
FUND BALANCES				
Nonspendable				
Inventory	7,464	-	-	7,464
Restricted	-	3,002,399	544,006	3,546,405
Committed	1,302,819	-	-	1,302,819
Unassigned	<u>792,604</u>	<u>-</u>	<u>-</u>	<u>792,604</u>
Total fund balances	<u>2,102,887</u>	<u>3,002,399</u>	<u>544,006</u>	<u>5,649,292</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,879,510</u>	<u>\$ 3,002,399</u>	<u>\$ 569,624</u>	<u>\$ 6,451,533</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION
OF GOVERNMENTAL ACTIVITIES**

September 30, 2013

Total governmental fund balances \$ 5,649,292

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 as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 13,650,042	
Accumulated depreciation of governmental capital assets	<u>(7,901,505)</u>	5,748,537

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unearned revenues in the governmental funds and thus are not included in fund balance. 207,418

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences	<u>(141,853)</u>
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Net position of governmental activities **\$ 11,463,394**

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the year ended September 30, 2013

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,085,077	\$ -	\$ 198,328	\$ 1,283,405
Licenses and permits	188,775	-	-	188,775
Intergovernmental	49,266	-	-	49,266
Charges for services	2,404,062	-	-	2,404,062
Fines and forfeitures	123,885	-	19,772	143,657
Investment income	21,877	22,814	2,366	47,057
Miscellaneous	36,307	-	11,364	47,671
Total revenues	<u>3,909,249</u>	<u>22,814</u>	<u>231,830</u>	<u>4,163,893</u>
EXPENDITURES				
Current				
General government	861,996	-	58,333	920,329
Public safety	2,063,142	-	27,141	2,090,283
Public works	2,244,791	120	-	2,244,911
Cultural and recreation	730,272	-	-	730,272
Total expenditures	<u>5,900,201</u>	<u>120</u>	<u>85,474</u>	<u>5,985,795</u>
Excess (deficiency) of revenues over expenditures	(1,990,952)	22,694	146,356	(1,821,902)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,247,490	1,027,146	-	3,274,636
Transfers out	(250,480)	(351,740)	-	(602,220)
Total other financing sources (uses)	<u>1,997,010</u>	<u>675,406</u>	<u>-</u>	<u>2,672,416</u>
Net change in fund balances	6,058	698,100	146,356	850,514
Fund balances at beginning of year, as restated	<u>2,096,829</u>	<u>2,304,299</u>	<u>397,650</u>	<u>4,798,778</u>
Fund balances at end of year	<u>\$ 2,102,887</u>	<u>\$ 3,002,399</u>	<u>\$ 544,006</u>	<u>\$ 5,649,292</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2013

Total net change in fund balances - governmental funds \$ 850,514

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Increase in capital assets	\$ 252,392	
Depreciation expense	<u>(549,891)</u>	(297,499)

The net effect of various transactions involving capital assets (i.e., transfers, adjustments and dispositions) is to increase (decrease) net position. (23,833)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year end and are not reported as revenue in the governmental funds.

Property taxes	221	
Ambulance fees	68,969	
Other revenues	<u>3,173</u>	72,363

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences	<u>19,818</u>
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Change in net position of governmental activities \$ 621,363

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,604,745
Receivables (net)	1,967,013
Inventory	367,896
Restricted assets	
Cash and cash equivalents	<u>2,488,621</u>
Total current assets	<u>10,428,275</u>
Noncurrent assets	
Capital assets	
Land and other assets not being depreciated	133,341
Buildings, infrastructure, and equipment (net)	<u>11,786,242</u>
Total noncurrent assets	<u>11,919,583</u>
Total assets	<u>22,347,858</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on refunding	<u>22,052</u>
Total deferred outflow of resources	<u>22,052</u>
LIABILITIES	
Current liabilities	
Accounts payable	791,067
Accrued expenses	87,735
Deposits	233,054
Accrued compensated absences	6,914
Accrued interest payable	852
Current portion of bonds and certificates payable	<u>440,000</u>
Total current liabilities	<u>1,559,622</u>
Noncurrent liabilities	
Accrued compensated absences	62,223
Bonds and certificates payable	<u>6,705,000</u>
Total noncurrent liabilities	<u>6,767,223</u>
Total liabilities	<u>8,326,845</u>
NET POSITION	
Net investment in capital assets	7,263,204
Unrestricted net position	<u>6,779,861</u>
Total net position	<u>\$ 14,043,065</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUNDS**

For the year ended September 30, 2013

	Business-type Activities
	Utility Fund
OPERATING REVENUES	
Charges for services	\$ 10,813,949
Miscellaneous	90,072
Total operating revenues	<u>10,904,021</u>
OPERATING EXPENSES	
Personnel	1,380,121
Supplies	145,000
Cost of power	5,439,500
Services	326,175
Maintenance	232,991
Other	36,432
Depreciation	361,609
Total operating expenses	<u>7,921,828</u>
Operating income (loss) before nonoperating revenues (expenses) contributions and transfers	2,982,193
NONOPERATING REVENUES (EXPENSES)	
Investment income	44,509
Interest and fiscal charges	<u>(19,957)</u>
Net nonoperating revenues (expenses)	<u>24,552</u>
Income before contributions and transfers	3,006,745
Contributions and transfers	
Capital grants and contributions	59,809
Transfers in	205,740
Transfers out	<u>(2,878,156)</u>
Total contributions and transfers	<u>(2,612,607)</u>
Change in net position	394,138
Total net position at beginning of year, as restated	<u>13,648,927</u>
Total net position at end of year	<u>\$ 14,043,065</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2013

	Business-type Activities
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 10,829,791
Cash payments to suppliers for goods and services	(6,006,047)
Cash payments to employees for services	<u>(1,382,299)</u>
Net cash provided by operating activities	<u>3,441,445</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received (paid) on customer meter deposits	2,835
Transfers from (to) other funds	<u>(2,672,416)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,669,581)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(319,411)
Principal paid on bond maturities	(440,000)
Interest and finance charges paid on bonds	<u>(9,237)</u>
Net cash provided (used) by capital and related financing activities	<u>(768,648)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>44,509</u>
Net cash provided (used) by investing activities	<u>44,509</u>
Net increase (decrease) in cash and cash equivalents	47,725
Cash and cash equivalents at beginning of year	<u>8,045,641</u>
Cash and cash equivalents at end of year	<u>\$ 8,093,366</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,982,193
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	361,609
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(74,230)
(Increase) decrease in inventory	(70,976)
Increase (decrease) in accounts payable	245,027
Increase (decrease) in accrued expenses	12,769
Increase (decrease) in accrued compensated absences	<u>(14,947)</u>
Net cash provided by operating activities	<u>\$ 3,441,445</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents - Unrestricted	\$ 5,604,745
Cash and cash equivalents - Restricted	<u>2,488,621</u>
Total cash and cash equivalents	<u>\$ 8,093,366</u>
Non cash activities:	
Capital assets acquired from contributions	<u>\$ 23,833</u>

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Yoakum, Texas (the "City"), a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas, adopted its first charter in 1915. The City operates under a council-manager form of government and, as authorized by its charter, provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, parks and recreation, public improvements, inspections, and general administrative services.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. The component unit discussed in this note is included in the City's financial statements because of the significance of its financial relationship with the City.

