

CITY OF ELGIN, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2013

GEORGE CHESTER DRAPER III

Certified Public Accountant

CITY OF ELGIN, TEXAS

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GEORGE CHESTER DRAPER III

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Elgin, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Elgin, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Elgin, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elgin's basic financial statements. The accompanying combining statements on pages 52-58 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining 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 my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated April 30, 2014, on my consideration of the City of Elgin's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Elgin's internal control over financial reporting and compliance.



George Chester Draper, III
Austin, Texas
April 30, 2014

CITY OF ELGIN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2013

As Management of the City of Elgin, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- The City's total assets and deferred outflows of resources exceeded the City's total liabilities at the close of the fiscal year by \$16,563,707 (net position). Of this amount \$3,277,084 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,045,208 during 2013.
- As of September 30, 2013, the City of Elgin's governmental funds reported combined ending fund balances of \$3,317,539. Of the ending fund balance, \$2,011,382 is restricted under laws external to the City for specific purposes (e.g., debt service, capital projects, municipal court, red light camera purposes, hotel/motel tax purposes, cable channel 10 restrictions); \$30,913 is committed by the City for specific purposes (e.g., Elgin Main Street, and the local portion of the sidewalk grants); \$1,268,193 is unassigned fund balance and is available to meet the government's ongoing obligations.
- The City refunded \$2,225,000 of outstanding debt having an average interest rate of 4.8% with \$2,210,000 of debt having an average interest rate of 2.5% to achieve a cash flow savings of almost \$250,000 and a present value economic gain of \$216,000.
- The City also issued \$2,980,000 in new debt to be used for repairing, improving, upgrading, and equipping City buildings, City streets and drainage, and City parks, including engineering and other related costs, and for the acquisition of equipment for the City.
- The City spent \$710,000 from the remaining 2011 certificate of obligation construction funds and \$515,000 of the 2013 certificate of obligation construction funds during the year. Current year construction costs included \$764,000 related to the Fleming Center, \$260,000 for lift station and force main improvements, and \$146,000 of local costs on the TxDOT Centers project.
- The City also incurred \$157,000 of construction costs for sidewalk improvements and \$300,000 of construction costs for the 18 inch raw water line project, both of which were primarily funded through grant proceeds.

Overview of the Financial Statements

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

CITY OF ELGIN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Government-wide financial statements

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

The Statement of Net Position presents 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. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer and water lines, etc.) to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between three kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including police, animal control, library, community development, public works, parks, pool, municipal court, and general administration. Property taxes, sales taxes, and franchise fees primarily finance these activities.
- **Business-type activities:** The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and wastewater system are reported here.
- **Component Unit:** The City includes activities for the Elgin Economic Development Corporation here.

Fund financial statements

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for governmental funds, proprietary funds, and fiduciary funds (of which the City has none), as opposed to the government-wide statements which reflect the City as a whole.

CITY OF ELGIN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Fund financial statements are prepared using the measurement focus and basis of accounting applicable to each broad fund category. Governmental fund financial statements are presented on a spending or "financial flow" measurement focus using the modified accrual basis of accounting. Proprietary fund financial statements are presented on a cost of services or "capital maintenance" measurement focus using the accrual basis of accounting. Because the proprietary fund financial statements are presented using the same measurement focus and basis of accounting as the government-wide financial statements, the totals from the proprietary fund financial statements flow directly into the business-type activities column of the government-wide financial statements. For the governmental funds, a reconciliation is presented to describe the differences between the fund balance, and change in fund balance reported in the governmental fund financial statements and the net position, and change in net position reported in the governmental activities column of the government-wide financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a complete understanding of the information provided in the government-wide and fund financial statements.

Condensed Financial Information

Government-wide net position

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$16,563,707 as of September 30, 2013.

The largest portion of the City's net position \$12,093,070 (73.0%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot generate revenues to liquidate these liabilities.

An additional portion of the City's net position \$1,193,553 (7.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$3,277,084 (19.8%) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF ELGIN, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012*	2013	2012*	2013	2012*
Current and other assets	\$ 4,246,343	3,266,028	4,258,888	3,064,483	8,505,231	6,330,511
Capital assets	9,640,526	8,956,675	25,186,425	25,420,631	34,826,951	34,377,306
Total assets	<u>13,886,869</u>	<u>12,222,703</u>	<u>29,445,313</u>	<u>28,485,114</u>	<u>43,332,182</u>	<u>40,707,817</u>
Deferred outflows of resources	25,832	33,023	2,726	-0-	28,558	33,023
Long-term liabilities	(9,113,651)	(8,601,871)	(16,514,398)	(15,088,531)	(25,628,049)	(23,690,402)
Other liabilities	(523,474)	(631,015)	(645,510)	(900,924)	(1,168,984)	(1,531,939)
Total liabilities	<u>(9,637,125)</u>	<u>(9,232,886)</u>	<u>(17,159,908)</u>	<u>(15,989,455)</u>	<u>(26,797,033)</u>	<u>(25,222,341)</u>
Net position:						
Net investment in capital assets	2,261,460	1,115,948	9,831,610	10,714,564	12,093,070	11,830,512
Restricted	580,039	608,553	613,514	535,788	1,193,553	1,144,341
Unrestricted	<u>1,434,077</u>	<u>1,298,339</u>	<u>1,843,007</u>	<u>1,245,307</u>	<u>3,277,084</u>	<u>2,543,646</u>
Total net position	\$ <u>4,275,576</u>	<u>3,022,840</u>	<u>12,288,131</u>	<u>12,495,659</u>	<u>16,563,707</u>	<u>15,518,499</u>

* As restated for the effects of prior period adjustment and change in presentation format

Government-wide changes in net position

The following table provides a summary of the City’s operations for the year ended September 30, 2013. The City’s net position increased by \$1,045,208. The Governmental activities increased the City’s net position by \$1,252,736 and the Business-type activities decreased the City’s net position by \$(207,528). Details of those changes are discussed below.

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2013	2012*	2013	2012*	2013	2012*
Change in net position						
Total revenues	\$ 6,614,368	6,090,173	4,338,094	4,058,187	10,952,462	10,148,360
Total expenses	<u>(6,724,685)</u>	<u>(6,336,512)</u>	<u>(3,182,569)</u>	<u>(3,258,379)</u>	<u>(9,907,254)</u>	<u>(9,594,891)</u>
Change before transfers	(110,317)	(246,339)	1,155,525	799,808	1,045,208	553,469
Transfers	<u>1,363,053</u>	<u>1,005,566</u>	<u>(1,363,053)</u>	<u>(1,005,566)</u>	-0-	-0-
Change in net position	1,252,736	759,227	(207,528)	(205,758)	1,045,208	553,469
Net position - beginning	<u>3,022,840</u>	<u>2,263,613</u>	<u>12,495,659</u>	<u>12,701,417</u>	<u>15,518,499</u>	<u>14,965,030</u>
Net position - ending	\$ <u>4,275,576</u>	<u>3,022,840</u>	<u>12,288,131</u>	<u>12,495,659</u>	<u>16,563,707</u>	<u>15,518,499</u>

* As restated for the effects of prior period adjustment

The table above shows significant changes in both the revenues and expenses of Governmental activities and Business-type activities. Details of those changes are shown in the tables below.

CITY OF ELGIN, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 1,836,678	1,854,104	3,951,277	3,989,000	5,787,955	5,843,104
Operating grants and contributions	341,246	381,883	-0-	-0-	341,246	381,883
Capital grants and contributions	395,584	37,050	382,936	55,450	778,520	92,500
General revenues:						
Property taxes	2,664,788	2,556,237	-0-	-0-	2,664,788	2,556,237
Sales tax	916,876	826,385	-0-	-0-	916,876	826,385
Franchise and other taxes	420,099	417,381	-0-	-0-	420,099	417,381
Investment earnings	5,460	7,935	3,881	8,387	9,341	16,322
Miscellaneous	33,637	9,198	-0-	5,350	33,637	14,548
Total revenues	\$ <u>6,614,368</u>	<u>6,090,173</u>	<u>4,338,094</u>	<u>4,058,187</u>	<u>10,952,462</u>	<u>10,148,360</u>

A CDBG grant for water improvements accounts for the increase in capital grant revenues during the 2013 fiscal year. Growth and expansion account for property tax and sales tax revenue increases totaling around \$200,000.

Fine revenue (which is included in the classification of charges for services in the table above) reflected two significant, but offsetting, changes during the year. The City changed municipal court software several years ago but still had a fairly large receivable balance recorded on the books for delinquent fines receivable on the old system. A revision in the estimate of net collectible municipal court fines in the current year resulted in a \$150,000 decrease in accrual basis revenues. (Governmental fund revenues are recorded as collected, so this change only affects the revenues reported on the accrual basis in the government-wide statements). Red light camera fines collected were up over \$210,000 for 2013 after only being operational for part of the 2012 fiscal year. While the adjustment in the estimate of net collectible municipal court fines is a one-time event, the red light camera revenues are likely to maintain the higher level seen in 2013.

The transfer of the capital assets constructed in the CDBG grant fund to the utility fund accounts for the increase in capital contributions reported in the business-type activities. Otherwise, utility revenues were fairly steady and consistent with the prior year.

