

CITY OF YOAKUM, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2015

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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, 2015, 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, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 entities 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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions*" and GASB Statement No. 71 "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of changes in net pension liability and related ratios and the schedule of employer contributions 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 January 8, 2016, 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

January 8, 2016

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, 2015. 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, 2015, by \$25,171,998. Of this amount, \$12,085,955 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2015, the City's governmental funds reported combined ending fund balances of \$4,862,412, a decrease of \$1,197,887 in comparison with the prior year.
- At September 30, 2015, unassigned fund balance for the General Fund was \$2,895,087 or 43.86% of total General Fund expenditures.
- The total cost of all City activities was \$15,872,170 for the fiscal year which is an increase of \$40,904 from the prior year.
- During the year, the City's general revenues exceeded net expenses of all City activities by \$1,464,854. This represents a 6.18% 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 42	

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 2015. 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 42 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 43 through 46 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 47 through 63 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 \$25,171,998 at the close of the fiscal year ended September 30, 2015.

At the end of fiscal year 2015, 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 Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,366,237	\$ 6,711,323	\$ 10,814,870	\$ 9,416,567	\$ 16,181,107	\$ 16,127,890
Capital assets (net)	5,498,685	5,708,330	13,781,580	13,737,335	19,280,265	19,445,665
Total assets	10,864,922	12,419,653	24,596,450	23,153,902	35,461,372	35,573,555
Deferred outflow of resources	427,568	278,042	202,970	143,015	630,538	421,057
Current and other liabilities	390,648	534,626	1,466,963	2,195,118	1,857,611	2,729,744
Noncurrent liabilities	2,189,356	2,102,517	6,859,157	9,650,325	9,048,513	11,752,842
Total liabilities	2,580,004	2,637,143	8,326,120	11,845,443	10,906,124	14,482,586
Deferred outflow of resources	9,350	-	4,438	-	13,788	-
Net position:						
Net investment in						
capital assets	5,498,685	5,708,330	7,587,358	7,032,335	13,086,043	12,740,665
Unrestricted, as restated	3,204,451	4,352,222	8,881,504	6,614,257	12,085,955	10,966,479
Total net position	\$ 8,703,136	\$ 10,060,552	\$ 16,468,862	\$ 13,646,592	\$ 25,171,998	\$ 23,707,144

The beginning balances of the governmental and business-type activities were restated to decrease net position by \$1,706,189 and \$809,943, respectively and to increase liabilities by the same amount. See footnote 14.

The largest portion of the City's net position (51.99% or \$13,086,043) 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	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	\$ 3,096,652	\$ 2,815,942	\$ 11,923,226	\$ 11,691,455	\$ 15,019,878	\$ 14,507,397
Operating grants and contributions	143,921	99,437	-	-	143,921	99,437
Capital grants and contributions	-	-	67,418	89,859	67,418	89,859
General revenues:						
Property taxes	188,511	187,959	-	-	188,511	187,959
Other taxes	1,577,112	1,408,345	-	-	1,577,112	1,408,345
Other	181,214	149,521	158,970	50,471	340,184	199,992
Total revenues	5,187,410	4,661,204	12,149,614	11,831,785	17,337,024	16,492,989
EXPENSES						
General government	1,070,827	859,139	-	-	1,070,827	859,139
Public safety	2,390,874	2,284,448	-	-	2,390,874	2,284,448
Public works	2,791,993	2,545,948	-	-	2,791,993	2,545,948
Cultural and recreation	756,134	734,229	-	-	756,134	734,229
Utilities	-	-	8,862,342	9,407,502	8,862,342	9,407,502
Total expenses	7,009,828	6,423,764	8,862,342	9,407,502	15,872,170	15,831,266
Change in net position before transfers	(1,822,418)	(1,762,560)	3,287,272	2,424,283	1,464,854	661,723
Transfers	465,002	2,010,813	(465,002)	(2,010,813)	-	-
Change in net position	(1,357,416)	248,253	2,822,270	413,470	1,464,854	661,723
Net position - beginning, as restated	10,060,552	9,812,299	13,646,592	13,233,122	23,707,144	23,045,421
Net position - ending	\$ 8,703,136	\$ 10,060,552	\$ 16,468,862	\$ 13,646,592	\$ 25,171,998	\$ 23,707,144

Governmental activities decreased the City's net position by \$1,357,416, and the business-type activities increased by \$2,822,270. Inter-fund transfers were \$1,545,811 less than the prior year.

The City's total revenues increased from the prior year. Charges for services increased due to higher utility sales. The sales tax revenue increased due to new businesses locating in the City. The City's business-type activities expenses decreased from prior year by \$545,160 due to lower electricity costs.

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2015, the City's governmental funds reported combined ending fund balances of \$4,862,412, a decrease of \$1,197,887 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 2015, unassigned fund balance of the General Fund was \$2,895,087. The unassigned fund balance represents 43.86% of the total General Fund expenditures.

The fund balance of the City's General Fund increased by \$2,013,244 during the current fiscal year compared to an increase in the prior year of \$106,443. Key factors in this change compared to the prior year are as follows:

- Net transfers in fiscal year 2015 were \$1,369,140 higher than that reported in the prior year.
- Sales tax revenue was \$185,513 higher than 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 \$946,675. Actual revenue realized in fiscal year 2015 was less than the budget by \$46,504. This was mainly due to an increase in the revenues realized from various solid waste activities..

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, 2015, amounts to \$19,280,265 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, machinery and equipment, infrastructure, water works system, sewer system, and electric system. The net increase in the City's investment in capital assets for the current fiscal year was \$165,400 (a 3.67% decrease for governmental activities and 0.32% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- Improvements to the wastewater 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 2015, the City had total bonded debt outstanding of \$6,260,000. All of the debt is related to utility system improvements.

The City had outstanding \$276,312 in compensated absences, which was an increase of approximately 25.37% from the prior year.

Additional information on the City's debt can be found in Note 9 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 2016 budget anticipates a slight revenue decrease from FY 2015 which was a record year.
- The overall ad valorem tax rate increased tot \$0.09243. The tax rate for the debt service increased to \$0.05654 from \$0.05603. The M & O tax rate increased to \$0.03589 from \$0.03484.
- Regional unemployment remains steady, as do labor and contracting 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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Yoakum Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,689,744	\$ 8,156,401	\$ 12,846,145	\$ 1,762,476
Receivables (net)	473,039	2,170,269	2,643,308	-
Due from other governments	193,246	-	193,246	64,071
Due from primary government	-	-	-	31,534
Inventory	10,208	419,377	429,585	-
Prepaid items	-	3,045	3,045	-
Restricted assets				
Cash and cash equivalents	-	65,778	65,778	-
Total current assets	5,366,237	10,814,870	16,181,107	1,858,081
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	361,498	3,838	365,336	63,653
Buildings, infrastructure, and equipment (net)	5,137,187	13,777,742	18,914,929	-
Total noncurrent assets	5,498,685	13,781,580	19,280,265	63,653
Total assets	10,864,922	24,596,450	35,461,372	1,921,734
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to TMRS	427,568	202,970	630,538	-
LIABILITIES				
Current liabilities				
Accounts payable	183,923	618,902	802,825	9,389
Accrued expenditures/expenses	142,272	128,043	270,315	-
Deposits	6,201	249,628	255,829	-
Due to other governments	9,477	-	9,477	-
Due to component unit	31,534	-	31,534	-
Accrued compensated absences	17,241	10,390	27,631	-
Current portion of long-term obligations	-	460,000	460,000	-
Total current liabilities	390,648	1,466,963	1,857,611	9,389
Noncurrent liabilities				
Accrued compensated absences	155,170	93,511	248,681	-
Noncurrent portion of long-term obligations	-	5,800,000	5,800,000	-
Net pension liability	2,034,186	965,646	2,999,832	-
Total noncurrent liabilities	2,189,356	6,859,157	9,048,513	-
Total liabilities	2,580,004	8,326,120	10,906,124	9,389
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to TMRS	9,350	4,438	13,788	-
NET POSITION				
Net investment in capital assets	5,498,685	7,587,358	13,086,043	63,653
Restricted net position	639,838	-	639,838	-
Unrestricted net position	2,564,613	8,881,504	11,446,117	1,848,692
Total net position	\$ 8,703,136	\$ 16,468,862	\$ 25,171,998	\$ 1,912,345