B. Component Unit

The component unit is reported in a separate column to emphasize that it is legally separate from the City. The component unit column is made of the following:

The Yoakum Economic Development Corporation (the "Corporation") - was created for the purpose of benefiting and accomplishing public purposes of the City by promoting, encouraging, and enhancing the creation of jobs in the City. This is to be achieved through assistance in the retention of existing businesses and industries and the attraction of new businesses and industries and aid in their development and growth. The Corporation was incorporated on June 24, 1999, under the Texas Development Corporation Act of 1979, as amended, Article 5190.6 Vernon's Ann.CIV.ST. Section 4B, as amended, and qualifies as a tax-exempt organization under Code Section 501(c)(4) of the Internal Revenue Code. All powers of the Corporation are vested in the Board of Directors consisting of seven persons appointed by the City Council. This entity operates as a governmental fund type.

The component unit is discretely presented in the financial statements. Additional financial information for the Yoakum Economic Development Corporation may be obtained from Yoakum City Hall, P. O. Box 738, Yoakum, Texas 77995.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Government-wide and Fund Financial Statements - (Continued)

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. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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 and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, fines, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 Capital Project Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. The Capital Project Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

The City reports the following major proprietary funds:

Enterprise Funds are used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Utility Fund, an enterprise fund, accounts for the activities of the City related to its sewage treatment plant and water and electric distribution systems.

Additionally, the City reports the following funds:

The Special Revenue Funds account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The Debt Service Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest. The Debt Service Fund makes annual transfers to the Utility Fund to provide for payment on the Series 2011 General Obligation Refunding Bonds.

The proprietary funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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 various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 City's enterprise funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets and Budgetary Accounting

Procedures in establishing budgetary data reflected in the financial statements are as follows:

1. At least 30 days prior to the beginning of the fiscal year, the City Manager submits a proposed operating budget to the City Council for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. On or before the last day of the fiscal year currently ending, the budget is legally adopted by the City Council.
3. Any revisions that alter the total expenditures of any fund must be approved by the City Council. Although costs are monitored on a departmental basis, the level of control (level at which expenditures may not exceed budget) is the fund.
4. Formal budgetary integration is employed as a management control device by expenditure category during the year for the General Fund. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternately achieved through general obligation bond indenture provisions. Formal budgetary integration is not employed for the Special Revenue Funds and the Capital Projects Fund because effective budgetary control is provided by the small number of projects in these funds.
5. The budget for the General Fund is adopted on a basis specified by the charter of the City. This basis is consistent with the modified accrual basis of accounting. The budgetary comparison presented in this report is on the budgetary basis, which is in conformance with generally accepted accounting principles (GAAP).

A summary budget is adopted for the Utility Fund on a non-GAAP budgetary basis. Actual revenues and expenses compared to budget and a reconciliation to GAAP is presented.

6. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2013.

G. Deposits and Investments

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

The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of 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; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Deposits and Investments - (Continued)

The Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the Council's investment policies.

Investments for the City, as well as the component unit, are recorded at amortized cost, which as of September 30, 2013, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 3 for further discussion.

H. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to 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."

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

I. Inventories

Inventories of materials and supplies held by the Enterprise Fund are valued at the lower of cost (first-in, first-out) or market. Estimated cost is used when actual cost figures are not available. Inventories are not maintained in the General Fund since materials and supplies are charged to related expenditures accounts when purchased. As these amounts are not material to the financial statements, the exclusion of inventories does not materially affect the financial position or result of operations of the General Fund.

J. Restricted Assets

The restricted cash and cash equivalents in the City's Utility Fund consists of funds set aside for long-term debt and construction of utility services.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. Net interest expense (interest earned minus expense) incurred during the construction phase of capital assets of business-type activities is capitalized as part of the value of the assets constructed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Capital Assets - (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Water works system	20-40
Sewer system	20-40
Electric system	20-40
Infrastructure	20
Machinery and equipment	5-15

L. Compensated Absences

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of the number of days an employee may earn during a two-year period. Sick leave benefits are earned by all full-time employees at a rate of twelve days per year and may be accumulated without limit. In the event of termination, an employee is reimbursed for all accumulated vacation days up to the maximum accrued time. Retired employees are also reimbursed for 25% of accrued sick leave in excess of 60 days up to a maximum of 30 days accrued time. All compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

M. Long-Term Obligations

In the government-wide financial statements, and in 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. Losses on refunding are capitalized and amortized over the shorter of the life of the new issuance or the life on existing debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and deferred losses on refunding as expenditures 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.

N. Fund Equity

Fund balances of Governmental Funds classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Council through a resolution. Once the resolution is passed, the commitment remains in place until another resolution is passed to remove or revise the commitment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Fund Equity - (Continued)

Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. The Council has by resolution authorized the City Manager or his/her designee to assign fund balance. Unlike commitments, assignments generally only exist temporarily and a formal action by the Council does not have to occur in order to remove the assignment.

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

O. Minimum Fund Balance Policy

The Council has adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the General Fund. The target level is set at three months of the General Fund's total operating expenditures of the most recently audited fiscal year. If it is determined that the City is below this minimum established fund balance level, the Council will be informed of this condition and take necessary budgetary steps to bring the fund balance level into compliance with this policy through budgetary actions.

P. Stabilization Arrangement

On September 11, 2013, the Council adopted a resolution to establish and maintain a stabilization reserve in the General Fund. The reserve is to be maintained to provide for emergencies, contingencies, revenue shortfalls, or budgetary imbalances that may occur from time to time. The reserve amount should not be less than 20 percent or no more than 30 percent of the General Fund's total operating expenditures of the most recently audited fiscal year. The stabilization reserve is reported as committed fund balance in the General Fund at fiscal year end.

Q. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures Over Appropriations

General Fund expenditures in a number of different departments exceeded the amount appropriated during the current fiscal year. These variances are detailed below.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Solid Waste	\$1,629,000	\$1,709,818	\$ (80,818)

These over expenditures were funded by available fund balance in the General Fund.

NOTE 3: DEPOSITS AND INVESTMENTSInterest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. However, the City may purchase investments with a longer maturity when it is determined that it can be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2013, and for the year then ended, the City was not exposed to credit risk.

Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

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. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

It is managements' recent understanding that the Yoakum Economic Development Corporation, a discretely presented component unit, and any other 4A and 4B economic development entity is not considered a "political subdivision" as defined by Section 330.15 of the FDIC's regulation. Therefore, the Corporation's bank deposits may not be insured above \$250,000 even though they are secured by the pledged collateral agreement of the City.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2013, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2013, consist of the following:

	<u>General</u>	<u>Utility</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:				
Accounts	\$ 205,213	\$ 1,967,013	\$ -	\$ 2,172,226
Ad valorem taxes	8,960	-	12,645	21,605
Ambulance	174,379	-	-	174,379
Fines	13,594	-	-	13,594
Franchise taxes	31,305	-	-	31,305
Other	-	-	23,728	23,728
	<u>433,451</u>	<u>1,967,013</u>	<u>36,373</u>	<u>2,436,837</u>
Total gross receivables				
Less: Allowances	896	-	1,264	2,160
	<u>432,555</u>	<u>1,967,013</u>	<u>35,109</u>	<u>\$ 2,434,677</u>
Total net receivables				

The City's 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. The 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>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 8,064	\$ -	\$ 8,064
Ambulance	174,379	-	174,379
Fines	13,594	-	13,594
Debt Service Fund			
Ad valorem taxes	11,381	-	11,381
	<u>207,418</u>	<u>-</u>	<u>\$ 207,418</u>
Total			

The City's property taxes are levied annually on October 1st on the basis of the Dewitt County Appraisal District's (the "Appraisal District"), assessed values as of January 1st of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Dewitt County Tax Assessor Collector and are due and payable on January 31st. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on the property on February 1st of the subsequent calendar year.