CITY OF ELGIN, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

The table below provides a comparison of expenses for 2013 and 2012.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012*	2013	2012*	2013	2012*
Expenses						
General government	\$ 2,054,981	2,054,577	-0-	-0-	2,054,981	2,054,577
Public safety	2,296,063	2,223,606	-0-	-0-	2,296,063	2,223,606
Public works	1,523,535	1,190,259	-0-	-0-	1,523,535	1,190,259
Parks and recreation	303,851	301,856	-0-	-0-	303,851	301,856
Other current	182,862	149,078	-0-	-0-	182,862	149,078
Interest on long-term debt	363,393	417,136	-0-	-0-	363,393	417,136
Utility system	-0-	-0-	3,182,569	3,258,379	3,182,569	3,258,379
Total expenses	\$ 6,724,685	6,336,512	3,182,569	3,258,379	9,907,254	9,594,891

* As restated for the effects of prior period adjustment

The largest change in governmental expenditures for 2013 in comparison to the prior year was a \$330,000 increase in public works expenses. Reported expenses were impacted significantly by the CDBG grant which incurred \$310,000 of public works expenditures in 2013 compared to \$60,000 in the prior year. That increase corresponds to the increase in capital grants and contributions reported in 2013. Additionally, salary expense in the public works department was up \$24,000 and health insurance costs were up \$20,000 in public works.

Public safety expenses were up a net amount of \$72,000, which represents two separate events. Operating expenses in the red light camera fund were up almost \$160,000 corresponding to a full year of operations in 2013 versus nine months in 2012 and relating to the State’s share of the additional revenues collected. The other significant change in the public safety department was a decline of almost \$80,000 in salary expense. There was an open position in the police department for about seven months in 2013.

Other expenses in the governmental activities column for 2013 includes \$93,000 of debt issuance costs incurred for the two different debt issues in 2013. Other expenses in 2013 also included a decrease related to the use of hotel/motel tax funds. In the prior year, \$50,000 of hotel/motel funds were used for maintenance of the Nofsinger house.

The largest decrease in utility fund expenses was in the line item for legal expenses. That line item was down by \$47,000 in 2013. The prior year included litigation related to Aqua Water Supply which was resolved in 2012.

CITY OF ELGIN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Financial Analysis of the City's Funds

Governmental fund financial statements are presented on a spending or "financial flow" measurement focus using the modified accrual basis of accounting. Because of that difference in measurement focus, the results of operations of the governmental funds are significantly different from the results of operations of governmental activities reported in the government-wide statements discussed above. Significant changes between the current and prior year activities of the utility fund are essentially the same as the comparisons discussed above for the government-wide financial statements.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,317,539. Approximately 38% of this total amount, \$1,268,193 is unassigned fund balance. The remainder of the fund balance \$2,049,346 is un-spendable, restricted, or committed.

The General Fund reported an increase in unassigned fund balance of \$390,529. At the end of the year, the general fund had an unassigned fund balance of \$1,268,193. That amount represents around 3 months in terms of the general fund's annual expenditures.

Total revenues and total expenditures of the General Fund both showed modest increases during the year. The primary event underlying the increase in General Fund unassigned fund balance was the reimbursement of the General Fund for local money put into the Morris Park building fund in prior years.

The Debt Service Fund has a fund balance of \$137,699, which is only 11% of the annual debt service requirement of that fund.

A significant portion of the total fund balance of the City's governmental funds is the remaining fund balance of the 2013 certificates of obligation construction fund. Those monies are restricted for use on capital projects.

The utility fund has a net position of \$12,288,131 at the end of the year. However, \$9,831,610 is invested in capital assets, net of related debt. The total also includes amounts restricted for debt service of \$234,774 and restricted for capital projects of \$378,740. The remaining \$1,843,007 represents 6 months of utility fund expenses including interest and recurring transfers out.

General Fund Budgetary Highlights

The City made revisions to the original appropriations approved by the City Council. These changes resulted in an increase in budgeted expenditures from the original budget of \$176,157 or 3.6%.

CITY OF ELGIN, TEXAS

MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)

The City reported a significant unfavorable budget variance in the revenue category of property taxes. Budgeted property tax revenues were amended upward in the final amended budget because the line item for delinquent tax revenues showed actual revenues of \$288,262 but had no line item budget. The budget increase for that line item should have come out of the line item for current tax revenues though, since the original budget total was close to the total amount of actual revenues but was all budgeted in the line for current taxes. The City did not report an unfavorable budget variance for expenditures for any department.

Capital Asset and Debt Administration

Capital assets

The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$34,826,951 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, and infrastructure and construction in progress. Major capital asset events occurring during the current fiscal year included the following:

- Costs related to the Fleming Center of \$764,022
- Construction costs for sidewalk improvements (grant funded) of \$157,512
- Engineering and other costs related to the TxDOT Centers project of \$145,836
- Purchase of 9 in-car video systems, server and software for the police department of \$63,715
- Purchase of a 2013 Ford Interceptor and related costs of \$45,274
- Engineering and construction for 18” raw water line (grant funded) of \$299,836
- Construction in progress for lift station and force main improvements in the Utility Fund for \$261,985

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 232,620	232,620	191,176	191,176	423,796	423,796
Construction in progress	1,082,619	565,764	2,763,215	2,506,314	3,845,834	3,072,078
Distribution and collection systems	-0-	-0-	21,322,614	21,699,086	21,322,614	21,699,086
Buildings and improvements	2,568,568	2,277,999	72,194	77,940	2,640,762	2,355,939
Equipment	327,336	306,858	837,226	946,115	1,164,562	1,252,973
Infrastructure	5,429,383	5,573,434	-0-	-0-	5,429,383	5,573,434
Totals at historical cost	\$ <u>9,640,526</u>	<u>8,956,675</u>	<u>25,186,425</u>	<u>25,420,631</u>	<u>34,826,951</u>	<u>34,377,306</u>

More detailed information can be found in the notes to the financial statements.

CITY OF ELGIN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Debt

At the end of the current fiscal year, the City had total bonded debt and capital leases of \$24,935,405.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Bonds and certificates of obligation	\$ 8,192,827	7,738,980	16,221,174	14,853,020	24,414,001	22,592,000
Capital leases payable	521,404	609,173	-0-	-0-	521,404	609,173
Totals	<u>\$ 8,714,231</u>	<u>8,348,153</u>	<u>16,221,174</u>	<u>14,853,020</u>	<u>24,935,405</u>	<u>23,201,173</u>

The City had two new debt issues during the 2013 fiscal year. The \$2,980,000 issue was split between expected governmental uses of roughly \$1,935,000 and business-type uses of \$1,045,000. The other debt issue was a refunding issue. Debt with an average interest rate of 4.8% was refunded with debt having an average interest rate of 2.5% to achieve a cash savings of almost \$250,000 over the next nine years. The present value of the savings was approximately \$215,000. The City also made principal payments of \$1,230,770 on outstanding debt (in addition to the debt which was refunded).

The City's general obligation bond rating was upgraded in 2010 to "A1" as assigned by the national rating agency Moody's Investors Service. There is no direct debt limitation under state law. The Texas Constitution does limit the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation, and administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate to the payment of debt service. The actual amount of debt the City might be able to fund with that tax rate depends on the term over which the debt is to be repaid, the interest rate on the debt, and the amount of taxes which are not collected. The City's current debt service tax rate of \$0.251985 is approximately 17% of the maximum debt service tax rate.

Economic Factors and Next Year's Budgets and Rates

Sales tax revenues are showing double digit increases in the first few months of fiscal year 2014, which is one sign of growth for the City. Elgin was selected as the site of a new Walmart SuperCenter. Additional stores near that Walmart should be announced soon. CVS purchased the old Chevron Station and razed it last week to build their new store. About a mile east is a new Taco Bell that is being framed up.

The Westwind housing subdivision on Hwy. 290 has been rather dormant for a few years until DR Horton purchased the remaining 116 lots. They are constructing and selling homes quickly. Several more projects are being planned such as new apartments. The plan is to build 200 units to start.

All in all, the City of Elgin appears to be on the verge of some significant growth.

CITY OF ELGIN, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please direct your requests to the Director of Finance, City of Elgin, P.O. Box 591, 310 N. Main Street, Elgin, Texas, 78621.