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2015

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 1,070,827	\$ 138,994	\$ 24,000	\$ -
Public safety	2,390,874	405,987	119,921	-
Public works	2,791,993	2,407,622	-	-
Cultural and recreation	756,134	144,049	-	-
Total governmental activities	<u>7,009,828</u>	<u>3,096,652</u>	<u>143,921</u>	<u>-</u>
Business-type activities				
Utilities	<u>8,862,342</u>	<u>12,030,560</u>	<u>-</u>	<u>67,418</u>
Total business-type activities	<u>8,862,342</u>	<u>12,030,560</u>	<u>-</u>	<u>67,418</u>
Total primary government	<u>\$ 15,872,170</u>	<u>\$ 15,127,212</u>	<u>\$ 143,921</u>	<u>\$ 67,418</u>
Component Unit				
Yoakum Economic Development Corporation	<u>\$ 253,026</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	
\$ (907,833)	\$ -	\$ (907,833)	\$ -
(1,864,966)	-	(1,864,966)	-
(384,371)	-	(384,371)	-
(612,085)	-	(612,085)	-
<u>(3,769,255)</u>	<u>-</u>	<u>(3,769,255)</u>	<u>-</u>
-	<u>3,235,636</u>	<u>3,235,636</u>	<u>-</u>
-	<u>3,235,636</u>	<u>3,235,636</u>	<u>-</u>
<u>(3,769,255)</u>	<u>3,235,636</u>	<u>(533,619)</u>	<u>-</u>
-	-	-	<u>(253,026)</u>
71,240	-	71,240	-
117,271	-	117,271	-
1,343,031	-	1,343,031	447,677
129,230	-	129,230	-
104,851	-	104,851	-
28,997	51,636	80,633	10,733
152,217	-	152,217	-
<u>465,002</u>	<u>(465,002)</u>	<u>-</u>	<u>-</u>
<u>2,411,839</u>	<u>(413,366)</u>	<u>1,998,473</u>	<u>458,410</u>
(1,357,416)	2,822,270	1,464,854	205,384
<u>10,060,552</u>	<u>13,646,592</u>	<u>23,707,144</u>	<u>1,706,961</u>
<u>\$ 8,703,136</u>	<u>\$ 16,468,862</u>	<u>\$ 25,171,998</u>	<u>\$ 1,912,345</u>

CITY OF YOAKUM, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,053,606	\$ 636,138	\$ 4,689,744
Receivables (net)	445,883	27,156	473,039
Due from other funds	5,100	-	5,100
Due from other governments	192,212	1,034	193,246
Inventory	10,208	-	10,208
Total assets	<u>\$ 4,707,009</u>	<u>\$ 664,328</u>	<u>\$ 5,371,337</u>
LIABILITIES			
Accounts payable	\$ 174,557	\$ 9,366	\$ 183,923
Accrued expenditures	142,272	-	142,272
Deposits	6,201	-	6,201
Due to other funds	-	5,100	5,100
Due to component unit	31,534	-	31,534
Due to other governments	9,477	-	9,477
Total liabilities	<u>364,041</u>	<u>14,466</u>	<u>378,507</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	120,394	10,024	130,418
Total deferred inflows of resources	<u>120,394</u>	<u>10,024</u>	<u>130,418</u>
FUND BALANCES			
Nonspendable			
Inventory	10,208	-	10,208
Restricted	-	639,838	639,838
Committed	1,317,279	-	1,317,279
Unassigned	2,895,087	-	2,895,087
Total fund balances	<u>4,222,574</u>	<u>639,838</u>	<u>4,862,412</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,707,009</u>	<u>\$ 664,328</u>	<u>\$ 5,371,337</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, 2015

Total governmental fund balances		\$ 4,862,412
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
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	\$ 14,055,944	
Accumulated depreciation of governmental capital assets	<u>(8,557,259)</u>	5,498,685
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 unavailable revenues in the governmental funds and thus are not included in fund balance.		
		130,418
Items required by GASB 68 and included in governmental activities in the statement of net position:		
Net pension liability	(2,034,186)	
Deferred resource outflow related to TMRS	427,568	
Deferred resource inflow related to TMRS	<u>(9,350)</u>	(1,615,968)
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>(172,411)</u>
Net position of governmental activities		<u>\$ 8,703,136</u>

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, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 1,550,810	\$ 214,737	\$ 1,765,547
Licenses and permits	179,536	-	179,536
Intergovernmental	41,467	102,454	143,921
Charges for services	2,780,024	-	2,780,024
Fines and forfeitures	89,542	46,674	136,216
Investment income	25,714	3,283	28,997
Miscellaneous	135,978	19,842	155,820
Total revenues	<u>4,803,071</u>	<u>386,990</u>	<u>5,190,061</u>
EXPENDITURES			
Current			
General government	817,399	175,911	993,310
Public safety	2,285,220	64,468	2,349,688
Public works	2,760,660	-	2,760,660
Cultural and recreation	737,553	11,739	749,292
Total expenditures	<u>6,600,832</u>	<u>252,118</u>	<u>6,852,950</u>
Excess (deficiency) of revenues over expenditures	(1,797,761)	134,872	(1,662,889)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,811,005	-	3,811,005
Transfers out	-	(3,346,003)	(3,346,003)
Total other financing sources (uses)	<u>3,811,005</u>	<u>(3,346,003)</u>	<u>465,002</u>
Net change in fund balances	2,013,244	(3,211,131)	(1,197,887)
Fund balances at beginning of year	<u>2,209,330</u>	<u>3,850,969</u>	<u>6,060,299</u>
Fund balances at end of year	<u>\$ 4,222,574</u>	<u>\$ 639,838</u>	<u>\$ 4,862,412</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, 2015*

Total net change in fund balances - governmental funds **\$ (1,197,887)**

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	\$ 195,370	
Depreciation expense	<u>(401,486)</u>	(206,116)

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.

Municipal court fines	(1,846)	
Ambulance fees	<u>2,723</u>	877

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows and recognize pension expense during the measurement period ending 12/31/14 which includes the recognition of current year outflow (inflow) of resources due to assets and liabilities.