Property taxes are prorated between operations and debt service based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.09087 per \$100 of assessed valuation which were prorated between operations and debt service in the amounts of \$0.03239 and \$0.05848, respectively. The resulting adjusted total tax levy was \$169,320 on the total adjusted taxable valuation of \$188,078,154 for the 2012 tax year.

NOTE 5: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 361,498	\$ -	\$ -	\$ 361,498
Total capital assets, not being depreciated	<u>361,498</u>	<u>-</u>	<u>-</u>	<u>361,498</u>
Capital assets, being depreciated				
Machinery and equipment	3,554,902	145,514	105,499	3,594,917
Buildings	3,279,378	106,878	17,925	3,368,331
Infrastructure	<u>6,325,296</u>	<u>-</u>	<u>-</u>	<u>6,325,296</u>
Total capital assets, being depreciated	<u>13,159,576</u>	<u>252,392</u>	<u>123,424</u>	<u>13,288,544</u>
Less accumulated depreciation for				
Machinery and equipment	1,966,619	222,705	81,666	2,107,658
Buildings	1,551,010	73,685	17,925	1,606,770
Infrastructure	<u>3,933,576</u>	<u>253,501</u>	<u>-</u>	<u>4,187,077</u>
Total accumulated depreciation	<u>7,451,205</u>	<u>549,891</u>	<u>99,591</u>	<u>7,901,505</u>
Total capital assets being depreciated, net	<u>5,708,371</u>	<u>(297,499)</u>	<u>23,833</u>	<u>5,387,039</u>
Governmental activities capital assets, net	<u>\$ 6,069,869</u>	<u>\$ (297,499)</u>	<u>\$ 23,833</u>	<u>\$ 5,748,537</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 3,838	\$ -	\$ -	\$ 3,838
Construction in progress	<u>5,359,544</u>	<u>129,503</u>	<u>5,359,544</u>	<u>129,503</u>
Total capital assets, not being depreciated	<u>5,363,382</u>	<u>129,503</u>	<u>5,359,544</u>	<u>133,341</u>
Capital assets, being depreciated				
Machinery and equipment	1,226,930	122,785	-	1,349,715
Buildings and improvements	278,097	-	-	278,097
Water works system	4,808,068	118,396	-	4,926,464
Sewer system	7,308,686	5,359,546	-	12,668,232
Electric system	<u>2,903,372</u>	<u>50,438</u>	<u>-</u>	<u>2,953,810</u>
Total capital assets, being depreciated	<u>16,525,153</u>	<u>5,651,165</u>	<u>-</u>	<u>22,176,318</u>
Less accumulated depreciation for				
Machinery and equipment	797,076	53,163	-	850,239
Buildings and improvements	234,931	3,791	-	238,722
Water works system	2,832,912	109,028	-	2,941,940
Sewer system	4,097,986	124,924	-	4,222,910
Electric system	<u>2,065,562</u>	<u>70,703</u>	<u>-</u>	<u>2,136,265</u>
Total accumulated depreciation	<u>10,028,467</u>	<u>361,609</u>	<u>-</u>	<u>10,390,076</u>
Total capital assets being depreciated, net	<u>6,496,686</u>	<u>5,289,556</u>	<u>-</u>	<u>11,786,242</u>
Business-type activities capital assets, net	<u>\$ 11,860,068</u>	<u>\$ 5,419,059</u>	<u>\$ 5,359,544</u>	<u>\$ 11,919,583</u>

NOTE 5: CAPITAL ASSETS - (Continued)

Depreciation expense was charged to function/programs of the City as follows:

Governmental activities:

General government	\$ 73,685
Public safety	114,945
Public works	334,373
Cultural and recreation	<u>26,888</u>
Total depreciation expense - governmental activities	<u>\$549,891</u>

Business-type activities:

Utilities	<u>\$361,609</u>
Total depreciation expense - business-type activities	<u>\$361,609</u>

Discretely Presented Component Unit

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Yoakum Economic Development Corporation				
Capital assets, not being depreciated				
Land and improvements	\$ 63,653	\$ -	\$ -	\$ 63,653
Total capital assets, not being depreciated	<u>63,653</u>	<u>-</u>	<u>-</u>	<u>63,653</u>
Discretely presented component unit capital assets, net	<u>\$ 63,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,653</u>

NOTE 6: EMPLOYEES' RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing 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 TMRS. 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 2012</u>	<u>Plan Year 2013</u>
Employee deposit rate	6.0%	6.0%
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, 0/25	60/5, 0/25
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)

Contributions

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

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

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

Contributions Required and Contributions Made			
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2013	\$ 586,344	100%	\$ -
2012	595,327	100%	-
2011	656,140	100%	-

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 actuarial valuation, December 31, 2012, also follows:

	Actuarial Valuation Information		
	12/31/12	12/31/11	12/31/10
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 amortization period	25.0 years; closed period	26.0 years; closed period	27.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment rate of return *	7.0%	7.0%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)

Funded Status and Funding Progress

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

Schedule 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 Covered Payroll ((b-a)/c)
12/31/12	\$ 15,771,625	\$ 18,767,883	\$ 2,996,258	84.03%	\$ 3,104,856	96.5%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

NOTE 7: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Plan Description

The Fire Fighters' Pension Commissioner (FFPC) is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. The Office of the FFPC issues a publicly available annual financial report that includes financial statements and required supplementary information (RSI). This report may be obtained by writing to FFPC, 920 Colorado Street, 11th Floor, Austin, Texas 78701, in addition, the report is available on FFPC's website at www.ffpc.state.tx.us. At August 31, 2012, there were 188 members of fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2012, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,750
Terminated participants entitled to benefits but not yet receiving them	2,252
Active participants (vested and nonvested)	<u>4,446</u>
	<u><u>9,448</u></u>

NOTE 7: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Plan Description - (Continued)

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005) recodified the provision 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.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his/her 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.

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

Contribution provisions were originally established by Senate Bill 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

Annual Required Contributions

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, 2012, total contributions (dues and prior services) of \$3,517,455 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State did not appropriate any maximum state contribution for the fiscal years ending August 31, 2012 and 2013. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2010, actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2012, revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2013, (\$528,538 to help pay for the TESRS's administrative expenses) and with the assumed continuation of legislative appropriations of: 1) the maximum state contribution amount in future years for up to 30 years as is necessary for the TESRS to have a 30-year amortization period, and 2) approximately \$530,000 each year to help pay for the TESRS's administrative expenses.

NOTE 7: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Annual Required Contributions - (Continued)

Without the expected future annual contributions from the State, TESRS would have an inadequate contribution arrangement.