CITY OF ELGIN, TEXAS

STATEMENT OF NET POSITION

September 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents (note 2)	\$ 750,882	840,531	1,591,413	416,661
Investments (note 2)	2,649,013	997,856	3,646,869	341,234
Receivables (net, where applicable, of allowances for uncollectibles):				
Accounts receivable	204,923	514,316	719,239	500
Property taxes	212,970	-0-	212,970	-0-
Sales tax receivable	171,393	-0-	171,393	85,697
Fines receivable	250,111	-0-	250,111	-0-
Prepaid expenses	7,051	2,400	9,451	-0-
Restricted cash and investments (note 2)	-0-	1,903,785	1,903,785	-0-
Capital assets (note 6):				
Land	232,620	191,176	423,796	737,845
Construction in progress	1,082,619	2,763,215	3,845,834	-0-
Other capital assets, net of depreciation	8,325,287	22,232,034	30,557,321	-0-
Total assets	<u>13,886,869</u>	<u>29,445,313</u>	<u>43,332,182</u>	<u>1,581,937</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on refunding	25,832	2,726	28,558	19,322
LIABILITIES				
Accounts payable	465,723	277,773	743,496	19,068
Accrued liabilities	57,751	130,305	188,056	9,399
Customer deposits	-0-	237,432	237,432	-0-
Noncurrent liabilities (note 8):				
Due within one year	854,072	527,107	1,381,179	115,000
Due in more than one year	8,259,579	15,987,291	24,246,870	775,000
Total liabilities	<u>9,637,125</u>	<u>17,159,908</u>	<u>26,797,033</u>	<u>918,467</u>
NET POSITION				
Net investment in capital assets	2,261,460	9,831,610	12,093,070	-0-
Restricted for:				
Debt service	163,553	234,774	398,327	34,074
Capital improvements	-0-	378,740	378,740	-0-
Other purposes (note 10)	416,486	-0-	416,486	-0-
Unrestricted (deficit)	1,434,077	1,843,007	3,277,084	648,718
Total net position	<u>\$ 4,275,576</u>	<u>12,288,131</u>	<u>16,563,707</u>	<u>682,792</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ELGIN, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 2,054,981	875,918	160,124	-0-
Public safety	2,296,063	761,148	133,510	-0-
Public works	1,523,535	123,203	-0-	395,584
Parks and recreation	303,851	23,187	-0-	-0-
Other current	182,862	53,222	47,612	-0-
Interest on long-term debt	363,393	-0-	-0-	-0-
Total governmental activities	<u>6,724,685</u>	<u>1,836,678</u>	<u>341,246</u>	<u>395,584</u>
Business-type activities:				
Utility system	<u>3,182,569</u>	<u>3,951,277</u>	<u>-0-</u>	<u>382,936</u>
Total primary government	<u>\$ 9,907,254</u>	<u>5,787,955</u>	<u>341,246</u>	<u>778,520</u>
Component unit:				
Elgin Economic Develop. Corp.	<u>\$ 299,918</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
General revenues:				
Property taxes levied for general purposes				
Property taxes levied for debt service				
Sales tax				
Franchise and other taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
Prior period adjustment (note 16)				
Net position - ending				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	
(1,018,939)	-0-	(1,018,939)	-0-
(1,401,405)	-0-	(1,401,405)	-0-
(1,004,748)	-0-	(1,004,748)	-0-
(280,664)	-0-	(280,664)	-0-
(82,028)	-0-	(82,028)	-0-
(363,393)	-0-	(363,393)	-0-
<u>(4,151,177)</u>	<u>-0-</u>	<u>(4,151,177)</u>	<u>-0-</u>
<u>-0-</u>	<u>1,151,644</u>	<u>1,151,644</u>	<u>-0-</u>
<u>(4,151,177)</u>	<u>1,151,644</u>	<u>(2,999,533)</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(299,918)</u>
\$ 1,771,248	-0-	1,771,248	-0-
893,540	-0-	893,540	-0-
916,876	-0-	916,876	458,448
420,099	-0-	420,099	-0-
5,460	3,881	9,341	1,575
33,637	-0-	33,637	569
1,363,053	(1,363,053)	-0-	-0-
<u>5,403,913</u>	<u>(1,359,172)</u>	<u>4,044,741</u>	<u>460,592</u>
1,252,736	(207,528)	1,045,208	160,674
3,220,483	12,682,874	15,903,357	535,396
<u>(197,643)</u>	<u>(187,215)</u>	<u>(384,858)</u>	<u>(13,278)</u>
<u>\$ 4,275,576</u>	<u>12,288,131</u>	<u>16,563,707</u>	<u>682,792</u>

CITY OF ELGIN, TEXAS

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2013

	<u>General</u>	<u>Red Light Camera Special Rev</u>	<u>2011 CO Construction</u>
ASSETS			
Cash and cash equivalents	\$ 14,765	427,407	-0-
Investments	575,780	-0-	-0-
Receivables (net, where applicable, of allowances for uncollectibles):			
Accounts receivable	191,178	-0-	-0-
Property taxes	129,365	-0-	-0-
Sales tax receivable	171,393	-0-	-0-
Fines receivable	250,111	-0-	-0-
Due from other funds	561,157	-0-	-0-
Prepaid expenses	7,051	-0-	-0-
Total assets	\$ 1,900,800	427,407	-0-
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 205,442	208,032	-0-
Accrued liabilities	-0-	-0-	-0-
Due to other funds	-0-	-0-	-0-
Total liabilities	<u>205,442</u>	<u>208,032</u>	<u>-0-</u>
Deferred Inflows of Resources			
Deferred property tax revenue	129,365	-0-	-0-
Deferred fine revenue	250,111	-0-	-0-
Total deferred inflows of resources	<u>379,476</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances			
Nonspendable:			
Prepaid expenses	7,051	-0-	-0-
Restricted for:			
Debt service	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-
Other purposes (note 10)	40,638	219,375	-0-
Committed to:			
Various purposes (note 10)	-0-	-0-	-0-
Unassigned	1,268,193	-0-	-0-
Total fund balances	<u>1,315,882</u>	<u>219,375</u>	<u>-0-</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,900,800	427,407	-0-

Fund balance of governmental funds on the modified accrual basis above
Add recognition of revenue from long-term receivables which was deferred above
Add net capital assets which are not treated as financial resources on the modified accrual basis
Subtract long-term liabilities not reported under the modified accrual basis above
Subtract accrued interest not reported under the modified accrual basis until due
Net position of governmental activities as reported on the Statement of Net Position

The accompanying notes are an integral part of the financial statements.

<u>2013 CO Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-0-	83,070	225,640	750,882
2,018,354	54,879	-0-	2,649,013
-0-	-0-	13,745	204,923
-0-	83,605	-0-	212,970
-0-	-0-	-0-	171,393
-0-	-0-	-0-	250,111
-0-	-0-	-0-	561,157
-0-	-0-	-0-	7,051
<u>2,018,354</u>	<u>221,554</u>	<u>239,385</u>	<u>4,807,500</u>

-0-	250	51,999	465,723
-0-	-0-	-0-	-0-
561,157	-0-	-0-	561,157
<u>561,157</u>	<u>250</u>	<u>51,999</u>	<u>1,026,880</u>

-0-	83,605	-0-	212,970
-0-	-0-	-0-	250,111
<u>-0-</u>	<u>83,605</u>	<u>-0-</u>	<u>463,081</u>

-0-	-0-	-0-	7,051
-0-	137,699	-0-	137,699
1,457,197	-0-	-0-	1,457,197
-0-	-0-	156,473	416,486
-0-	-0-	30,913	30,913
-0-	-0-	-0-	1,268,193
<u>1,457,197</u>	<u>137,699</u>	<u>187,386</u>	<u>3,317,539</u>

<u>2,018,354</u>	<u>221,554</u>	<u>239,385</u>	<u>4,807,500</u>
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\$ 3,317,539
 463,081
 9,640,526
 (9,087,819)
 (57,751)
\$ 4,275,576

CITY OF ELGIN, TEXAS

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

For the Year Ended September 30, 2013

	<u>General</u>	<u>Red Light Camera Special Rev</u>	<u>2011 CO Construction</u>
REVENUES			
Property taxes	\$ 1,791,380	-0-	-0-
Sales tax	916,876	-0-	-0-
Franchise and other taxes	420,099	-0-	-0-
Licenses and permits	118,874	-0-	-0-
Fines	301,550	604,983	-0-
Intergovernmental	274,306	-0-	-0-
Charges for services	882,272	-0-	-0-
Investment earnings	2,322	1,165	332
Miscellaneous	57,106	-0-	-0-
Total revenues	<u>4,764,785</u>	<u>606,148</u>	<u>332</u>
EXPENDITURES			
Current:			
General government	1,967,321	-0-	-0-
Public safety	1,813,013	500,755	-0-
Public works	859,224	-0-	-0-
Parks and recreation	292,091	-0-	-0-
Other current	-0-	-0-	-0-
Capital outlay	-0-	-0-	444,610
Debt service:			
Principal	-0-	-0-	-0-
Interest and other charges	-0-	-0-	-0-
Debt issuance costs	-0-	-0-	-0-
Total expenditures	<u>4,931,649</u>	<u>500,755</u>	<u>444,610</u>
Excess (deficiency) of revenues over expenditures	<u>(166,864)</u>	<u>105,393</u>	<u>(444,278)</u>
OTHER FINANCING SOURCES (USES)			
Debt issued	-0-	-0-	-0-
Premium on debt issued	-0-	-0-	-0-
Payment to refunded debt escrow	-0-	-0-	-0-
Transfers in	754,121	-0-	-0-
Transfers out	(206,108)	-0-	-0-
Total other financing sources (uses)	<u>548,013</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	381,149	105,393	(444,278)
Fund balances - beginning	934,733	221,168	444,278
Prior period adjustment (note 16)	-0-	(107,186)	-0-
Fund balances - ending	<u>\$ 1,315,882</u>	<u>219,375</u>	<u>-0-</u>

The accompanying notes are an integral part of the financial statements.

<u>2013 CO Construction</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
-0-	914,803	-0-	2,706,183
-0-	-0-	-0-	916,876
-0-	-0-	53,222	473,321
-0-	-0-	-0-	118,874
-0-	-0-	2,197	908,730
-0-	-0-	395,584	669,890
-0-	-0-	-0-	882,272
151	927	563	5,460
-0-	-0-	66,940	124,046
<u>151</u>	<u>915,730</u>	<u>518,506</u>	<u>6,805,652</u>
-0-	-0-	-0-	1,967,321
-0-	-0-	1,876	2,315,644
-0-	-0-	318,008	1,177,232
-0-	-0-	-0-	292,091
-0-	-0-	89,853	89,853
485,349	-0-	157,336	1,087,295
-0-	833,395	-0-	833,395
-0-	364,312	-0-	364,312
39,983	53,026	-0-	93,009
<u>525,332</u>	<u>1,250,733</u>	<u>567,073</u>	<u>8,220,152</u>
<u>(525,181)</u>	<u>(335,003)</u>	<u>(48,567)</u>	<u>(1,414,500)</u>
1,934,584	2,210,000	-0-	4,144,584
74,913	73,976	-0-	148,889
-0-	(2,233,367)	-0-	(2,233,367)
114,126	302,845	103,014	1,274,106
(141,245)	-0-	(305,190)	(652,543)
<u>1,982,378</u>	<u>353,454</u>	<u>(202,176)</u>	<u>2,681,669</u>
1,457,197	18,451	(250,743)	1,267,169
-0-	119,248	438,129	2,157,556
-0-	-0-	-0-	(107,186)
<u>1,457,197</u>	<u>137,699</u>	<u>187,386</u>	<u>3,317,539</u>