Contributions made after the measurement date of 12/31/14	408,851	
Pension expense during the measurement period ending 12/31/14	<u>(318,629)</u>	90,222

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:

Loss on disposition of capital assets	(3,529)	
Increase in compensated absences	<u>(40,983)</u>	<u>(44,512)</u>

Change in net position of governmental activities **\$ (1,357,416)**

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 8,156,401
Receivables (net)	2,170,269
Inventory	419,377
Prepaid items	3,045
Restricted assets	
Cash and cash equivalents	65,778
Total current assets	<u>10,814,870</u>
Noncurrent assets	
Capital assets	
Land and other assets not being depreciated	3,838
Buildings, infrastructure, and equipment (net)	<u>13,777,742</u>
Total noncurrent assets	<u>13,781,580</u>
Total assets	<u>24,596,450</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to TMRS	<u>202,970</u>
LIABILITIES	
Current liabilities	
Accounts payable	618,902
Accrued expenses	128,043
Deposits	249,628
Accrued compensated absences	10,390
Current portion of bonds and certificates payable	<u>460,000</u>
Total current liabilities	<u>1,466,963</u>
Noncurrent liabilities	
Accrued compensated absences	93,511
Bonds and certificates payable	5,800,000
Net pension liability	<u>965,646</u>
Total noncurrent liabilities	<u>6,859,157</u>
Total liabilities	<u>8,326,120</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TMRS	<u>4,438</u>
NET POSITION	
Net investment in capital assets	7,587,358
Unrestricted net position	<u>8,881,504</u>
Total net position	<u>\$ 16,468,862</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, 2015

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	\$ 11,923,226
Miscellaneous	107,334
Total operating revenues	<u>12,030,560</u>
OPERATING EXPENSES	
Administration	503,352
Electric department	6,365,530
Water department	629,736
Sewer department	612,250
Warehouse department	91,721
Garage department	99,832
Depreciation	545,820
Total operating expenses	<u>8,848,241</u>
Operating income (loss) before nonoperating revenues (expenses) contributions and transfers	3,182,319
NONOPERATING REVENUES (EXPENSES)	
Investment income	51,636
Interest and fiscal charges	(14,101)
Net nonoperating revenues (expenses)	<u>37,535</u>
Income before contributions and transfers	3,219,854
Contributions and transfers	
Capital grants and contributions	67,418
Transfers in	1,861,650
Transfers out	(2,326,652)
Total contributions and transfers	<u>(397,584)</u>
Change in net position	2,822,270
Total net position at beginning of year - as restated	<u>13,646,592</u>
Total net position at end of year	<u>\$ 16,468,862</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, 2015

	Business-type Activities
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 12,036,863
Cash payments to suppliers for goods and services	(7,630,349)
Cash payments to employees for services	(1,636,648)
Net cash provided by operating activities	<u>2,769,866</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received (paid) on customer meter deposits	8,815
Transfers from (to) other funds	(465,002)
Net cash provided (used) by noncapital financing activities	<u>(456,187)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(590,065)
Capital grants and contributions	67,418
Principal paid on bond maturities	(445,000)
Interest and finance charges paid on bonds	(3,075)
Net cash provided (used) by capital and related financing activities	<u>(970,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	51,636
Net cash provided (used) by investing activities	<u>51,636</u>
Net increase (decrease) in cash and cash equivalents	1,394,593
Cash and cash equivalents at beginning of year	6,827,586
Cash and cash equivalents at end of year	<u>\$ 8,222,179</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 3,182,319
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	545,820
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	6,303
(Increase) decrease in inventory	(6,968)
(Increase) decrease in prepaids	(3,045)
(Increase) decrease in deferred outflows	(70,981)
Increase (decrease) in accounts payable	(924,890)
Increase (decrease) in accrued expenses	(1,781)
Increase (decrease) in net pension liability	23,714
Increase (decrease) in accrued compensated absences	4,438
Increase (decrease) in deferred inflows	14,937
Net cash provided by operating activities	<u>\$ 2,769,866</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents - Unrestricted	\$ 8,156,401
Cash and cash equivalents - Restricted	65,778
Total cash and cash equivalents	<u>\$ 8,222,179</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 fund:

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.

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 payments on the outstanding General Obligation Refunding Bonds and the Combination Tax and Subordinate Lien Revenue Certificates of Obligations.

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.

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.

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

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

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.

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, 2015.

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

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.

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, 2015, 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.

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

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.

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.

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

M. Long-term Obligations - (Continued)

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. Deferred Outflows/Inflows of Resources

The statement of net position reports a separate section for deferred outflows of resources which follows the asset section. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred amount calculated in the actuarial pension study required by Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions*" (GASB No. 68) and the current year pension payments reported in the government-wide statement of net position.

In addition to liabilities, the statement of net position can also report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two items that are considered deferred inflow of resources. One of the items arises only under a modified accrual basis of accounting and this item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from a variety of sources and are further defined in Note 4. The other item that qualifies for reporting as a deferred inflow of resources is calculated in the actuarial pension study required by GASB 68. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. 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)

P. 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.

Q. 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.

R. 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.

S. 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

There were no excess expenditures over appropriations during fiscal year 2015.

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, 2015, 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, 2015, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2015, consist of the following:

	<u>General</u>	<u>Utility</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:				
Accounts	\$ 294,958	\$ 2,160,540	\$ -	\$ 2,455,498
Ad valorem taxes	8,060	-	28,420	36,480
Ambulance	102,006	-	-	102,006
Fines	11,224	-	-	11,224
Franchise taxes	30,531	-	-	30,531
Other	-	9,729	-	9,729
Total gross receivables	<u>446,779</u>	<u>2,170,269</u>	<u>28,420</u>	<u>2,645,468</u>
Less: Allowances	<u>896</u>	<u>-</u>	<u>1,264</u>	<u>2,160</u>
Total net receivables	<u>\$ 445,883</u>	<u>\$ 2,170,269</u>	<u>\$ 27,156</u>	<u>\$ 2,643,308</u>

The City's governmental funds report unavailable 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 unavailable 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	\$ 7,164	\$ -	\$ 7,164
Ambulance	102,006	-	102,006
Fines	11,224	-	11,224
Debt Service Fund			
Ad valorem taxes	<u>10,024</u>	<u>-</u>	<u>10,024</u>
Total	<u>\$ 130,418</u>	<u>\$ -</u>	<u>\$ 130,418</u>

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 \$0.03484 and \$0.05603, respectively. The resulting adjusted total tax levy was \$187,790 on the total adjusted taxable valuation of \$206,657,863 for the 2015 tax year.