Three-Year Trend Information - State-wide			
<u>Fiscal Year Ending August 31</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2012	\$ 4,423,898 ^{1,2}	\$ 3,517,455	80%
2011	3,125,329 ²	3,125,329	100%
2010	2,875,103 ³	2,875,103	100%

¹ Includes a requested state contribution of \$906,443.

² Based on the revised August 31, 2010 actuarial valuation.

³ Based on the August 31, 2008 actuarial valuation.

State contributions to the City's plan for the fiscal year 2013 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of Wharton, Texas			
<u>Year Ended September 30</u>	<u>Annual Required Contributions (ARC)</u>	<u>Percentage Contributed</u>	<u>Net Obligation</u>
2013	\$ 34,538	100%	\$ -
2012	36,593	100%	-
2011	39,584	100%	-

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

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

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.

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 retired term life insurance during employees' entire careers.

The City's contributions to the TMRS' SDBF for the years ended 2013, 2012, and 2011 were \$7,978 \$8,319, and \$9,113, respectively, which equaled the required contributions each year.

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss encompassed in the areas of general liabilities, workers' compensation claims, and employee health related expenses. The City has purchased commercial insurance to cover potential losses in those areas. The City has entered into interlocal agreements with the Texas Municipal League Intergovernmental Risk Pool coverage. Through the payment of contributions to the Texas Municipal League Intergovernmental Risk Pool, the City has transferred these risks to the pool. The City has not retained any risks other than the deductible and is covered up to the limits of coverage after the deductible. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The City has also entered into an interlocal agreement with the Texas Municipal League Intergovernmental Employees Benefit Pool for health benefits coverage for its employees. The City pays the premiums for full-time employees. Dependent coverage is available at additional premiums paid by the employee.

NOTE 10: LONG-TERM DEBT

A. Changes In Long-term Liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ 161,671	\$ 156,019	\$ 175,837	\$ 141,853	\$ 14,185
Total governmental activity long-term liabilities	<u>\$ 161,671</u>	<u>\$ 156,019</u>	<u>\$ 175,837</u>	<u>\$ 141,853</u>	<u>\$ 14,185</u>
Business-type activities					
General obligation bonds	\$ 740,000	\$ -	\$ 245,000	\$ 495,000	\$ 245,000
Certificates of obligation	<u>6,845,000</u>	<u>-</u>	<u>195,000</u>	<u>6,650,000</u>	<u>195,000</u>
Net bonds and certificates payable	7,585,000	-	440,000	7,145,000	440,000
Compensated absences	<u>84,084</u>	<u>87,465</u>	<u>102,412</u>	<u>69,137</u>	<u>6,914</u>
Total business-type activity long-term liabilities	<u>\$ 7,669,084</u>	<u>\$ 87,465</u>	<u>\$ 542,412</u>	<u>\$ 7,214,137</u>	<u>\$ 446,914</u>

For governmental activities, compensated absences are liquidated by the General Fund.

B. General Obligation Bonds and Certificates of Obligation

Bonds and certificates payable at September 30, 2013, are comprised of the following individual issues:

\$995,000 Series 2011 General Obligation Refunding Bonds, due in annual installments of \$245,000 to \$255,000 through 2015; interest varying from 0.95% to 1.50%.	\$ 495,000
\$5,000,000 Series 2006 Combination Tax and Subordinate Lien Revenue Certificates of Obligation, due in annual installments of \$75,000 to \$345,000 through 2028; interest at 0.00%.	4,610,000
\$2,500,000 Series 2008 Combination Tax and Subordinate Lien Revenue Certificates of Obligation due in annual installments of \$110,000 to \$115,000 through 2031; interest at 0.00%.	<u>2,040,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 7,145,000</u>

The City issues general obligation certificates and bonds to provide funds for the construction of improvements to various City infrastructures and for the payment of related contractual obligations for professional services.

NOTE 10: LONG-TERM DEBT - (Continued)

B. General Obligation Bonds and Certificates of Obligation - (Continued)

Annual debt service requirements to maturity for certificates of obligation and general obligation bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 440,000	5,281	\$ 445,281
2015	445,000	1,875	446,875
2016	460,000	-	460,000
2017	460,000	-	460,000
2018	460,000	-	460,000
2019-2022	2,285,000	-	2,285,000
2023-2027	2,260,000	-	2,260,000
2028-2031	335,000	-	335,000
	<u>\$ 7,145,000</u>	<u>\$ 7,156</u>	<u>\$ 7,152,156</u>

There are a number of limitations and restrictions contained in the bond indenture. The City is in compliance with all significant limitations and restrictions. The bond indenture requires the establishment and maintenance of an interest and sinking fund. At September 30, 2013, the balance in this fund was \$131,505.

C. Prior Year Defeasance of Debt

On December 14, 2004, the City issued \$2,265,000 in bonds to advance refund \$2,150,000 of outstanding 1995 General Obligation Bonds. As a result, the Series 1995 bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net position. At September 30, 2013, \$515,000 of bonds outstanding are considered defeased.

NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund.

Interfund receivable and payable balances as of September 30, 2013, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental	General Fund	\$ 231,001
		<u>\$ 231,001</u>

NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Continued)

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise fund to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

Transfers Out	Transfers In			Total
	General	Capital Project	Utility	
General	\$ -	\$ 250,480	\$ -	\$ 250,480
Capital Project	146,000	-	205,740	351,740
Utility	2,101,490	776,666	-	2,878,156
	<u>\$ 2,247,490</u>	<u>\$ 1,027,146</u>	<u>\$ 205,740</u>	<u>\$ 3,480,376</u>

NOTE 12: COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2013, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 13: RELATED PARTY TRANSACTIONS

During fiscal year 2013, the City's General Fund entered into transactions with the Yoakum Economic Development Corporation, a discretely presented component unit of the City, whereby the Corporation contributed to the primary government \$64,710 for administrative services.

NOTE 14: ACCOUNTING CHANGES AND ACCOUNTING STANDARDS

In fiscal year 2013, the City implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and GASB Statement No. 65 "Items Previously Reported as Assets and Liabilities". GASB Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of GASB Statement No. 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of GASB Statement No. 65 resulted in the adjustment to the beginning net position of the business-type activities in the government-wide and Utility Fund financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods which resulted in a decrease of \$206,309 for the business-type activities, to the September 30, 2012 unrestricted net position.

NOTE 15: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2013:

	Governmental Fund Balances				Total
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Inventory	\$ 7,464	\$ -	\$ -	\$ -	\$ 7,464
Stabilization	-	-	1,302,819	-	1,302,819
Unassigned	-	-	-	792,604	792,604
Capital Project	-	3,002,399	-	-	3,002,399
Nonmajor Governmental					
Tourism	-	161,982	-	-	161,982
Culture and recreation	-	21,151	-	-	21,151
Public safety	-	119,236	-	-	119,236
Debt service	-	241,637	-	-	241,637
	<u>\$ 7,464</u>	<u>\$ 3,546,405</u>	<u>\$ 1,302,819</u>	<u>\$ 792,604</u>	<u>\$ 5,649,292</u>

The City's governmental activities financial statements for the fiscal year ending September 30, 2012 have been restated to properly reflect the capital assets and net position balances. The restatement resulted in an increase to the capital asset balance by \$33,785 and a corresponding increase to the net position as of September 30, 2012. The restatement resulted from donated assets not previously being recorded by the City. There was no effect on the fund financial statements of the City. In addition, both the governmental activities and governmental fund financial statements have been restated to properly reflect the cash balances and net position as of September 30, 2012. The net increase to both was \$17,482.