CITY OF ELGIN, TEXAS

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

For the Year Ended September 30, 2013

Net change in fund balances - total governmental funds	\$ 1,267,169
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add back capital outlays.	1,196,528
Subtract depreciation expense.	(512,677)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property tax revenues:	
Add deferred property tax revenues at the end of the year.	212,970
Subtract deferred property tax revenues at the beginning of the year.	(254,365)
Fine revenues:	
Add noncurrent receivables at the end of the year.	250,111
Subtract noncurrent receivables at the beginning of the year.	(400,000)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Subtract current period debt issued net of payment to refunded debt escrow.	(1,911,217)
Adjust for debt transferred to the utility fund.	741,490
Add back current period discount or (premium) on debt issued.	(148,889)
Add back principal payments on long-term debt.	833,395
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Interest expense:	
Add amortization of bond premium	1,779
Subtract amortization of deferred amount on refunding	(12,832)
Subtract unmatured accrued interest at the end of the year.	(57,751)
Add unmatured accrued interest at the beginning of the year.	69,722
Compensated absences:	
Subtract noncurrent liability at the end of the year.	(100,178)
Add noncurrent liability at the beginning of the year.	98,368
Net pension obligation:	
Subtract noncurrent liability at the end of the year.	(151,378)
Add noncurrent liability at the beginning of the year.	130,491
Change in net position of governmental activities	\$ <u>1,252,736</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ELGIN, TEXAS

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,757,432	2,034,032	1,791,380	(242,652)
Sales tax	800,000	891,407	916,876	25,469
Franchise and other taxes	400,000	400,000	420,099	20,099
Licenses and permits	125,250	125,250	118,874	(6,376)
Fines	284,172	284,172	301,550	17,378
Intergovernmental	260,990	260,990	274,306	13,316
Charges for services	860,200	860,200	882,272	22,072
Investment earnings	4,000	4,000	2,322	(1,678)
Miscellaneous	33,200	33,200	57,106	23,906
Total revenues	<u>4,525,244</u>	<u>4,893,251</u>	<u>4,764,785</u>	<u>(128,466)</u>
EXPENDITURES				
Current:				
General government	1,929,108	2,018,387	1,967,321	51,066
Public safety	1,842,096	1,888,974	1,813,013	75,961
Public works	857,306	887,806	859,224	28,582
Parks and recreation	308,002	317,502	292,091	25,411
Total expenditures	<u>4,936,512</u>	<u>5,112,669</u>	<u>4,931,649</u>	<u>181,020</u>
Excess (deficiency) of revenues over expenditures	(411,268)	(219,418)	(166,864)	52,554
OTHER FINANCING SOURCES (USES)				
Transfers in	445,515	445,515	754,121	308,606
Transfers out	(34,247)	(34,247)	(206,108)	(171,861)
Total other financing sources (uses)	<u>411,268</u>	<u>411,268</u>	<u>548,013</u>	<u>136,745</u>
Net change in fund balances	-0-	191,850	381,149	189,299
Fund balances - beginning	<u>934,733</u>	<u>934,733</u>	<u>934,733</u>	<u>-0-</u>
Fund balances - ending	<u>\$ 934,733</u>	<u>1,126,583</u>	<u>1,315,882</u>	<u>189,299</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ELGIN, TEXAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

September 30, 2013

	<u>Business-type Activities Enterprise Funds</u>
	<u>Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 840,531
Investments	997,856
Receivables (net, where applicable, of allowances for uncollectibles):	
Accounts receivable	514,316
Prepaid expenses	2,400
Total current assets	<u>2,355,103</u>
Noncurrent assets:	
Restricted cash and investments	1,903,785
Capital assets:	
Land	191,176
Construction in progress	2,763,215
Other capital assets, net of depreciation	<u>22,232,034</u>
Total noncurrent assets	<u>27,090,210</u>
Total assets	<u><u>29,445,313</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	<u>2,726</u>
LIABILITIES	
Current liabilities:	
Accounts payable	277,773
Accrued liabilities	130,305
Customer deposits	237,432
Current portion of long-term debt	527,107
Total current liabilities	<u>1,172,617</u>
Noncurrent liabilities:	
Accrued vacation	30,571
Long-term debt, excluding current portion	<u>15,956,720</u>
Total noncurrent liabilities	<u>15,987,291</u>
Total liabilities	<u><u>17,159,908</u></u>
NET POSITION	
Net investment in capital assets	9,831,610
Restricted for debt service	234,774
Restricted for capital projects	378,740
Unrestricted (deficit)	1,843,007
Total net position	\$ <u><u>12,288,131</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF ELGIN, TEXAS

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

For the Year Ended September 30, 2013

	<u>Business-type Activities Enterprise Funds</u>
	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services (pledged to secure debt)	\$ <u>3,951,277</u>
OPERATING EXPENSES	
Personnel services	860,497
Materials and supplies	32,691
Maintenance	267,294
Contractual services	574,416
Depreciation	843,964
Total operating expenses	<u>2,578,862</u>
Operating income (loss)	<u>1,372,415</u>
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	3,881
Other nonoperating revenues	-0-
Bond issue costs	(21,606)
Interest expense	(582,101)
Total nonoperating revenues (expenses)	<u>(599,826)</u>
Net income (loss) before contributions and transfers	772,589
Capital contributions - impact fees	83,100
Capital contributions - other governments	299,836
Transfers out	<u>(1,363,053)</u>
Change in net position	(207,528)
Net position - beginning	12,682,874
Prior period adjustment (note 16)	<u>(187,215)</u>
Net position - ending	\$ <u><u>12,288,131</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF ELGIN, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended September 30, 2013

	Business-type Activities Enterprise Funds
	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,944,675
Payments to suppliers	(1,123,342)
Payments to employees	(854,918)
Net cash provided (used) by operating activities	<u>1,966,415</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers to other funds	<u>(621,563)</u>
Net cash provided (used) by noncapital financing activities	<u>(621,563)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	83,100
Proceeds from capital debt	1,085,898
Payment of bond issue costs	(21,606)
Purchases of capital assets	(309,922)
Interest payments on outstanding debt	(594,553)
Principal payments on outstanding debt	(397,374)
Net cash provided (used) by capital and related financing activities	<u>(154,457)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,064,291)
Liquidation of investments	408,622
Investment earnings	3,881
Net cash provided (used) by investing activities	<u>(651,788)</u>
Net increase (decrease) in cash and cash equivalents	538,607
Balances - beginning of the year	<u>301,924</u>
Balances - end of the year	<u>\$ 840,531</u>

The accompanying notes are an integral part of the financial statements.

CITY OF ELGIN, TEXAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

(Continued)

	<u>Business-type Activities Enterprise Funds</u>
	<u>Utility Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 1,372,415
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	843,964
Bad debt expense	13,703
Other nonoperating revenues	-0-
Changes in assets and liabilities:	
Accounts receivable	(13,832)
Prepaid expenses	-0-
Accounts payable	(238,481)
Accrued liabilities	(24,163)
Customer deposits	7,230
Accrued vacation	(796)
Net pension obligation	<u>6,375</u>
Net cash provided (used) by operating activities	\$ <u><u>1,966,415</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Elgin, Texas (the City) was incorporated in 1872. The City operates under a Council-Manager form of government and provides the following services: public safety, street maintenance, sanitation, culture-recreation, public improvements, planning and zoning, general administrative, and water and wastewater services.

The accounting policies of the City conform to generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB). For its enterprise funds and business-type activities, the City has applied all statements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, except for those that conflict with GASB pronouncements, and has opted not to apply FASB statements issued after November 30, 1989. The following is a summary of the significant policies.

A. GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole presenting all assets, liabilities, and changes in net position of the City and its component units except for information about any fiduciary activities and component units which are fiduciary in nature. These statements are prepared using the accrual basis of accounting.

Separate rows and columns are used in the government-wide statements to distinguish between governmental activities, business-type activities, and activities of component units, with a total column for the governmental and business-type activities of the primary government before any discretely presented component units.

B. SCOPE OF THE REPORTING ENTITY

The City has used the criteria detailed in GASB Statement 14 as amended by GASB 61 to determine whether or not certain entities should be included in the accompanying financial statements. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The following agencies were considered in determining the scope of the reporting entity.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Elgin Economic Development Corporation. The Elgin Economic Development Corporation (the Corporation) was established under the Development Corporation Act of 1979, as amended. Directors of the Corporation are removable by the City Council of the City of Elgin at will, the overall economic development plan of the corporation must be approved by the City Council of the City of Elgin, and the budget for each forthcoming fiscal year must be approved by the City Council of the City of Elgin. Since the Corporation is financially accountable to the City, it is treated as a component unit of the City and is reported as part of the overall financial reporting entity of the City.

C. FUND FINANCIAL STATEMENTS

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for governmental funds, and proprietary funds. The governmental and proprietary fund financial statements place an emphasis on major funds. Those funds which are determined to be major funds are presented in separate columns, with all nonmajor funds being aggregated and displayed in a single column. Interfund receivable and payable balances and transfers between funds have not been eliminated in the fund financial statements.

The City has reported the following major governmental funds.

General Fund – The General Fund accounts for all revenues and expenditures of the City which are not accounted for in other funds. It is the largest of the City's funds and receives a greater variety and number of taxes and other general revenues than any other fund. The General Fund's resources also finance a wider range of activities than any other fund. Major functions financed by the General Fund include administration, finance, library, police, sanitation, park maintenance and street maintenance.

Red Light Camera Special Revenue Fund – This fund accounts for revenues received from red light camera fines, expenditures to operate the system, and the use of those funds for allowable purposes.