NOTE 5: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	3,930,477	172,863	125,028	3,978,312
Buildings	3,368,331	-	-	3,368,331
Infrastructure	<u>6,325,296</u>	<u>22,507</u>	<u>-</u>	<u>6,347,803</u>
Total capital assets, being depreciated	<u>13,624,104</u>	<u>195,370</u>	<u>125,028</u>	<u>13,694,446</u>
Less accumulated depreciation for				
Machinery and equipment	2,337,704	255,296	121,499	2,471,501
Buildings	1,683,488	76,718	-	1,760,206
Infrastructure	<u>4,256,080</u>	<u>69,472</u>	<u>-</u>	<u>4,325,552</u>
Total accumulated depreciation	<u>8,277,272</u>	<u>401,486</u>	<u>121,499</u>	<u>8,557,259</u>
Total capital assets being depreciated, net	<u>5,346,832</u>	<u>(206,116)</u>	<u>3,529</u>	<u>5,137,187</u>
Governmental activities capital assets, net	<u>\$ 5,708,330</u>	<u>\$ (206,116)</u>	<u>\$ 3,529</u>	<u>\$ 5,498,685</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 3,838	\$ -	\$ -	\$ 3,838
Construction in progress	<u>2,117,083</u>	<u>-</u>	<u>2,117,083</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,120,921</u>	<u>-</u>	<u>2,117,083</u>	<u>3,838</u>
Capital assets, being depreciated				
Machinery and equipment	1,398,765	41,800	1,200	1,439,365
Buildings and improvements	278,097	-	-	278,097
Water works system	4,954,691	-	-	4,954,691
Sewer system	12,668,232	2,540,761	-	15,208,993
Electric system	<u>3,213,000</u>	<u>124,587</u>	<u>-</u>	<u>3,337,587</u>
Total capital assets, being depreciated	<u>22,512,785</u>	<u>2,707,148</u>	<u>1,200</u>	<u>25,218,733</u>
Less accumulated depreciation for				
Machinery and equipment	944,796	56,693	1,200	1,000,289
Buildings and improvements	242,513	2,648	-	245,161
Water works system	3,013,154	107,544	-	3,120,698
Sewer system	4,481,823	294,881	-	4,776,704
Electric system	<u>2,214,085</u>	<u>84,054</u>	<u>-</u>	<u>2,298,139</u>
Total accumulated depreciation	<u>10,896,371</u>	<u>545,820</u>	<u>1,200</u>	<u>11,440,991</u>
Total capital assets being depreciated, net	<u>11,616,414</u>	<u>2,161,328</u>	<u>-</u>	<u>13,777,742</u>
Business-type activities capital assets, net	<u>\$ 13,737,335</u>	<u>\$ 2,161,328</u>	<u>\$ 2,117,083</u>	<u>\$ 13,781,580</u>

NOTE 5: CAPITAL ASSETS - (Continued)

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

Governmental activities:	
General government	\$ 76,719
Public safety	131,602
Public works	163,926
Cultural and recreation	<u>29,239</u>
Total depreciation expense - governmental activities	<u>\$401,486</u>
Business-type activities:	
Utilities	<u>\$545,820</u>
Total depreciation expense - business-type activities	<u>\$545,820</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: DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the TMRS. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com. All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)

Benefits Provided - (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2015 were as follows:

Employee deposit rate	6.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100.0 repeating
Annuity increase (to retirees)	70.0% of CPI

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	51
Active employees	<u>81</u>
	<u>181</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.20% and 15.73% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2015 were \$602,936, and were equal to the required contributions.

NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31 st
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Overall Payroll Growth	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return*	7.00%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Actuarial Assumptions - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	<u>5.00%</u>	8.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 20,737,342	\$ 17,811,179	\$ 2,926,163
Changes for the year:			
Service cost	438,043	-	438,043
Interest	1,435,291	-	1,435,291
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(18,376)	-	(18,376)
Change of assumptions	-	-	-
Contributions - Employer	-	564,791	(564,791)
Contributions - Employee	-	209,182	(209,182)
Net Investment Income	-	1,018,830	(1,018,830)
Benefit payments, including refunds of employee contributions	(904,426)	(904,426)	-
Administrative expense	-	(10,638)	10,638
Other changes	-	(876)	876
Net changes	<u>950,532</u>	<u>876,863</u>	<u>73,669</u>
Balance at 12/31/2014	<u>\$ 21,687,874</u>	<u>\$ 18,688,042</u>	<u>\$ 2,999,832</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.0%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1.0% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1.0% Increase in Discount Rate (8.0%)
City's Net Pension Liability:	\$5,874,492	\$2,999,831	\$628,782

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015 the City recognized pension expense of \$469,885.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 13,788
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	182,362	-
Contributions subsequent to the measurement date	448,176	-
Total	\$630,538	\$ 13,788

\$448,176 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2015	\$ 41,003
2016	41,003
2017	41,003
2018	45,565
2019	-
Thereafter	-

NOTE 7: 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 2015, 2014, and 2013 were \$10,081, \$8,637, and \$7,978, respectively, which equaled the required contributions each year.

NOTE 8: 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 9: LONG-TERM DEBT**A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2015, 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	\$ 131,428	\$ 169,569	\$ 128,586	\$ 172,411	\$ 17,241
Total governmental activity long-term liabilities	<u>\$ 131,428</u>	<u>\$ 169,569</u>	<u>\$ 128,586</u>	<u>\$ 172,411</u>	<u>\$ 17,241</u>
Business-type activities					
General obligation bonds	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -
Certificates of obligation	<u>6,455,000</u>	<u>-</u>	<u>195,000</u>	<u>6,260,000</u>	<u>460,000</u>
Net bonds and certificates payable	6,705,000	-	445,000	6,260,000	460,000
Payable to electric provider	589,619	-	589,619	-	-
Compensated absences	<u>88,964</u>	<u>89,662</u>	<u>74,725</u>	<u>103,901</u>	<u>10,390</u>
Total business-type activity long-term liabilities	<u>\$ 7,383,583</u>	<u>\$ 89,662</u>	<u>\$ 1,109,344</u>	<u>\$ 6,363,901</u>	<u>\$ 470,390</u>

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

NOTE 9: LONG-TERM DEBT - (Continued)

B. General Obligation Bonds and Certificates of Obligation

Bonds and certificates payable at September 30, 2015, are comprised of the following individual issues:

\$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%.	\$4,450,000
\$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>1,810,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 6,260,000</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.

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>
2016	\$ 460,000	\$ -	\$ 460,000
2017	460,000	-	460,000
2018	460,000	-	460,000
2019	460,000	-	460,000
2020	460,000	-	460,000
2021-2025	2,270,000	-	2,270,000
2026-2030	1,575,000	-	1,575,000
2031	<u>115,000</u>	-	<u>115,000</u>
	<u>\$ 6,260,000</u>	<u>\$ -</u>	<u>\$ 6,260,000</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, 2015, the balance in this fund was \$223,024.

NOTE 10: 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, 2015, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental	General Fund	\$ 5,100
		<u>\$ 5,100</u>

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:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General</u>	<u>Utility</u>	<u>Total</u>
Capital project	\$ 1,471,603	\$ 1,609,575	\$ 3,081,178
Non-major governmental	12,750	252,075	264,825
Utility	<u>2,326,652</u>	<u>-</u>	<u>2,326,652</u>
	<u>\$ 3,811,005</u>	<u>\$ 1,861,650</u>	<u>\$ 5,672,655</u>

NOTE 11: 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, 2015, 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 12: RELATED PARTY TRANSACTIONS

During fiscal year 2015, 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 \$65,000 for administrative services.