The business-type activity statement of net position has also been restated to capitalize certain cost that had previously been charged off as an operating expense. The net effect is an increase in capital assets and net position of \$31,628.

Required Supplementary Information

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2013

	2013			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 1,100,200	\$ 1,079,200	\$ 1,085,077	\$ 5,877
Licenses and permits	75,000	92,000	188,775	96,775
Intergovernmental	44,000	44,000	49,266	5,266
Charges for services	2,174,490	2,335,740	2,404,062	68,322
Fines and forfeitures	78,000	105,000	123,885	18,885
Investment income	25,000	15,000	21,877	6,877
Miscellaneous	16,850	27,000	36,307	9,307
Total revenues	<u>3,513,540</u>	<u>3,697,940</u>	<u>3,909,249</u>	<u>211,309</u>
EXPENDITURES				
Current				
General government	884,570	939,630	861,996	77,634
Public safety	2,202,270	2,178,270	2,063,142	115,128
Public works	2,088,020	2,211,970	2,244,791	(32,821)
Cultural and recreation	784,290	804,490	730,272	74,218
Total expenditures	<u>5,959,150</u>	<u>6,134,360</u>	<u>5,900,201</u>	<u>234,159</u>
Excess (deficiency) of revenues over expenditures	(2,445,610)	(2,436,420)	(1,990,952)	445,468
OTHER FINANCING SOURCES (USES)				
Transfers in	2,635,610	2,660,420	2,247,490	(412,930)
Transfers out	(190,000)	(224,000)	(250,480)	(26,480)
Total other financing sources (uses)	<u>2,445,610</u>	<u>2,436,420</u>	<u>1,997,010</u>	<u>(439,410)</u>
Net change in fund balance	-	-	6,058	6,058
Fund balance beginning of year, as restated	<u>1,787,117</u>	<u>1,787,117</u>	<u>2,096,829</u>	<u>(309,712)</u>
Fund balance at end of year	<u>\$ 1,787,117</u>	<u>\$ 1,787,117</u>	<u>\$ 2,102,887</u>	<u>\$ (303,654)</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

CITY OF YOAKUM, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL PENSION INFORMATION
September 30, 2013

TEXAS MUNICIPAL RETIREMENT SYSTEM

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$ 15,771,625	\$ 18,767,883	\$ 2,996,258	84.03%	\$ 3,104,856	96.50%
12/31/11	14,930,144	18,399,331	3,469,187	81.15%	2,971,032	116.77%
12/31/10	14,297,256	18,015,563	3,718,307	79.40%	2,979,038	124.80%
12/31/09	8,958,103	13,811,585	4,853,482	64.90%	2,914,157	166.50%
12/31/08	8,014,458	12,695,109	4,680,651	63.13%	2,937,548	159.34%
12/31/07	7,385,418	11,565,602	4,180,184	63.90%	2,457,892	170.10%
12/31/06	7,201,451	9,749,222	2,547,771	73.87%	2,399,850	106.16%
12/31/05	6,929,154	9,336,602	2,407,448	74.21%	2,384,012	100.98%
12/31/04	7,398,080	9,644,529	2,246,449	76.71%	2,326,376	96.56%
12/31/03	7,166,456	9,474,240	2,307,784	75.64%	2,228,516	103.56%
12/31/02	6,649,762	8,737,233	2,087,471	76.11%	2,249,594	92.79%

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Actuarial Valuation Information

	8/31/10	8/31/12
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period	30 years	Infinity
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 market value
Investment rate of return *	7.75%, net of expenses	7.75%, net of expenses
Projected salary increases	n/a	n/a
* Includes inflation at	3.50%	3.50%
Cost of living adjustment	none	none

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ¹ (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2006	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/2008 ²	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010 ³	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984
8/31/2012 ²	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585

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.

Three-Year Trend Information - State-wide

Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2012	\$ 4,423,898 ^{1,2}	\$ 3,517,455	80%
2011	3,125,329 ²	3,125,329	100%
2010	2,875,103 ³	2,875,103	100%

¹ Includes a requested state contribution of \$906,443.

² Based on the revised August 31, 2010 actuarial valuation.

³ Based on the August 31, 2008 actuarial valuation.

State contributions to the City's plan for the fiscal year 2013 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of Yoakum, Texas

Year Ended September 30	Annual Required Contributions (ARC)	Percentage Contributed	Net Obligation
2013	\$ 8,600	100%	\$ -
2012	8,532	100%	-
2011	8,500	100%	-

CITY OF YOAKUM, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2013

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

General Fund expenditures in a number of different departments exceeded the amount appropriated during the current fiscal year. These variances are detailed below.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund Solid waste	\$1,629,000	\$1,709,818	\$ (80,818)

These over expenditures were funded by available fund balance in the General Fund.

Combining and Individual Fund Statements and Schedules

CITY OF YOAKUM, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 292,878	\$ 10,636	\$ 303,514
Receivables (net)	23,728	11,381	35,109
Due from other funds	-	231,001	231,001
Total assets	<u>\$ 316,606</u>	<u>\$ 253,018</u>	<u>\$ 569,624</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 14,237	\$ -	\$ 14,237
Total liabilities	<u>14,237</u>	<u>-</u>	<u>14,237</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	11,381	11,381
Total deferred inflows of resources	<u>-</u>	<u>11,381</u>	<u>11,381</u>
FUND BALANCES			
Restricted			
Tourism	161,982	-	161,982
Public safety	119,236	-	119,236
Culture and recreation	21,151	-	21,151
Debt service	-	241,637	241,637
Total fund balance	<u>302,369</u>	<u>241,637</u>	<u>544,006</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 316,606</u>	<u>\$ 253,018</u>	<u>\$ 569,624</u>

CITY OF YOAKUM, TEXAS*ALL NONMAJOR GOVERNMENTAL FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**For the year ended September 30, 2013*

	Total Nonmajor Special <u>Revenue Funds</u>	Total Nonmajor Debt <u>Service Fund</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES			
Taxes	\$ 84,102	\$ 114,226	\$ 198,328
Fines and forfeitures	19,772	-	19,772
Investment income	2,328	38	2,366
Miscellaneous	11,364	-	11,364
Total revenues	<u>117,566</u>	<u>114,264</u>	<u>231,830</u>
EXPENDITURES			
Current			
General government	58,333	-	58,333
Public safety	27,141	-	27,141
Total expenditures	<u>85,474</u>	<u>-</u>	<u>85,474</u>
Excess (deficiency) of revenues over expenditures	32,092	114,264	146,356
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	32,092	114,264	146,356
Fund balances beginning of year	<u>270,277</u>	<u>127,373</u>	<u>397,650</u>
Fund balances at end of year	<u>\$ 302,369</u>	<u>\$ 241,637</u>	<u>\$ 544,006</u>

CITY OF YOAKUM, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****COMBINING BALANCE SHEET**