2011 Certificates of Obligation Governmental Construction Fund – This fund accounts for the portion of the proceeds from the issuance of certificates of obligation to be used for the purpose of renovating and improving City administrative facilities, public works department facilities, and facilities for park and recreation purposes, including engineering and other related costs, and for the acquisition of equipment for general governmental purposes.

2013 Certificates of Obligation Governmental Construction Fund – This fund accounts for the portion of the proceeds from the issuance of certificates of obligation to be used for the purpose of repairing, improving, upgrading, and equipping City buildings, City streets and drainage, and City parks, including engineering and other related costs, and for the acquisition of equipment for general governmental purposes.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal, interest, and related costs.

The City has reported the following major proprietary fund.

Utility Fund – This fund's function is to provide for a source of supply of water, its purification and distribution to customers and to provide for the sanitary collection and disposal of sewage on a user charge basis.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to whether a particular type of transaction will be recorded in the financial statements. The economic resources measurement focus recognizes all resources and obligations and the changes in them. The current financial resources measurement focus recognizes only current resources and obligations and transactions affecting current resources and obligations. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide financial statements

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements specific to the class of nonexchange transaction. For the government-wide financial statements prepared on the accrual basis, property tax revenues are recognized in the period for which the taxes are levied.

Fund financial statements – governmental funds

The fund financial statements for the governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus affects the accounting and reporting treatment of capital assets and long-term liabilities. The capital assets and long-term liabilities of the governmental activities are not recorded on the balance sheet of the fund financial statements of the governmental funds. Transactions for the purchase of assets, the issuance of debt, and the payment of debt principal are reflected in the governmental funds, but they are reported on the statement of revenues, expenditures, and changes in fund balances as capital outlay and debt service principal expenditures and proceeds from debt.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available and recognizes expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

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. All revenues of the City are considered susceptible to accrual except for revenue from delinquent property taxes receivable, and revenue from fines.

While the City expects all taxes on real property to ultimately be collectible, the bulk of delinquent property taxes receivable at the end of the fiscal year are not anticipated to be collected soon enough thereafter to be used to pay liabilities of the current period. Therefore, revenue from delinquent property taxes receivable is not recognized in the fund financial statements unless collected during the current period.

Fines receivable but not past due at the end of the fiscal year may be subsequently reduced when the offender attends a defensive driving course, provides proof of insurance, has the offense dismissed by the municipal court, or serves jail time. Current fines receivable thus do not meet the measurability criterion required to be susceptible to accrual. A significant portion of past due fines receivable is not anticipated to be collected soon enough to meet the criterion that the revenue be available.

Fund financial statements – proprietary funds

The fund financial statements for the proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for purposes of the statement of cash flows represent unrestricted demand accounts and petty cash. Investments in local government investment pools are recorded as investments and are not treated as cash or cash equivalents.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. INVESTMENTS

Investments are stated at fair value. The City is authorized to invest in certificates of deposit at the City's depository bank, obligations of the United States of America, and investment pools and no-load money market mutual funds which meet the conditions of the State of Texas Public Funds Investment Act. Money market mutual funds must be no-load funds which are regulated by the Securities and Exchange Commission, have a dollar-weighted average stated maturity of 90 days or fewer, and include the investment objective of the maintenance of a stable net asset value of \$1 for each share.

G. RECEIVABLES

Unbilled service receivables have been accrued in the proprietary funds to record the estimated amount of revenues earned but not billed as of the end of the fiscal year. The estimate is based on the pro rata number of days in the billing cycle before and after the fiscal year end.

H. CAPITAL ASSETS

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Infrastructure	40 years
Distribution & Collection	20-50 years
Buildings	25-50 years
Improvements	20 years
Machinery and Equipment	3-20 years

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. ACCUMULATED UNPAID VACATION AND SICK PAY AMOUNTS

Vacation leave may be accumulated at the rate of 10 days for each continuous year of employment for full-time employees with between 1 and 5 years of service. For employees with more than 5 years of service, an additional day of vacation per year is earned for each year of service in excess of 5 years, up to a maximum of 20 days per year. The amount of unused vacation leave which may be carried over at the end of the calendar year is limited to one year's accrual.

Sick leave credits accrue to all full-time employees at the rate of 12 days per year. Additionally, all full-time employees receive one day of personal holiday per year which does not carry over from one year to the next. Employees are not paid for accumulated sick leave or personal holiday time; therefore, no liability is accrued.

The liability for the Governmental Fund's accumulated vacation benefits is reflected in the government-wide financial statements. It is not reported in the fund financial statements because it is not a current liability.

J. LONG-TERM DEBT

In the government-wide financial statements, bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds as an adjustment to interest expense. Bond issuance costs are reported as expenses when incurred.

In the fund financial statements, the face amount of debt issued and any premium received are reported as other financing sources, while discounts on debt issued are reported as other financing uses, and issuance costs are reported as debt service expenditures.

K. COMMITTED FUND BALANCE

The government's highest level of decision-making authority is the City Council, and a formal resolution of the City Council is required to establish or rescind a fund balance commitment.

L. USE OF RESTRICTED RESOURCES AND COMMITTED RESOURCES

When an expense is incurred for purposes for which both restricted fund balance or net position and unrestricted fund balance or net position are available, City policy is to first apply restricted resources. When an expense is incurred for purposes for which both committed fund balance and unassigned fund balance are available, City policy is to first apply committed resources.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. PROGRAM REVENUES AND INDIRECT EXPENSES

The government-wide statement of activities is presented in a format that identifies the net cost of the City's individual functions. The expenses of each function are reduced by the functions program revenues. Program revenues are revenues which derive directly from the program itself and include charges for services, program-specific operating grants and contributions, and program specific capital grants and contributions.

Some governmental functions such as administration and finance are in essence indirect expenses of other functions. Governments are not required to allocate those indirect expenses to other functions, but if they do, indirect expenses should be presented in a separate column from direct expenses. The City has chosen not to allocate those indirect expenses.

N. OPERATING AND NONOPERATING REVENUES AND EXPENSES

The City's policy in distinguishing proprietary fund operating and nonoperating revenues and expenses follows the guidance for distinguishing types of cash flows. Transactions for capital and related financing activities, noncapital financing activities, or investing activities are normally not treated as operating revenues or expenses.

O. ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Items for which estimates are necessary include the amount of receivables which may not be collectible, inventory obsolescence, and service lives and salvage values of depreciable assets. Estimates also include the likelihood of loss and potential loss amount from contingencies such as litigation.

2 DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains a depository contract which requires its bank to pledge securities to the City in an amount sufficient to secure the total amount of the City's funds on deposit, less any portion of the deposit balance which is secured by FDIC coverage. The carrying amount of the City's and the Elgin Economic Development Corporation's deposits, was \$2,502,407 at year end and the bank balance was \$2,886,331. Of the bank balance, \$297,305 was insured by federal depository insurance and the remaining \$2,589,026 was collateralized with securities held by the City's agent (safekeeping bank) in the City's name.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

2 DEPOSITS AND INVESTMENTS (Continued)

As of the end of the fiscal year, all of the investments of the City and the Economic Development Corporation were in TexPool or TexSTAR and are carried at fair value.

<u>Investment</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
City of Elgin:			
TexPool local government investment pool	AAAm	60 days	\$ <u>989,345</u>
TexSTAR local government investment pool	AAAm	52 days	\$ <u>4,066,977</u>
Elgin Economic Development Corp.:			
TexPool local government investment pool	AAAm	60 days	\$ <u>341,234</u>

Interest Rate Risk. In accordance with its investment policy, the city manages its exposure to declines in fair values by limiting the weighted average maturity of its investments of operating funds to no greater than 270 days.

Credit Risk. The City’s investment policy does not restrict investments in pools to a specific credit rating, but does require the pool to meet the requirements of the Public Funds Investment Act of the Texas Government Code. TexPool and TexSTAR were both rated AAAm by Standard & Poor’s at year end.

Concentration of Credit Risk. Investments in pools are excluded from any requirement related to disclosure of concentration of credit risk in any one issuer.

Both TexPool and TexSTAR are local government investment pools created under the Interlocal Cooperation Act of the Texas Government Code, and invest all pooled funds in accordance with the Public Funds Investment Act of the Texas Government Code. The fair value of the position in the pool is the same as the value of the pool shares. The State Comptroller of Public Accounts oversees TexPool. TexSTAR is governed by a five member board composed of three government officials or employees and a member each from First Southwest Company and JPMorgan Investment Management. First Southwest and JPMorgan Investment Management serve as co-administrators for TexSTAR.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

3 AD VALOREM PROPERTY TAXES

Property taxes are levied on October 1 on assessed values as of January 1 for all real and personal property located in the City. Taxes are due in January of the following year and become delinquent on February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The October 1, 2012 levy was based upon 100 percent of the assessed market value of \$344,318,696. The maximum tax rate permitted by the Constitution of the State of Texas is \$2.50 per \$100.00 of assessed valuation and the City Charter provides no limitation within the \$2.50. The tax rate for the October 1, 2012 levy was \$.7539. If the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

The county-wide Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised value. The value of property within the Appraisal District must be reviewed at least every five years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

4 RECEIVABLES

Receivables are recorded net of allowances for uncollectible accounts as follows:

	Gross	Allowance	Net
	Receivables	for	Receivables
		Uncollectibles	
General Fund			
Sanitation accounts receivable	\$ 190,861	(72,000)	118,861
Property taxes receivable	152,194	(22,829)	129,365
Fines receivable	384,786	(134,675)	250,111
Debt Service Fund			
Property taxes receivable	98,359	(14,754)	83,605
Utility Fund			
Utility accounts receivable	722,426	(208,110)	514,316

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

5 INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of amounts due from and due to other funds by individual major fund and nonmajor governmental funds in the aggregate.