NOTE 13: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2015:

	Governmental Fund Balances				Total
	Nonspendable	Restricted	Committed	Unassigned	
General					
Inventory	\$ 10,208	\$ -	\$ -	\$ -	\$ 10,208
Stabilization	-	-	1,317,279	-	1,317,279
Unassigned	-	-	-	2,895,087	2,895,087
Nonmajor Governmental					
General government	-	67,465	-	-	67,465
Tourism	-	218,980	-	-	218,980
Public safety	-	111,488	-	-	111,488
Culture and recreation	-	18,881	-	-	18,881
Debt service	-	223,024	-	-	223,024
	<u>\$ 10,208</u>	<u>\$ 639,838</u>	<u>\$ 1,317,279</u>	<u>\$ 2,895,087</u>	<u>\$ 4,862,412</u>

The net position of the governmental activities reflects restricted net position of \$639,838 as shown above.

NOTE 14: RESTATEMENT OF BEGINNING BALANCES

During fiscal year 2015, the City adopted GASB No. 68. With GASB 68, the City must report their net pension liability of the Texas Municipal Retirement System. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$1,706,189 for the governmental activities and \$809,943 for the business-type activities. The restated beginning net position is \$10,060,552 and \$13,646,592 for the governmental and business-type activities, respectively.

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, 2015

	2015			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 1,141,200	\$ 1,623,200	\$ 1,550,810	\$ (72,390)
Licenses and permits	111,000	176,000	179,536	3,536
Intergovernmental	41,750	41,750	41,467	(283)
Charges for services	2,432,300	2,774,350	2,780,024	5,674
Fines and forfeitures	75,000	75,000	89,542	14,542
Investment income	13,000	13,000	25,714	12,714
Miscellaneous	88,650	146,275	135,978	(10,297)
Total revenues	<u>3,902,900</u>	<u>4,849,575</u>	<u>4,803,071</u>	<u>(46,504)</u>
EXPENDITURES				
Current				
General government	817,076	876,878	817,399	59,479
Public safety	2,405,317	2,312,097	2,285,220	26,877
Public works	2,639,393	2,806,893	2,760,660	46,233
Cultural and recreation	724,607	751,907	737,553	14,354
Total expenditures	<u>6,586,393</u>	<u>6,747,775</u>	<u>6,600,832</u>	<u>146,943</u>
Excess (deficiency) of revenues over expenditures	(2,683,493)	(1,898,200)	(1,797,761)	100,439
OTHER FINANCING SOURCES (USES)				
Transfers in	2,480,893	2,328,600	3,811,005	1,482,405
Total other financing sources (uses)	<u>2,480,893</u>	<u>2,328,600</u>	<u>3,811,005</u>	<u>1,482,405</u>
Net change in fund balance	(202,600)	430,400	2,013,244	1,582,844
Fund balance beginning of year	<u>2,209,330</u>	<u>2,209,330</u>	<u>2,209,330</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,006,730</u>	<u>\$ 2,639,730</u>	<u>\$ 4,222,574</u>	<u>\$ 1,582,844</u>

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

CITY OF YOAKUM, TEXAS**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Last ten years

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 438,043
Interest (on the total pension liability)	1,435,291
Changes of benefit terms	-
Difference between expected and actual experience	(18,376)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(904,426)</u>
Net Change in Total Pension Liability	950,532
Total Pension Liability - Beginning	<u>20,737,342</u>
Total Pension Liability - Ending (a)	<u>\$ 21,687,874</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 564,791
Contributions - Employee	209,182
Net Investment Income	1,018,830
Benefit payments, including refunds of employee contributions	(904,426)
Administrative expense	(10,638)
Other	<u>(875)</u>
Net Change in Plan Fiduciary Net Position	876,864
Plan Fiduciary Net Position - Beginning	<u>17,811,179</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 18,688,043</u>
Net Pension Liability - Ending (a) - (b)	\$ 2,999,831
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.17%
Covered Employee Payroll	\$ 3,486,116
Net Pension Liability as a Percentage of Covered Employee Payroll	86.05%

NOTE: Information for the prior nine years was not readily available. The City will compile the respective information over the next nine years as provided by TMRS on a "measurement date" basis.

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

CITY OF YOAKUM, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last ten fiscal years

	<u>2015</u>
Actuarially Determined Contribution	\$ 602,936
Contribution in relation to the actuarially determined contribution	<u>(613,017)</u>
Contribution deficiency (excess)	<u>\$ (10,081)</u>
Covered employee payroll	\$ 3,804,488
Contributions as a percentage of covered employee payroll	16.11%

NOTE: Information for the prior nine fiscal years was not readily available. The City will compile the respective information over the next nine fiscal years.

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

There were no excess expenditures over appropriations during fiscal year 2015 in the General Fund.

NOTE 3: TEXAS MUNICIPAL RETIREMENT SYSTEM

Valuation Date

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 year Smoothed Market; 15% Soft Corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return*	7.00%, net of pension plan investment expense, including inflation
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Combining and Individual Fund Statements and Schedules

CITY OF YOAKUM, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2015

	Special Revenue Funds			
	Hotel/Motel Tax	PEG Fund	Police Projects	Fire/ Ambulance Projects
ASSETS				
Cash and cash equivalents	\$ 212,949	\$ 69,760	\$ 74,358	\$ 7,545
Taxes receivable	15,077	2,055	-	-
Due from other governments	-	-	1,034	-
Total assets	<u>\$ 228,026</u>	<u>\$ 71,815</u>	<u>\$ 75,392</u>	<u>\$ 7,545</u>
LIABILITIES				
Accounts payable	\$ 9,046	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	<u>9,046</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources				
FUND BALANCES				
Restricted				
General government	-	71,815	-	-
Tourism	218,980	-	-	-
Public safety	-	-	75,392	7,545
Culture and recreation	-	-	-	-
Debt service	-	-	-	-
Total fund balances	<u>218,980</u>	<u>71,815</u>	<u>75,392</u>	<u>7,545</u>
Total liabilities and fund balances	<u>\$ 228,026</u>	<u>\$ 71,815</u>	<u>\$ 75,392</u>	<u>\$ 7,545</u>

Special Revenue Funds					Total
Court Special Projects	Library Projects	Grant Fund	Total	Debt Service Fund	Nonmajor Governmental Funds
\$ 28,551	\$ 19,201	\$ 750	\$ 413,114	\$ 223,024	\$ 636,138
-	-	-	17,132	10,024	27,156
-	-	-	1,034	-	1,034
<u>\$ 28,551</u>	<u>\$ 19,201</u>	<u>\$ 750</u>	<u>\$ 431,280</u>	<u>\$ 233,048</u>	<u>\$ 664,328</u>
\$ -	\$ 320	\$ -	\$ 9,366	\$ -	\$ 9,366
-	-	5,100	5,100	-	5,100
-	320	5,100	14,466	-	14,466
-	-	-	-	10,024	10,024
-	-	(4,350)	67,465	-	67,465
-	-	-	218,980	-	218,980
28,551	-	-	111,488	-	111,488
-	18,881	-	18,881	-	18,881
-	-	-	-	223,024	223,024
<u>28,551</u>	<u>18,881</u>	<u>(4,350)</u>	<u>416,814</u>	<u>223,024</u>	<u>639,838</u>
<u>\$ 28,551</u>	<u>\$ 19,201</u>	<u>\$ 750</u>	<u>\$ 431,280</u>	<u>\$ 233,048</u>	<u>\$ 664,328</u>