September 30, 2013

	<u>Hotel/Motel Tax</u>	<u>Police Projects</u>	<u>Fire/ Ambulance Projects</u>	<u>Library Projects</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 152,491	\$ 95,927	\$ 23,309	\$ 21,151	\$ 292,878
Taxes receivable	<u>23,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,728</u>
Total assets	<u>\$ 176,219</u>	<u>\$ 95,927</u>	<u>\$ 23,309</u>	<u>\$ 21,151</u>	<u>\$ 316,606</u>
LIABILITIES					
Accounts payable	\$ 14,237	\$ -	\$ -	\$ -	\$ 14,237
Total liabilities	<u>14,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,237</u>
FUND BALANCES					
Restricted					
Tourism	161,982	-	-	-	161,982
Public safety	-	95,927	23,309	-	119,236
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,151</u>	<u>21,151</u>
Total fund balance	<u>161,982</u>	<u>95,927</u>	<u>23,309</u>	<u>21,151</u>	<u>302,369</u>
Total liabilities and fund balances	<u>\$ 176,219</u>	<u>\$ 95,927</u>	<u>\$ 23,309</u>	<u>\$ 21,151</u>	<u>\$ 316,606</u>

CITY OF YOAKUM, TEXAS*NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**For the year ended September 30, 2013*

	Hotel/Motel Tax	Police Projects	Fire/ Ambulance Projects	Library Projects	Total
REVENUES					
Taxes	\$ 84,102	\$ -	\$ -	\$ -	\$ 84,102
Charges for services	-	-	-	-	-
Fines and forfeitures	-	19,772	-	-	19,772
Investment income	1,212	763	185	168	2,328
Miscellaneous	-	4,612	6,752	-	11,364
Total revenues	<u>85,314</u>	<u>25,147</u>	<u>6,937</u>	<u>168</u>	<u>117,566</u>
EXPENDITURES					
Current					
General government	55,327	-	-	3,006	58,333
Public safety	-	17,579	9,562	-	27,141
Total expenditures	<u>55,327</u>	<u>17,579</u>	<u>9,562</u>	<u>3,006</u>	<u>85,474</u>
Excess (deficiency) of revenues over expenditures	29,987	7,568	(2,625)	(2,838)	32,092
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	29,987	7,568	(2,625)	(2,838)	32,092
Fund balances beginning of year	<u>131,995</u>	<u>88,359</u>	<u>25,934</u>	<u>23,989</u>	<u>270,277</u>
Fund balances at end of year	<u>\$ 161,982</u>	<u>\$ 95,927</u>	<u>\$ 23,309</u>	<u>\$ 21,151</u>	<u>\$ 302,369</u>

GENERAL FUND

The General Fund is a constitutional fund and is utilized to account for all City revenues and expenditures except those which are required to be classed in other constitutional funds and such other funds that are presented separately to facilitate proper accountability.

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****BALANCE SHEET**

September 30, 2013

With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 2,296,311	\$ 2,303,897
Receivables, net		
Accounts	205,213	202,826
Ad valorem taxes	8,064	7,074
Ambulance	174,379	105,410
Fines	13,594	13,482
Franchise taxes	31,305	31,462
Due from other governments	143,180	147,381
Inventory	<u>7,464</u>	<u>5,804</u>
Total assets	<u>\$ 2,879,510</u>	<u>\$ 2,817,336</u>
LIABILITIES		
Accounts payable	\$ 175,796	\$ 329,938
Accrued expenditures	164,725	131,253
Deposits	3,516	7,889
Due to other funds	231,001	116,776
Due to component unit	500	500
Due to other governments	<u>5,048</u>	<u>8,185</u>
Total liabilities	<u>580,586</u>	<u>594,541</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	<u>196,037</u>	<u>125,966</u>
Total deferred inflows of resources	<u>196,037</u>	<u>125,966</u>
FUND BALANCES		
Nonspendable		
Inventory	7,464	5,804
Committed		
Stabilization	1,302,819	1,079,183
Unassigned	<u>792,604</u>	<u>1,011,842</u>
Total fund balances	<u>2,102,887</u>	<u>2,096,829</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,879,510</u>	<u>\$ 2,817,336</u>

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Ad valorem	\$ 67,500	\$ 62,231	\$ (5,269)	\$ 60,496
Penalty and interest	5,500	3,183	(2,317)	2,151
Franchise	125,000	126,120	1,120	127,000
Sales	880,000	893,286	13,286	879,663
Other	1,200	257	(943)	273
Total taxes	<u>1,079,200</u>	<u>1,085,077</u>	<u>5,877</u>	<u>1,069,583</u>
Licenses and permits				
Landfill/transfer station	60,000	153,364	93,364	16,292
Miscellaneous	32,000	35,411	3,411	25,963
Total licenses and permits	<u>92,000</u>	<u>188,775</u>	<u>96,775</u>	<u>42,255</u>
Intergovernmental	<u>44,000</u>	<u>49,266</u>	<u>5,266</u>	<u>34,000</u>
Charges for services				
Sanitation	1,832,000	1,831,551	(449)	1,908,752
Ambulance	206,000	247,696	41,696	189,861
Golf course	75,000	89,413	14,413	78,722
Swimming pool	5,500	4,988	(512)	5,405
Community center	4,600	5,166	566	4,232
RV park	75,000	87,893	12,893	181,252
Park pavilion	3,900	3,854	(46)	3,353
Chamber office rent	1,500	1,500	-	1,375
Other	132,240	132,001	(239)	109,111
Total charges for services	<u>2,335,740</u>	<u>2,404,062</u>	<u>68,322</u>	<u>2,482,063</u>
Fines and forfeitures				
Municipal courts	<u>105,000</u>	<u>123,885</u>	<u>18,885</u>	<u>85,317</u>
Investment income	<u>15,000</u>	<u>21,877</u>	<u>6,877</u>	<u>13,122</u>
Miscellaneous				
Donations/grants	-	2,340	2,340	53,092
Police calendar sales	2,000	1,983	(17)	1,883
Recycled materials	25,000	24,424	(576)	15,529
Other	-	7,560	7,560	33,188
Total miscellaneous	<u>27,000</u>	<u>36,307</u>	<u>9,307</u>	<u>103,692</u>
Total revenues	<u>3,697,940</u>	<u>3,909,249</u>	<u>211,309</u>	<u>3,830,032</u>