Due to general fund from:

2013 CO construction fund	\$	<u>561,157</u>
Total governmental funds	\$	<u>561,157</u>

The general fund’s receivable from the 2013 CO construction fund represents the use of the consolidated cash account to make expenditures by the 2013 CO construction fund prior to transferring cash into the consolidated cash account out of that fund’s investment account.

6 CAPITAL ASSETS

	Primary Government			
	Beginning Balance	Additions	Retirements	
Governmental activities:				
Land	\$ 232,620	-0-	-0-	232,620
Construction in progress	565,764	1,080,195	(563,340)	1,082,619
Total undepreciated assets	<u>798,384</u>	<u>1,080,195</u>	<u>(563,340)</u>	<u>1,315,239</u>
Other capital assets:				
Buildings and improvements	3,681,245	-0-	394,103	4,075,348
Equipment	2,604,711	116,333	-0-	2,721,044
Infrastructure	9,884,008	-0-	169,237	10,053,245
Total other capital assets at historical cost	<u>16,169,964</u>	<u>116,333</u>	<u>563,340</u>	<u>16,849,637</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,403,246)	(103,534)	-0-	(1,506,780)
Equipment	(2,297,853)	(95,855)	-0-	(2,393,708)
Infrastructure	(4,310,574)	(313,288)	-0-	(4,623,862)
Total accumulated depreciation	<u>(8,011,673)</u>	<u>(512,677)</u>	<u>-0-</u>	<u>(8,524,350)</u>
Other capital assets, net	<u>8,158,291</u>	<u>(396,344)</u>	<u>563,340</u>	<u>8,325,287</u>
Governmental activities capital assets, net	<u>\$ 8,956,675</u>	<u>683,851</u>	<u>-0-</u>	<u>9,640,526</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 90,232
Public safety	68,532
Public works	334,240
Parks and recreation	19,673
	<u>\$ 512,677</u>

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

6 CAPITAL ASSETS (Continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Business-type activities:				
Land	\$ 191,176	-0-	-0-	191,176
Construction in progress	2,506,314	591,786	(334,885)	2,763,215
Total undepreciated assets	<u>2,697,490</u>	<u>591,786</u>	<u>(334,885)</u>	<u>2,954,391</u>
Other capital assets:				
Distribution and collection systems	26,540,243	-0-	334,885	26,875,128
Buildings and improvements	143,650	-0-	-0-	143,650
Equipment	2,080,001	17,972	-0-	2,097,973
Total other capital assets at historical cost	<u>28,763,894</u>	<u>17,972</u>	<u>334,885</u>	<u>29,116,751</u>
Less accumulated depreciation for:				
Distribution and collection systems	(4,841,157)	(711,357)	-0-	(5,552,514)
Buildings and improvements	(65,710)	(5,746)	-0-	(71,456)
Equipment	(1,133,886)	(126,861)	-0-	(1,260,747)
Total accumulated depreciation	<u>(6,040,753)</u>	<u>(843,964)</u>	<u>-0-</u>	<u>(6,884,717)</u>
Other capital assets, net	<u>22,723,141</u>	<u>(825,992)</u>	<u>334,885</u>	<u>22,232,034</u>
Business-type activities capital assets, net	<u>\$ 25,420,631</u>	<u>(234,206)</u>	<u>-0-</u>	<u>25,186,425</u>
	Component Unit			Ending Balance
	Beginning Balance	Additions	Retirements	Ending Balance
Component unit activities:				
Land	\$ 737,845	-0-	-0-	737,845

7 INTERFUND TRANSFERS

The following is a summary of transfers to and from other funds by individual major fund and nonmajor governmental funds in the aggregate.

Transfers to general fund from:

Utility fund	\$ 445,515
2013 CO construction fund	117,542
Nonmajor governmental funds	191,064

Transfers to 2013 CO construction fund from:

Nonmajor governmental funds	114,126
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(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

7 INTERFUND TRANSFERS (Continued)

Transfers to debt service fund from:

General fund	166,845
Utility fund	136,000

Transfers to nonmajor governmental funds from:

General fund	39,263
2013 CO construction fund	23,703
Utility fund	<u>40,048</u>

Total transfers to governmental funds \$ 1,274,106

Transfers to governmental activities from:

Utility fund	\$ <u>741,490</u>
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The utility fund provides annual support to the general fund and to a lesser extent to the debt service fund, and provided the local portion of revenues for the CDBG grant special revenue fund (a nonmajor governmental fund). Additionally, in conjunction with the current year debt refunding, \$741,490 of debt was transferred from governmental activities to business-type activities.

Remaining funds in two nonmajor governmental capital project funds were transferred into the 2013 certificates of obligation construction fund to be used along with the current year proceeds from debt issued for capital projects.

A portion of the proceeds from the 2013 certificates of obligation construction fund was used to reimburse expenditures paid for from local funds in prior years in the Morris Park building fund (those expenditures were reimbursed to the general fund which provided the funding for the Morris Park building fund), and to reimburse unfunded expenditures recorded in the prior year in the TxDOT Centers grant fund (a nonmajor governmental fund).

A portion of the current debt service obligation was covered with a transfer from the general fund, along with a transfer from the utility fund.

With the current year expenditures for the Fleming Center being covered by the 2011 and 2013 CO construction funds, the remaining funds in the Morris Park building fund (a nonmajor governmental fund) were transferred back to the general fund (which provided the original funding to the Morris Park building fund).

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8 LONG-TERM DEBT

The following is a summary of long-term debt activity for September 30, 2013.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities					
Bonds, notes and leases payable:					
General obligation bonds	\$ 7,738,980	3,424,472	(2,970,625)	8,192,827	782,894
Capital leases payable	609,173	-0-	(87,769)	521,404	71,178
	<u>8,348,153</u>	<u>3,424,472</u>	<u>(3,058,394)</u>	<u>8,714,231</u>	<u>854,072</u>
Add unamortized bond premium	24,859	124,784	(1,779)	147,864	-0-
Total bonds, notes and leases payable	<u>8,373,012</u>	<u>3,549,256</u>	<u>(3,060,173)</u>	<u>8,862,095</u>	<u>854,072</u>
Other liabilities:					
Accrued vacation	98,368	92,464	(90,654)	100,178	-0-
Net pension obligation	130,491	20,887	-0-	151,378	-0-
Total other liabilities	<u>228,859</u>	<u>113,351</u>	<u>(90,654)</u>	<u>251,556</u>	<u>-0-</u>
Governmental activities long-term liabilities	<u>\$ 8,601,871</u>	<u>3,662,607</u>	<u>(3,150,827)</u>	<u>9,113,651</u>	<u>854,072</u>
Business-type activities					
Bonds and leases payable:					
Bonds and certificates of obligation	\$ 14,853,020	1,765,528	(397,374)	16,221,174	527,107
Add unamortized bond premium	174,011	64,586	(12,452)	226,145	-0-
Total bonds and leases payable	<u>15,027,031</u>	<u>1,830,114</u>	<u>(409,826)</u>	<u>16,447,319</u>	<u>527,107</u>
Other liabilities:					
Accrued vacation	31,367	16,022	(16,818)	30,571	-0-
Net pension obligation	30,133	6,375	-0-	36,508	-0-
Total other liabilities	<u>61,500</u>	<u>22,397</u>	<u>(16,818)</u>	<u>67,079</u>	<u>-0-</u>
Business-type activities long-term liabilities	<u>\$ 15,088,531</u>	<u>1,852,511</u>	<u>(426,644)</u>	<u>16,514,398</u>	<u>527,107</u>

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8 LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Component unit activities					
Revenue bonds payable	\$ 1,000,000	-0-	(110,000)	890,000	115,000

Long-term debt at September 30, 2013, is composed of the following items:

Payable out of the Debt Service Fund through ad valorem taxes:

\$3,860,000 Series 2005 general obligation refunding bonds due in annual installments of \$320,000 to \$345,000 through July 15, 2016; interest at 3.55 percent to 3.70 percent; outstanding bonds may be redeemed on or after July 15, 2015 at par plus accrued interest	\$ 995,000
Less deferred amount on refunding	(20,191)
\$2,000,000 Series 2007 combination tax and revenue certificates of obligation due in annual installments of \$85,000 to \$140,000 through July 15, 2027; interest at 4.10 percent to 4.40 percent; outstanding bonds may be redeemed on or after July 15, 2017, at par plus accrued interest	1,530,000
\$1,250,000 Series 2009 combination tax and revenue certificates of obligation due in annual installments of \$50,000 to \$100,000 through July 15, 2028; interest at 4.99 percent; outstanding bonds may be redeemed on or after July 15, 2019, at par plus accrued interest	1,110,000
\$180,000 Series 2010 public property finance contractual obligations due in annual installments of \$45,000 through July 15, 2014; interest at 3.31 percent	45,000

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8 LONG-TERM DEBT (Continued)

\$9,235,000 (\$1,157,278 for the general governmental portion) Series 2011 combination tax and revenue certificates of obligation due in annual installments of \$36,250 to \$77,278 through July 15, 2034; interest at 2.0 percent to 4.4 percent; outstanding certificates may be redeemed on July 15, 2021, at par plus accrued interest	1,088,355
Unamortized premium on the Series 2011 certificates of obligation	23,080
\$2,210,000 (\$1,489,888 for the general governmental portion) Series 2013 limited tax refunding bonds due in annual installments of \$117,978 to \$202,247 through July 15, 2022; interest at 2.0 percent to 3.0 percent	1,489,888
Unamortized premium on the Series 2013 refunding bonds	49,871
Less deferred amount on refunding	(5,641)
\$2,980,000 (\$1,934,584 for the general governmental portion) Series 2013 combination tax and revenue certificates of obligation due in annual installments of \$68,165 to \$136,328 through July 15, 2033; interest at 2.0 percent to 4.5 percent; outstanding certificates may be redeemed on July 15, 2023, at par plus accrued interest	1,934,584
Unamortized premium on the Series 2013 certificates of obligation	74,913
Capital leases payable from the debt service fund (Note 9)	521,404
Accrued vacation related to governmental fund employees	100,178
Net pension obligation related to governmental fund employees	<u>151,378</u>
Total governmental activities long-term debt	\$ <u>9,087,819</u>
Payable out of the Utility Fund through revenues:	
\$4,307,000 Series 2005 combination tax and limited surplus revenue certificates of obligation due in annual installments of \$110,000 to \$115,000 through July 15, 2045; interest at 4.375 percent; outstanding certificates may be redeemed at any time at par plus accrued interest	\$ 3,647,000