CITY OF YOAKUM, TEXAS

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the year ended September 30, 2015

	Special Revenue Funds			
	Hotel/Motel Tax	PEG Fund	Police Projects	Fire/ Ambulance Projects
REVENUES				
Taxes	\$ 89,084	\$ 8,371	\$ -	\$ -
Fines and forfeitures	-	-	37,794	-
Intergovernmental	-	-	6,180	-
Investment income	1,325	434	469	48
Miscellaneous	-	-	-	5,366
Total revenues	<u>90,409</u>	<u>8,805</u>	<u>44,443</u>	<u>5,414</u>
EXPENDITURES				
Current				
General government	75,287	-	-	-
Public safety	-	-	41,423	21,219
Culture and recreation	-	-	-	-
Total expenditures	<u>75,287</u>	<u>-</u>	<u>41,423</u>	<u>21,219</u>
Excess (deficiency) of revenues over expenditures	<u>15,122</u>	<u>8,805</u>	<u>3,020</u>	<u>(15,805)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(12,750)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12,750)</u>	<u>-</u>
Net change in fund balances	15,122	8,805	(9,730)	(15,805)
Fund balances beginning of year, as restated	<u>203,858</u>	<u>63,010</u>	<u>85,122</u>	<u>23,350</u>
Fund balances at end of year	<u>\$ 218,980</u>	<u>\$ 71,815</u>	<u>\$ 75,392</u>	<u>\$ 7,545</u>

<u>Special Revenue Funds</u>					Capital	Total
<u>Court</u>	<u>Library</u>	<u>Grant</u>	<u>Total</u>	<u>Debt</u>	<u>Projects</u>	<u>Nonmajor</u>
<u>Special</u>	<u>Projects</u>	<u>Fund</u>		<u>Service</u>	<u>Reserve</u>	<u>Governmental</u>
<u>Projects</u>				<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
\$ -	\$ -	\$ -	\$ 97,455	\$ 117,282	\$ -	\$ 214,737
8,880	-	-	46,674	-	-	46,674
-	-	96,274	102,454	-	-	102,454
177	120	-	2,573	710	-	3,283
-	14,476	-	19,842	-	-	19,842
<u>9,057</u>	<u>14,596</u>	<u>96,274</u>	<u>268,998</u>	<u>117,992</u>	<u>-</u>	<u>386,990</u>
-	-	100,624	175,911	-	-	175,911
1,826	-	-	64,468	-	-	64,468
-	11,739	-	11,739	-	-	11,739
<u>1,826</u>	<u>11,739</u>	<u>100,624</u>	<u>252,118</u>	<u>-</u>	<u>-</u>	<u>252,118</u>
<u>7,231</u>	<u>2,857</u>	<u>(4,350)</u>	<u>16,880</u>	<u>117,992</u>	<u>-</u>	<u>134,872</u>
-	-	-	(12,750)	(252,075)	(3,081,178)	(3,346,003)
-	-	-	(12,750)	(252,075)	(3,081,178)	(3,346,003)
7,231	2,857	(4,350)	4,130	(134,083)	(3,081,178)	(3,211,131)
<u>21,320</u>	<u>16,024</u>	<u>-</u>	<u>412,684</u>	<u>357,107</u>	<u>3,081,178</u>	<u>3,850,969</u>
<u>\$ 28,551</u>	<u>\$ 18,881</u>	<u>\$ (4,350)</u>	<u>\$ 416,814</u>	<u>\$ 223,024</u>	<u>\$ -</u>	<u>\$ 639,838</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, 2015

With comparative totals for September 30, 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 4,053,606	\$ 2,114,834
Receivables, net		
Accounts	294,958	281,385
Ad valorem taxes	7,164	7,164
Ambulance	102,006	99,283
Fines	11,224	13,071
Franchise taxes	30,531	31,743
Due from other funds	5,100	5,100
Due from other governments	192,212	268,656
Inventory	<u>10,208</u>	<u>7,464</u>
Total assets	<u>\$ 4,707,009</u>	<u>\$ 2,828,700</u>
LIABILITIES		
Accounts payable	\$ 174,557	\$ 328,686
Accrued expenditures	142,272	155,484
Deposits	6,201	4,811
Due to component unit	31,534	500
Due to other governments	<u>9,477</u>	<u>10,372</u>
Total liabilities	<u>364,041</u>	<u>499,853</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	<u>120,394</u>	<u>119,517</u>
Total deferred inflows of resources	<u>120,394</u>	<u>119,517</u>
FUND BALANCES		
Nonspendable		
Inventory	10,208	7,464
Committed		
Stabilization	1,317,279	1,302,819
Unassigned	<u>2,895,087</u>	<u>899,047</u>
Total fund balances	<u>4,222,574</u>	<u>2,209,330</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,707,009</u>	<u>\$ 2,828,700</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, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 73,500	\$ 71,153	\$ (2,347)	\$ 66,602
Penalty and interest	3,000	2,874	(126)	2,423
Franchise	128,000	129,230	1,230	126,089
Sales	1,417,000	1,343,031	(73,969)	1,157,518
Other	1,700	4,522	2,822	1,608
Total taxes	<u>1,623,200</u>	<u>1,550,810</u>	<u>(72,390)</u>	<u>1,354,240</u>
Licenses and permits				
Landfill/transfer station	154,000	160,901	6,901	155,310
Miscellaneous	22,000	18,635	(3,365)	17,414
Total licenses and permits	<u>176,000</u>	<u>179,536</u>	<u>3,536</u>	<u>172,724</u>
Intergovernmental				
	<u>41,750</u>	<u>41,467</u>	<u>(283)</u>	<u>97,347</u>
Charges for services				
Sanitation	2,236,100	2,246,721	10,621	2,008,021
Ambulance	269,000	269,771	771	332,718
Golf course	82,000	81,424	(576)	85,183
Swimming pool	6,000	5,352	(648)	5,321
Community center	5,000	3,337	(1,663)	4,529
RV park	40,000	52,478	12,478	74,325
Park pavilion	1,600	1,458	(142)	4,338
Chamber office rent	1,500	1,500	-	1,500
Other	133,150	117,983	(15,167)	104,160
Total charges for services	<u>2,774,350</u>	<u>2,780,024</u>	<u>5,674</u>	<u>2,620,095</u>
Fines and forfeitures				
Municipal courts	<u>75,000</u>	<u>89,542</u>	<u>14,542</u>	<u>78,320</u>
Investment income				
	<u>13,000</u>	<u>25,714</u>	<u>12,714</u>	<u>20,347</u>
Miscellaneous				
Donations/grants	8,375	8,698	323	18,536
Police calendar sales	2,000	1,766	(234)	2,318
Recycled materials	16,400	16,457	57	18,217
Other	119,500	109,057	(10,443)	54,326
Total miscellaneous	<u>146,275</u>	<u>135,978</u>	<u>(10,297)</u>	<u>93,397</u>
Total revenues	<u>4,849,575</u>	<u>4,803,071</u>	<u>(46,504)</u>	<u>4,436,470</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, 2015