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES				
General government				
Administrative and finance				
Personnel	\$ 307,450	\$ 301,379	\$ 6,071	\$ 286,212
Supplies	10,700	7,193	3,507	7,385
Services	39,500	37,200	2,300	31,744
Maintenance	10,000	7,372	2,628	4,462
Other	7,000	6,606	394	5,942
Capital outlay	-	-	-	9,554
Total administrative and finance	<u>374,650</u>	<u>359,750</u>	<u>14,900</u>	<u>345,299</u>
Building maintenance				
Personnel	47,740	37,572	10,168	30,752
Supplies	3,000	3,073	(73)	2,015
Services	17,800	16,474	1,326	14,678
Maintenance	50,350	34,995	15,355	11,748
Total building maintenance	<u>118,890</u>	<u>92,114</u>	<u>26,776</u>	<u>59,193</u>
Inspection/code enforcement				
Personnel	49,520	44,918	4,602	47,878
Supplies	5,310	7,076	(1,766)	4,102
Services	10,350	5,528	4,822	7,515
Maintenance	1,050	317	733	169
Other	4,940	2,139	2,801	2,623
Total inspection/code enforcement	<u>71,170</u>	<u>59,978</u>	<u>11,192</u>	<u>62,287</u>
Economic development				
Personnel	112,640	113,883	(1,243)	109,204
Supplies	700	233	467	601
Services	4,800	4,253	547	4,489
Other	4,000	3,662	338	3,727
Total economic development	<u>122,140</u>	<u>122,031</u>	<u>109</u>	<u>118,021</u>
Non-departmental				
Insurance	23,000	21,541	1,459	19,854
Audit	18,000	17,875	125	37,215
Legal services	5,000	3,220	1,780	3,310
Community center	38,100	31,967	6,133	43,206
Sundry charges	104,500	92,022	12,478	65,338
Museum contribution	9,000	9,000	-	9,402
Other contributions	54,180	51,808	2,372	46,238

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance	2012
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES - (Continued)				
General government - (continued)				
Non-departmental - (continued)				
Senior citizen project	\$ 1,000	\$ 690	\$ 310	\$ 818
Total non-departmental	<u>252,780</u>	<u>228,123</u>	<u>24,657</u>	<u>225,381</u>
Total general government	<u>939,630</u>	<u>861,996</u>	<u>77,634</u>	<u>810,181</u>
Public safety				
Police				
Personnel	1,071,390	994,168	77,222	981,058
Supplies	56,800	51,096	5,704	46,349
Services	58,570	62,426	(3,856)	57,277
Maintenance	32,000	29,169	2,831	21,978
Other	11,000	6,090	4,910	6,568
Capital outlay	<u>37,000</u>	<u>36,330</u>	<u>670</u>	<u>78,909</u>
Total police	<u>1,266,760</u>	<u>1,179,279</u>	<u>87,481</u>	<u>1,192,139</u>
Municipal court				
Personnel	14,950	13,791	1,159	13,569
Supplies	500	458	42	-
Maintenance	2,300	2,535	(235)	1,375
Other	<u>1,300</u>	<u>787</u>	<u>513</u>	<u>522</u>
Total municipal court	<u>19,050</u>	<u>17,571</u>	<u>1,479</u>	<u>15,466</u>
Fire/ambulance				
Personnel	721,720	698,520	23,200	647,273
Supplies	48,250	51,286	(3,036)	49,692
Services	40,130	40,990	(860)	37,064
Maintenance	31,260	26,379	4,881	26,255
Other	22,100	20,340	1,760	20,804
Capital outlay	<u>29,000</u>	<u>28,777</u>	<u>223</u>	<u>32,089</u>
Total fire/ambulance	<u>892,460</u>	<u>866,292</u>	<u>26,168</u>	<u>813,177</u>
Total public safety	<u>2,178,270</u>	<u>2,063,142</u>	<u>115,128</u>	<u>2,020,782</u>

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013			2012
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Public works				
Streets				
Personnel	\$ 291,000	\$ 245,524	\$ 45,476	\$ 272,186
Supplies	22,020	20,912	1,108	20,554
Services	2,450	2,272	178	2,407
Maintenance	60,700	61,110	(410)	28,774
Other	1,800	1,090	710	1,600
Capital outlay	205,000	204,065	935	287,128
Total streets	<u>582,970</u>	<u>534,973</u>	<u>47,997</u>	<u>612,649</u>
Solid waste				
Personnel	462,240	426,674	35,566	386,178
Supplies	55,830	54,644	1,186	50,994
Services	1,030,490	1,161,507	(131,017)	1,072,481
Maintenance	69,500	65,924	3,576	32,998
Other	940	1,069	(129)	1,903
Capital outlay	10,000	-	10,000	27,042
Total solid waste	<u>1,629,000</u>	<u>1,709,818</u>	<u>(80,818)</u>	<u>1,571,596</u>
Total public works	<u>2,211,970</u>	<u>2,244,791</u>	<u>(32,821)</u>	<u>2,184,245</u>
Cultural and recreation				
Parks and recreation				
Personnel	369,500	341,364	28,136	334,548
Supplies	58,550	53,579	4,971	54,741
Services	96,250	82,631	13,619	86,376
Maintenance	51,600	48,837	2,763	29,644
Other	12,500	35,394	(22,894)	34,791
Capital outlay	121,200	80,984	40,216	137,770
Total parks and recreation	<u>709,600</u>	<u>642,789</u>	<u>66,811</u>	<u>677,870</u>
Library				
Personnel	58,710	56,990	1,720	52,422
Supplies	8,900	10,505	(1,605)	9,502
Services	14,750	11,561	3,189	11,867
Maintenance	9,600	6,119	3,481	7,051
Other	2,930	2,308	622	1,992
Capital outlay	-	-	-	48,541
Total library	<u>94,890</u>	<u>87,483</u>	<u>7,407</u>	<u>131,375</u>
Total cultural and recreation	<u>804,490</u>	<u>730,272</u>	<u>74,218</u>	<u>809,245</u>
Total expenditures	<u>6,134,360</u>	<u>5,900,201</u>	<u>234,159</u>	<u>5,824,453</u>

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	<u>2013</u>			<u>2012</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Excess (deficiency) of revenues over expenditures	\$ (2,436,420)	\$ (1,990,952)	\$ 445,468	\$ (1,994,421)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,660,420	2,247,490	(412,930)	2,419,365
Transfers out	<u>(224,000)</u>	<u>(250,480)</u>	<u>(26,480)</u>	<u>(115,232)</u>
Total other financing sources (uses)	<u>2,436,420</u>	<u>1,997,010</u>	<u>(439,410)</u>	<u>2,304,133</u>
Net change in fund balance	<u>\$ -</u>	6,058	<u>\$ 6,058</u>	309,712
Fund balance beginning of year		<u>2,096,829</u>		<u>1,787,117</u>
Fund balance at end of year		<u>\$ 2,102,887</u>		<u>\$ 2,096,829</u>

(concluded)

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,604,745	\$ 5,519,825
Receivables (net)		
Accounts	1,927,066	1,887,405
Other	39,947	5,378
Inventory	367,896	296,920
Restricted assets		
Cash and cash equivalents	<u>2,488,621</u>	<u>2,525,816</u>
Total current assets	<u>10,428,275</u>	<u>10,235,344</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,349,715	1,226,930
Buildings and improvements	278,097	240,434
Water works system	4,926,464	4,808,068
Sewer system	12,668,232	7,308,686
Electric system	<u>2,953,810</u>	<u>2,941,035</u>
Total depreciable capital assets	22,176,318	16,525,153
Less: Accumulated depreciation	<u>10,390,076</u>	<u>9,986,562</u>
Subtotal	11,786,242	6,538,591
Land	3,838	3,838
Construction in progress	<u>129,503</u>	<u>5,359,545</u>
Net capital assets	<u>11,919,583</u>	<u>11,901,974</u>
Total noncurrent assets	<u>11,919,583</u>	<u>11,901,974</u>
Total assets	<u>22,347,858</u>	<u>22,137,318</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on refunding	<u>22,052</u>	<u>33,078</u>
Total deferred outflow of resources	<u>22,052</u>	<u>33,078</u>