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8 LONG-TERM DEBT (Continued)

\$2,556,000 Series 2008 combination tax and limited surplus revenue certificates of obligation due in annual installments of \$31,000 to \$135,000 through January 15, 2048; interest at 4.375 percent; outstanding certificates may be redeemed at any time at par plus accrued interest	2,446,000
\$800,000 Series 2009 combination tax and limited surplus revenue certificates of obligation due in annual installments of \$9,000 to \$42,000 through January 15, 2048; interest at 3.625 percent; outstanding certificates may be redeemed at any time at par plus accrued interest	766,000
\$9,235,000 (\$8,077,722 for the utility fund portion) Series 2011 combination tax and revenue certificates of obligation due in annual installments of \$253,750 to \$517,722 through July 15, 2034; interest at 2.0 percent to 4.4 percent; outstanding certificates may be redeemed on July 15, 2021, at par plus accrued interest	7,596,646
Unamortized premium on the Series 2011 certificates of obligation	161,559
\$2,210,000 (\$720,112 for the utility fund portion) Series 2013 limited tax refunding bonds due in annual installments of \$57,022 to \$97,753 through July 15, 2022; interest at 2.0 percent to 3.0 percent	720,112
Unamortized premium on the Series 2013 refunding bonds	24,105
Less deferred amount on refunding	(2,726)
\$2,980,000 (\$1,045,416 for the utility fund portion) Series 2013 combination tax and revenue certificates of obligation due in annual installments of \$36,835 to \$73,672 through July 15, 2033; interest at 2.0 percent to 4.5 percent; outstanding certificates may be redeemed on July 15, 2023, at par plus accrued interest	1,045,416
Unamortized premium on the Series 2013 certificates of obligation	40,481
Accrued vacation related to utility fund employees	30,571
Net pension obligation related to utility fund employees	<u>36,508</u>
Total business-type activities long-term debt	<u>\$ 16,511,672</u>

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8 LONG-TERM DEBT (Continued)

Payable by the component unit Economic Development Corporation through sales tax revenues:

\$700,000 Series 1999 sales tax revenue bonds due in annual installments of \$35,000 through July 15, 2014, for the undefeased portion; interest at 6.00 percent; there is no early redemption option for this remaining undefeased debt	\$ 35,000
\$565,000 Series 2007 sales tax revenue refunding bonds due in annual installments of \$5,000 to \$65,000 through July 15, 2024; interest at 4.34 percent; the bonds may be redeemed at any time prior to their scheduled maturities at par plus accrued interest plus a prepayment fee	535,000
Less deferred amount on refunding	(19,322)
\$680,000 Series 2007 sales tax revenue bonds due in annual installments of \$75,000 to \$90,000 through July 15, 2017; interest at 6.125 percent; the bonds may be redeemed at any time prior to their scheduled maturities at par plus accrued interest plus a prepayment fee	<u>320,000</u>
Total component unit long-term debt	\$ <u>870,678</u>

The City is in compliance with all significant limitations and restrictions contained in the City's debt agreements. The Economic Development Corporation Series 1999 bonds contain a covenant that the EDC shall make a monthly transfer of 1/60th of the required reserve amount into a reserve fund until the required reserve has been met. The balance in the reserve account at September 30, 2013, was \$34,074, which meets the reserve requirement.

On August 6, 2013, the City issued \$2,210,000 in limited tax refunding bonds with an average interest rate of 2.5% to advance refund \$2,225,000 of outstanding debt (Series 1998 COs, 2002 COs, and 2002 bonds) with an average interest rate of 4.8%. The net proceeds of \$2,233,367 (after payment of \$50,609 in issuance costs) plus an additional \$6,102 of debt service fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1998 COs, 2002 COs, and 2002 bonds. As a result, that debt is considered to be defeased and the liability for that debt has been removed from the City's books.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

8 LONG-TERM DEBT (Continued)

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$8,367. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2022 using the effective-interest method. The City completed the advance refunding to reduce its total debt service payments over the next 9 years by \$254,115 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$215,921.

Debt service requirements on outstanding long-term debt are as follows:

Year Ended September 30	Governmental Activities Bonds and Notes		Business-Type Activities Bonds, CO's and Notes		Component Unit Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 782,894	299,990	527,107	634,408	115,000	44,919
2015	766,925	281,719	540,075	623,571	120,000	38,008
2016	791,546	257,589	552,454	609,191	125,000	31,462
2017	463,788	231,976	562,212	591,852	140,000	24,608
2018	480,150	217,175	577,850	573,553	50,000	16,926
2019 - 2023	2,108,664	846,937	2,893,336	2,560,362	280,000	51,212
2024 - 2028	1,769,612	448,263	3,077,388	1,974,053	60,000	2,604
2029 - 2033	951,970	145,428	3,631,030	1,296,470	0	0
2034 - 2038	77,278	3,273	1,612,722	633,403	0	0
2039 - 2043	0	0	1,219,000	363,099	0	0
2044 - 2048	0	0	1,028,000	102,132	0	0
	<u>\$ 8,192,827</u>	<u>2,732,350</u>	<u>16,221,174</u>	<u>9,962,094</u>	<u>890,000</u>	<u>209,739</u>

9 CAPITAL LEASES PAYABLE

The City is obligated under certain lease agreements which have been classified as capital leases. Property under capital lease consists of equipment totaling \$1,075,865. Accumulated depreciation of \$511,036 has been recorded against the assets under capital lease. The leases are payable out of the debt service fund.

Capital lease obligations at September 30, 2013, are composed of the following:

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

9 CAPITAL LEASES PAYABLE (Continued)

Governmental activities debt payable out of the debt service fund:

\$998,002 lease payable to Government Capital Corporation for RF meter system and various equipment; monthly installments of \$7,846 including principal and interest through September 1, 2019; interest at 4.91 percent	\$ 482,567
\$77,863 lease payable to Government Capital Corporation for performance contracting; monthly installments of \$637 including principal and interest through September 1, 2019; interest at 5.23 percent	<u>38,837</u>
Governmental activities capital leases payable	\$ <u>521,404</u>

Future minimum lease payments under capital leases are as follows:

<u>Fiscal Year</u>	<u>Governmental</u>
2014	\$ 101,793
2015	101,793
2016	101,793
2017	101,793
2018	101,793
2019	<u>101,793</u>
	610,758
Less amount representing interest	<u>(89,354)</u>
Present value of minimum lease payments	\$ <u>521,404</u>

10 FUND BALANCE RESTRICTED FOR OR COMMITTED TO OTHER PURPOSES

Some fund balance restrictions and commitments have been grouped together under the heading of other purposes. Those amounts are detailed below.

Restricted for other purposes:

General fund:	
Municipal court	\$ 37,537
Seizure funds	3,101
Red light camera fund:	
Police/Red light camera purposes	219,375

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

10 FUND BALANCE RESTRICTED FOR OR COMMITTED TO OTHER PURPOSES

Nonmajor governmental funds:

Hotel Motel Tax purposes	67,929
Municipal court	321
Channel 10 public safety purposes	<u>88,223</u>
Total restricted for other purposes	\$ <u>416,486</u>

Committed to other purposes:

Nonmajor governmental funds:

Elgin Main street	29,913
TCF sidewalk grant	<u>1,000</u>
Total committed for other purposes	\$ <u>30,913</u>

11 CAPITAL CONTRIBUTIONS

The City collects impact fees for new connections to the utility system. These are one time fees and may only be used for additions or improvements to the utility system. Impact fees are reported as capital contributions.

Developers pay for the costs of construction of utility system extensions and street and drainage systems in new subdivisions. Once construction by the developer has been completed and accepted by the City, the City takes over ownership as well as the maintenance and repair of the system. Those additions are reported as capital contributions at the time of acceptance by the City.

12 PENSION PLAN

Plan description

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

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

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

12 PENSION PLAN (Continued)

The plan provisions for the City are adopted by the governing body of the City from the options available in the state statutes governing TMRS. Because the TMRS plan year is a calendar year and the City fiscal year ends on September 30, each fiscal year includes two different TMRS plan years. Plan provisions for the City were as follows:

	Plan Year 2012	Plan Year 2013
Employee deposit rate	6.00%	6.00%
Employer phase-in pension rate paid	9.12%	9.86%
Employer actuarially determined pension rate	10.35%	10.78%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

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

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

12 PENSION PLAN (Continued)

1. Annual Required Contribution (ARC)	274,862
2. Interest on Net Pension Obligation	11,244
3. Adjustment to the ARC	(9,879)
4. Annual Pension Cost (APC)	276,227
5. Contributions Made	<u>248,964</u>
6. Increase (decrease) in net pension obligation	27,263
7. Net Pension Obligation/(Asset), beginning of year	<u>160,624</u>
8. Net Pension Obligation/(Asset), end of year	<u>187,887</u>

**Trend Information
Annual Pension Cost**

Accounting Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
9/30/11	\$264,887	\$217,867	82.2%	\$122,496
9/30/12	\$287,737	\$249,609	86.7%	\$160,624
9/30/13	\$276,227	\$248,964	90.1%	\$187,887

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

Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.4 years; closed period	26.8 years; closed period	25.8 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

12 PENSION PLAN (Continued)

Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

**Schedule of Funding Progress for the Retirement Plan
for the Employees of the City of Elgin, Texas**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/10	4,307,845	5,399,950	1,092,105	79.8%	2,491,040	43.8%
12/31/11	4,882,894	6,147,239	1,264,345	79.4%	2,742,621	46.1%
12/31/12	5,557,447	6,734,639	1,177,192	82.5%	2,738,688	43.0%

¹The annual covered payroll is based on the employee contributions paid to TMRS for the year ending with the valuation date.