With comparative totals for the year ended September 30, 2014

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
EXPENDITURES				
General government				
Administrative and finance				
Personnel	\$ 249,072	\$ 243,588	\$ 5,484	\$ 254,423
Supplies	5,700	5,604	96	6,300
Services	42,400	40,076	2,324	31,150
Maintenance	5,000	4,544	456	8,864
Other	5,300	4,281	1,019	6,558
Total administrative and finance	<u>307,472</u>	<u>298,093</u>	<u>9,379</u>	<u>307,295</u>
Building maintenance				
Personnel	47,434	47,361	73	43,108
Supplies	3,400	2,441	959	2,556
Services	16,000	15,611	389	17,413
Maintenance	84,455	85,042	(587)	11,344
Total building maintenance	<u>151,289</u>	<u>150,455</u>	<u>834</u>	<u>74,421</u>
Inspection/code enforcement				
Personnel	54,137	54,048	89	45,324
Supplies	4,430	3,990	440	3,750
Services	21,340	21,184	156	19,761
Maintenance	1,200	933	267	559
Other	3,920	3,918	2	3,742
Total inspection/code enforcement	<u>85,027</u>	<u>84,073</u>	<u>954</u>	<u>73,136</u>
Economic development				
Personnel	68,590	68,127	463	74,892
Supplies	3,750	3,249	501	677
Services	11,200	10,880	320	2,832
Other	5,620	5,611	9	2,379
Total economic development	<u>89,160</u>	<u>87,867</u>	<u>1,293</u>	<u>80,780</u>
Non-departmental				
Insurance	55,630	55,542	88	20,467
Audit	20,000	19,550	450	19,750
Legal services	4,900	5,648	(748)	5,796
Community center	22,400	22,917	(517)	9,369
Sundry charges	77,300	38,605	38,695	48,489
Museum contribution	11,700	11,700	-	11,700
Other contributions	51,000	42,392	8,608	48,266

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, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
General government - (continued)				
Non-departmental - (continued)				
Senior citizen project	\$ 1,000	\$ 557	\$ 443	\$ 867
Total non-departmental	<u>243,930</u>	<u>196,911</u>	<u>47,019</u>	<u>164,704</u>
Total general government	<u>876,878</u>	<u>817,399</u>	<u>59,479</u>	<u>700,336</u>
Public safety				
Police				
Personnel	1,134,220	1,133,875	345	1,069,541
Supplies	58,300	54,648	3,652	61,735
Services	59,000	57,908	1,092	73,554
Maintenance	69,300	64,106	5,194	23,733
Other	9,600	5,744	3,856	10,356
Capital outlay	59,300	59,276	24	57,165
Total police	<u>1,389,720</u>	<u>1,375,557</u>	<u>14,163</u>	<u>1,296,084</u>
Municipal court				
Personnel	14,734	14,668	66	14,318
Supplies	1,500	1,251	249	381
Maintenance	2,900	2,301	599	2,229
Other	3,900	698	3,202	929
Total municipal court	<u>23,034</u>	<u>18,918</u>	<u>4,116</u>	<u>17,857</u>
Fire/ambulance				
Personnel	743,513	741,435	2,078	710,417
Supplies	45,460	43,107	2,353	49,881
Services	39,670	40,198	(528)	45,944
Maintenance	29,000	26,280	2,720	27,047
Other	26,200	24,441	1,759	19,976
Capital outlay	15,500	15,284	216	166,671
Total fire/ambulance	<u>899,343</u>	<u>890,745</u>	<u>8,598</u>	<u>1,019,936</u>
Total public safety	<u>2,312,097</u>	<u>2,285,220</u>	<u>26,877</u>	<u>2,333,877</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, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Public works				
Streets				
Personnel	\$ 346,872	\$ 345,633	\$ 1,239	\$ 329,813
Supplies	15,150	14,316	834	20,372
Services	700	666	34	2,835
Maintenance	57,100	56,272	828	43,356
Other	1,955	1,004	951	1,002
Capital outlay	244,800	244,617	183	194,094
Total streets	<u>666,577</u>	<u>662,508</u>	<u>4,069</u>	<u>591,472</u>
Solid waste				
Personnel	423,451	399,584	23,867	396,367
Supplies	43,840	43,217	623	53,604
Services	1,538,000	1,532,720	5,280	1,277,812
Maintenance	63,925	62,697	1,228	70,766
Other	1,150	388	762	1,149
Capital outlay	69,950	59,546	10,404	143,795
Total solid waste	<u>2,140,316</u>	<u>2,098,152</u>	<u>42,164</u>	<u>1,943,493</u>
Total public works	<u>2,806,893</u>	<u>2,760,660</u>	<u>46,233</u>	<u>2,534,965</u>
Cultural and recreation				
Parks and recreation				
Personnel	389,682	385,227	4,455	385,084
Supplies	47,500	44,587	2,913	53,703
Services	71,500	70,989	511	83,021
Maintenance	30,000	27,525	2,475	51,080
Other	37,200	37,325	(125)	22,082
Capital outlay	47,000	43,597	3,403	11,500
Total parks and recreation	<u>622,882</u>	<u>609,250</u>	<u>13,632</u>	<u>606,470</u>
Library				
Personnel	70,795	70,611	184	62,986
Supplies	9,000	8,802	198	10,626
Services	15,300	15,294	6	16,425
Maintenance	30,600	30,444	156	18,880
Other	3,330	3,152	178	3,445
Total library	<u>129,025</u>	<u>128,303</u>	<u>722</u>	<u>112,362</u>
Total cultural and recreation	<u>751,907</u>	<u>737,553</u>	<u>14,354</u>	<u>718,832</u>
Total expenditures	<u>6,747,775</u>	<u>6,600,832</u>	<u>146,943</u>	<u>6,288,010</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, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
Excess (deficiency) of revenues over expenditures	\$ (1,898,200)	\$ (1,797,761)	\$ 100,439	\$ (1,851,540)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,328,600	3,811,005	1,482,405	2,441,865
Transfers out	-	-	-	(483,882)
Total other financing sources (uses)	<u>2,328,600</u>	<u>3,811,005</u>	<u>1,482,405</u>	<u>1,957,983</u>
Net change in fund balance	<u>\$ 430,400</u>	2,013,244	<u>\$ 1,582,844</u>	106,443
Fund balance beginning of year		<u>2,209,330</u>		<u>2,102,887</u>
Fund balance at end of year		<u>\$ 4,222,574</u>		<u>\$ 2,209,330</u>

(concluded)

ENTERPRISE FUND

Enterprise Funds account for the acquisition, operations, and maintenance of the City's facilities and services which are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. Debt service amounts are also included.

Utility Fund - Records transactions relative to the provision of water, wastewater, and electric services to the residents of the City.