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
September 30, 2013
With comparative totals for September 30, 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 791,067	\$ 546,040
Accrued expenses	87,735	74,968
Deposits	233,054	230,219
Accrued compensated absences	6,914	8,408
Accrued interest payable	852	1,158
Current portion of bonds and certificates payable	<u>440,000</u>	<u>440,000</u>
Total current liabilities	<u>1,559,622</u>	<u>1,300,793</u>
Noncurrent liabilities		
Accrued compensated absences	62,223	75,676
Bonds and certificates payable (net of deferred amounts)	<u>6,705,000</u>	<u>7,145,000</u>
Total noncurrent liabilities	<u>6,767,223</u>	<u>7,220,676</u>
Total liabilities	<u>8,326,845</u>	<u>8,521,469</u>
 NET POSITION		
Net investment in capital assets	7,263,204	6,842,790
Unrestricted net position	<u>6,779,861</u>	<u>6,806,137</u>
Total net position	<u>\$ 14,043,065</u>	<u>\$ 13,648,927</u>

CITY OF YOAKUM, TEXAS**MAJOR ENTERPRISE FUND - UTILITY FUND****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION****BUDGET (NON-GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance	2012
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Electric service	\$ 8,923,000	\$ 8,745,694	\$ (177,306)	\$ 8,573,832
Water service	1,180,000	1,177,949	(2,051)	1,168,894
Sewer service	735,000	766,524	31,524	779,624
Service taps	15,000	18,978	3,978	45,843
Penalties	100,000	116,512	16,512	98,037
Service charges	33,000	27,709	(5,291)	25,774
Miscellaneous	73,670	90,072	16,402	124,217
Total operating revenues	11,059,670	10,943,438	(116,232)	10,816,221
OPERATING EXPENSES				
General and administrative				
Personnel	385,860	362,470	23,390	326,378
Supplies	32,050	29,922	2,128	28,056
Services	30,460	30,413	47	21,638
Maintenance	9,500	9,885	(385)	2,188
Other	24,000	21,411	2,589	5,580
Bad debts	50,000	39,417	10,583	38,648
Total general and administrative	531,870	493,518	38,352	422,488
Electric				
Personnel	286,250	264,363	21,887	253,205
Supplies	15,900	17,401	(1,501)	14,175
Cost of power	5,733,945	5,439,500	294,445	5,360,355
Services	86,400	72,488	13,912	66,566
Maintenance	67,730	41,994	25,736	45,077
Other	15,600	10,426	5,174	11,820
Capital outlay	57,600	50,439	7,161	40,096
Total electric	6,263,425	5,896,611	366,814	5,791,294
Water				
Personnel	322,040	274,017	48,023	245,160
Supplies	67,100	60,309	6,791	55,953
Services	91,040	88,642	2,398	67,747
Maintenance	272,250	124,502	147,748	123,627
Other	8,330	2,131	6,199	5,318
Capital outlay	-	118,396	(118,396)	77,073
Total water	760,760	667,997	92,763	574,878

CITY OF YOAKUM, TEXAS

MAJOR ENTERPRISE FUND - UTILITY FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION

BUDGET (NON-GAAP BASIS) AND ACTUAL

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance	2012
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING EXPENSES - (Continued)				
Sewer				
Personnel	\$ 341,340	\$ 356,958	\$ (15,618)	\$ 335,620
Supplies	31,670	27,258	4,412	29,301
Services	124,900	119,221	5,679	114,103
Maintenance	63,880	43,824	20,056	68,077
Other	4,200	1,609	2,591	2,945
Capital outlay	58,640	82,716	(24,076)	8,820
Total sewer	<u>624,630</u>	<u>631,586</u>	<u>(6,956)</u>	<u>558,866</u>
Warehouse				
Personnel	74,040	64,374	9,666	74,078
Supplies	2,360	2,093	267	1,516
Services	13,800	12,571	1,229	10,688
Maintenance	3,400	904	2,496	3,099
Other	500	321	179	615
Capital outlay	-	-	-	11,823
Total warehouse	<u>94,100</u>	<u>80,263</u>	<u>13,837</u>	<u>101,819</u>
Garage				
Personnel	96,440	57,939	38,501	71,850
Supplies	8,770	8,017	753	4,740
Services	3,120	2,840	280	2,905
Maintenance	3,300	2,655	645	2,554
Other	950	534	416	751
Capital outlay	10,000	9,227	773	-
Total garage	<u>122,580</u>	<u>81,212</u>	<u>41,368</u>	<u>82,800</u>
Total operating expenses	<u>8,397,365</u>	<u>7,851,187</u>	<u>546,178</u>	<u>7,532,145</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions transfers	2,662,305	3,092,251	429,946	3,284,076
NONOPERATING REVENUES (EXPENSES)				
Investment income	63,000	44,509	(18,491)	44,871
Bond principal, interest, and fiscal charges	<u>(448,440)</u>	<u>(459,957)</u>	<u>(11,517)</u>	<u>(456,438)</u>
Total nonoperating revenues (expenses)	<u>(385,440)</u>	<u>(415,448)</u>	<u>(30,008)</u>	<u>(411,567)</u>

CITY OF YOAKUM, TEXAS

MAJOR ENTERPRISE FUND - UTILITY FUND

SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION

BUDGET (NON-GAAP BASIS) AND ACTUAL

For the year ended September 30, 2013

With comparative totals for the year ended September 30, 2012

	2013		Variance Positive (Negative)	2012
	Final Budget	Actual		Actual
Income (loss) before contributions and transfers	\$ 2,276,865	\$ 2,676,803	\$ 399,938	\$ 2,872,509
Contributions and transfers				
Capital contributions	-	59,809	59,809	-
Transfers in	315,740	205,740	(110,000)	62,000
Transfers out	<u>(3,146,070)</u>	<u>(2,878,156)</u>	<u>267,914</u>	<u>(2,342,049)</u>
Net contributions transfers	<u>(2,830,330)</u>	<u>(2,612,607)</u>	<u>217,723</u>	<u>(2,280,049)</u>
Change in net position - (NON-GAAP BUDGETARY BASIS)	<u>\$ (553,465)</u>	64,196	<u>\$ 617,661</u>	592,460
ADJUSTMENTS				
To adjust for principal payments on long-term debt		440,000		445,000
To adjust for capital expenses		251,551		151,551
To adjust for depreciation expense		<u>(361,609)</u>		<u>(373,745)</u>
Change in net position - (GAAP BASIS)		394,138		815,266
Total net position at beginning of year, as restated		<u>13,648,927</u>		<u>12,833,661</u>
Total net position at end of year		<u>\$ 14,043,065</u>		<u>\$ 13,648,927</u>

(concluded)

**OVERALL COMPLIANCE AND INTERNAL
CONTROL SECTION**



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

The Honorable Mayor and Members
of the City Council
City of Yoakum, Texas

Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Yoakum, Texas (the "City") 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 and have issued our report thereon dated March 11, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor and Members
of the City Council

Compliance and Other Matters

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

Purpose of this Report

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

Harrison, Waldrop & Uherek, LLP

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

March 11, 2014