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 8,156,401	\$ 6,090,120
Receivables (net)		
Accounts	2,160,540	2,148,101
Other	9,729	28,471
Inventory	419,377	412,409
Prepaid items	3,045	-
Restricted assets		
Cash and cash equivalents	<u>65,778</u>	<u>737,466</u>
Total current assets	<u>10,814,870</u>	<u>9,416,567</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,439,365	1,398,765
Buildings and improvements	278,097	278,097
Water works system	4,954,691	4,954,691
Sewer system	15,208,993	12,668,232
Electric system	<u>3,337,588</u>	<u>3,213,000</u>
Total depreciable capital assets	25,218,734	22,512,785
Less: Accumulated depreciation	<u>11,440,992</u>	<u>10,896,371</u>
Subtotal	13,777,742	11,616,414
Land	3,838	3,838
Construction in progress	<u>-</u>	<u>2,117,083</u>
Net capital assets	<u>13,781,580</u>	<u>13,737,335</u>
Total noncurrent assets	<u>13,781,580</u>	<u>13,737,335</u>
Total assets	<u>24,596,450</u>	<u>23,153,902</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on refunding	-	11,026
Deferred outflows related to TMRS	<u>202,970</u>	<u>131,989</u>
Total deferred outflow of resources	<u>202,970</u>	<u>143,015</u>

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
September 30, 2015
With comparative totals for September 30, 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 618,902	\$ 954,173
Accrued expenses	128,043	129,824
Deposits	249,628	240,813
Accrued compensated absences	10,390	8,896
Payable to electric power provider	-	416,412
Current portion of bonds and certificates payable	<u>460,000</u>	<u>445,000</u>
Total current liabilities	<u>1,466,963</u>	<u>2,195,118</u>
Noncurrent liabilities		
Payable to electric power provider	-	173,207
Accrued compensated absences	93,511	80,068
Bonds and certificates payable	5,800,000	6,260,000
Net pension obligation	<u>965,646</u>	<u>941,932</u>
Total noncurrent liabilities	<u>6,859,157</u>	<u>7,455,207</u>
Total liabilities	<u>8,326,120</u>	<u>9,650,325</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to TMRS	<u>4,438</u>	-
Total deferred inflows of resources	<u>4,438</u>	-
 NET POSITION		
Net investment in capital assets	7,587,358	7,032,335
Unrestricted net position	<u>8,881,504</u>	<u>6,614,257</u>
Total net position	<u>\$ 16,468,862</u>	<u>\$ 13,646,592</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, 2015**With comparative totals for the year ended September 30, 2014*

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
OPERATING REVENUES				
Electric service	\$ 9,983,000	\$ 9,935,290	\$ (47,710)	\$ 9,453,168
Water service	1,104,000	1,104,705	705	1,166,617
Sewer service	760,000	752,965	(7,035)	821,203
Service taps	18,400	18,472	72	14,264
Penalties	126,000	126,822	822	124,862
Service charges	27,000	29,326	2,326	28,498
Miscellaneous	76,900	107,334	30,434	82,843
Total operating revenues	12,095,300	12,074,914	(20,386)	11,691,455
OPERATING EXPENSES				
General and administrative				
Personnel	415,067	405,663	9,404	453,638
Supplies	34,860	33,983	877	33,626
Services	29,200	29,133	67	27,264
Maintenance	7,500	5,460	2,040	9,015
Other	27,100	29,113	(2,013)	13,469
Bad debts	50,000	44,354	5,646	46,256
Total general and administrative	563,727	547,706	16,021	583,268
Electric				
Personnel	320,188	314,704	5,484	290,096
Supplies	15,800	11,916	3,884	13,341
Cost of power	5,905,000	5,904,967	33	6,524,883
Services	89,600	73,118	16,482	78,857
Maintenance	62,300	54,903	7,397	61,577
Other	12,000	6,119	5,881	4,697
Capital outlay	96,700	117,720	(21,020)	220,244
Total electric	6,501,588	6,483,447	18,141	7,193,695
Water				
Personnel	387,608	378,851	8,757	333,775
Supplies	67,150	52,848	14,302	55,020
Services	85,950	85,213	737	93,099
Maintenance	131,400	94,651	36,749	100,536
Other	9,600	5,050	4,550	7,076
Capital outlay	31,000	28,923	2,077	25,515
Total water	712,708	645,536	67,172	615,021

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, 2015

With comparative totals for the year ended September 30, 2014

	2015		Variance Positive (Negative)	2014
	Final Budget	Actual		Actual
OPERATING EXPENSES - (Continued)				
Sewer				
Personnel	\$ 343,628	\$ 340,893	\$ 2,735	\$ 322,924
Supplies	34,635	38,459	(3,824)	26,153
Services	194,275	188,668	5,607	129,320
Maintenance	41,500	36,163	5,337	62,953
Other	5,300	2,268	3,032	1,651
Capital outlay	81,000	56,799	24,201	25,906
Total sewer	<u>700,338</u>	<u>663,250</u>	<u>37,088</u>	<u>568,907</u>
Warehouse				
Personnel	82,237	80,244	1,993	78,341
Supplies	2,300	1,909	391	2,582
Services	7,500	7,413	87	11,316
Maintenance	4,700	1,694	3,006	1,531
Other	500	461	39	503
Total warehouse	<u>97,237</u>	<u>91,721</u>	<u>5,516</u>	<u>94,273</u>
Garage				
Personnel	84,399	86,620	(2,221)	84,680
Supplies	5,150	4,668	482	5,016
Services	3,000	3,000	-	3,060
Maintenance	6,075	5,294	781	3,183
Other	500	250	250	128
Capital outlay	-	-	-	7,039
Total garage	<u>99,124</u>	<u>99,832</u>	<u>(708)</u>	<u>103,106</u>
Total operating expenses	<u>8,674,722</u>	<u>8,531,492</u>	<u>143,230</u>	<u>9,158,270</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers	3,420,578	3,543,422	122,844	2,533,185
NONOPERATING REVENUES (EXPENSES)				
Investment income	42,000	51,636	9,636	50,471
Bond principal, interest, and fiscal charges	<u>(195,800)</u>	<u>(208,901)</u>	<u>(13,101)</u>	<u>(456,656)</u>
Total nonoperating revenues (expenses)	<u>(153,800)</u>	<u>(157,265)</u>	<u>(3,465)</u>	<u>(406,185)</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, 2015

With comparative totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive (Negative)	Actual
Income (loss) before contributions and transfers	\$ 3,266,778	\$ 3,386,157	\$ 119,379	\$ 2,127,000
Contributions and transfers				
Capital contributions	60,000	67,418	7,418	89,859
Transfers in	-	1,861,650	1,861,650	220,753
Transfers out	<u>(2,327,800)</u>	<u>(2,326,652)</u>	<u>1,148</u>	<u>(2,231,566)</u>
Net contributions and transfers	<u>(2,267,800)</u>	<u>(397,584)</u>	<u>1,870,216</u>	<u>(1,920,954)</u>
Change in net position - (NON-GAAP BUDGETARY BASIS)	<u>\$ 998,978</u>	\$ 2,988,573	<u>\$ 1,989,595</u>	206,046
ADJUSTMENTS				
To adjust for principal payments on long-term debt		194,800		440,000
To adjust for capital expenses		184,717		276,614
To adjust for depreciation expense		<u>(545,820)</u>		<u>(509,190)</u>
Change in net position - (GAAP BASIS)		2,822,270		413,470
Total net position at beginning of year - as restated		<u>13,646,592</u>		<u>13,233,122</u>
Total net position at end of year		<u>\$ 16,468,862</u>		<u>\$ 13,646,592</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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 8, 2016.

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 and correct, 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, L.L.P.
Certified Public Accountants

January 8, 2016