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

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

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

13 SUPPLEMENTAL DEATH BENEFITS FUND

Plan description

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

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.

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$5,280, \$5,797, and \$6,444, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates
(Retiree-only portion of the rate)**

<u>Plan/ Calendar Year</u>	<u>Annual Required Contribution Rate</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
2011	.02%	.02%	100.0%
2012	.02%	.02%	100.0%
2013	.02%	.02%	100.0%

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

14 RISK MANAGEMENT

The City's risk management program includes coverage for property, general liability, automobile liability, public officials liability and employee dishonesty bonds. The City participates in the Texas Municipal League joint self insurance fund, which is a public entity risk pool. The premiums paid to TML result in the transfer of risk to the pool.

15 CONCENTRATIONS OF CREDIT RISK

Utility accounts receivable are concentrated within the geographic service area of the utility system, which is within the City of Elgin. Those receivables are not concentrated within any individually significant customers. The City requires a deposit from each utility customer prior to establishing service. The net amount of utility accounts receivable at year end after reducing receivables for the allowance for doubtful accounts and after including estimated amounts for service provided but not yet billed at year end was \$633,177. Utility customer deposits held at year end totaled \$237,432.

16 PRIOR PERIOD ADJUSTMENTS

Under generally accepted accounting principles effective in prior years, debt issue costs were deferred and amortized over the life of the related debt. Deferred debt issue costs reported as assets by the City at the end of the prior fiscal year were as follows: Governmental Activities \$90,457, Business-type Activities \$187,215, and Component Unit \$13,278. With a change in accounting principles, debt issue costs incurred in the current year have been expensed when incurred and previously deferred debt issue costs have been written off as a reduction to the beginning balances of assets and net assets.

The City began the use of red light cameras in the prior fiscal year. Half of the net revenues collected from the use of the red light cameras after the payment of operating costs should go to the State, but a liability for that amount was not recorded in the previous fiscal year. The amount subsequently paid to the State for the previous fiscal year obligation was \$107,186. The beginning balance of governmental fund liabilities has been increased by that amount and a corresponding decrease to beginning fund balance has been recorded. That adjustment also carries through to the governmental activities column of the government-wide financial statements.

(Continued)

CITY OF ELGIN, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

17 COMMITMENTS

The City had virtually completed the construction projects related to the Fleming Center and the lift station and force main project as of the end of the fiscal year with only a relatively small amount yet to be spent on those projects. Engineering costs have been incurred for new projects, but construction had not yet begun on those new projects at the end of the fiscal year.

18 SIGNIFICANT BUDGET VARIANCES

The City reported a significant unfavorable budget variance in the revenue category of property taxes. Budgeted property tax revenues were amended upward in the final amended budget because the line item for delinquent tax revenues showed actual revenues of \$288,262 but had no line item budget. The budget increase for that line item should have come out of the line item for current tax revenues though, since the original budget total was close to the total amount of actual revenues but was all budgeted in the line for current taxes. The City did not report an unfavorable budget variance for expenditures for any department.

CITY OF ELGIN, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2013

	Hotel Motel Tax	Restricted Municipal Court Revenues	CDBG Water Line Grant	Elgin Main Street Board
ASSETS				
Cash and cash equivalents	\$ 55,038	321	-0-	32,698
Investments	-0-	-0-	-0-	-0-
Other receivables	12,920	-0-	-0-	-0-
Total assets	\$ 67,958	321	-0-	32,698
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 29	-0-	-0-	2,785
Due to other funds	-0-	-0-	-0-	-0-
Total liabilities	29	-0-	-0-	2,785
Fund Balances				
Restricted for:				
Capital projects	-0-	-0-	-0-	-0-
Police/Red Light Camera	-0-	-0-	-0-	-0-
Other purposes	67,929	321	-0-	-0-
Committed to:				
Morris Park	-0-	-0-	-0-	-0-
Grant projects	-0-	-0-	-0-	-0-
Capital equipment replacement	-0-	-0-	-0-	-0-
Other purposes	-0-	-0-	-0-	29,913
Unassigned	-0-	-0-	-0-	-0-
Total fund balances	67,929	321	-0-	29,913
Total liabilities and fund balances	\$ 67,958	321	-0-	32,698

<u>Police/ Channel 10 Special Revenue</u>	<u>Section 125 Fund</u>	<u>TCF Sidewalk Grant</u>	<u>TxDOT Centers Grant</u>	<u>Capital Equipment Replacement</u>	<u>2009 CO Construction</u>
88,223	6,666	175	18,948	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	825	-0-	-0-	-0-
<u>88,223</u>	<u>6,666</u>	<u>1,000</u>	<u>18,948</u>	<u>-0-</u>	<u>-0-</u>
-0-	6,666	-0-	18,948	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
<u>-0-</u>	<u>6,666</u>	<u>-0-</u>	<u>18,948</u>	<u>-0-</u>	<u>-0-</u>
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
88,223	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	1,000	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
<u>88,223</u>	<u>-0-</u>	<u>1,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>88,223</u>	<u>6,666</u>	<u>1,000</u>	<u>18,948</u>	<u>-0-</u>	<u>-0-</u>

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CITY OF ELGIN, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

	<u>Morris Park Bldg Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 23,571	225,640
Investments	-0-	-0-
Other receivables	-0-	13,745
Total assets	<u>\$ 23,571</u>	<u>239,385</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 23,571	51,999
Due to other funds	-0-	-0-
Total liabilities	<u>23,571</u>	<u>51,999</u>
Fund Balances		
Restricted for:		
Capital projects	-0-	-0-
Police/Red Light Camera	-0-	-0-
Other purposes	-0-	156,473
Committed to:		
Morris Park	-0-	-0-
Grant projects	-0-	1,000
Capital equipment replacement	-0-	-0-
Other purposes	-0-	29,913
Unassigned	-0-	-0-
Total fund balances	<u>-0-</u>	<u>187,386</u>
Total liabilities and fund balances	<u>\$ 23,571</u>	<u>239,385</u>

CITY OF ELGIN, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2013

	Hotel Motel Tax	Restricted Municipal Court Revenues	CDBG Water Line Grant	Elgin Main Street Board
REVENUES				
Other taxes	\$ 53,222	-0-	-0-	-0-
Fines	-0-	2,197	-0-	-0-
Intergovernmental	-0-	-0-	259,950	-0-
Investment earnings	135	-0-	-0-	50
Miscellaneous	-0-	-0-	-0-	47,612
Total revenues	<u>53,357</u>	<u>2,197</u>	<u>259,950</u>	<u>47,662</u>
EXPENDITURES				
Current:				
Public safety	-0-	1,876	-0-	-0-
Public works	-0-	-0-	309,679	-0-
Other current	41,268	-0-	-0-	48,585
Capital outlay	-0-	-0-	-0-	-0-
Total expenditures	<u>41,268</u>	<u>1,876</u>	<u>309,679</u>	<u>48,585</u>
Excess (deficiency) of revenues over expenditures	<u>12,089</u>	<u>321</u>	<u>(49,729)</u>	<u>(923)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-0-	-0-	40,048	-0-
Transfers out	-0-	-0-	-0-	-0-
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>40,048</u>	<u>-0-</u>
Net change in fund balances	12,089	321	(9,681)	(923)
Fund balances - beginning	<u>55,840</u>	<u>-0-</u>	<u>9,681</u>	<u>30,836</u>
Fund balances - ending	<u>\$ 67,929</u>	<u>321</u>	<u>-0-</u>	<u>29,913</u>

<u>Police/ Channel 10 Special Revenue</u>	<u>Section 125 Fund</u>	<u>TCF Sidewalk Grant</u>	<u>TxDOT Centers Grant</u>	<u>Capital Equipment Replacement</u>	<u>2009 CO Construction</u>
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	135,634	-0-	-0-	-0-
25	-0-	-0-	-0-	73	56
19,328	-0-	-0-	-0-	-0-	-0-
<u>19,353</u>	<u>-0-</u>	<u>135,634</u>	<u>-0-</u>	<u>73</u>	<u>56</u>
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	8,329	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	157,112	-0-	-0-	-0-
<u>-0-</u>	<u>-0-</u>	<u>165,441</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>19,353</u>	<u>-0-</u>	<u>(29,807)</u>	<u>-0-</u>	<u>73</u>	<u>56</u>
-0-	-0-	14,532	23,703	24,731	-0-
-0-	-0-	-0-	-0-	(59,086)	(55,040)
<u>-0-</u>	<u>-0-</u>	<u>14,532</u>	<u>23,703</u>	<u>(34,355)</u>	<u>(55,040)</u>
19,353	-0-	(15,275)	23,703	(34,282)	(54,984)
68,870	-0-	16,275	(23,703)	34,282	54,984
<u>88,223</u>	<u>-0-</u>	<u>1,000</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

CITY OF ELGIN, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

	Morris Park Bldg Fund	Total Nonmajor Governmental Funds
REVENUES		
Other taxes	\$ -0-	53,222
Fines	-0-	2,197
Intergovernmental	-0-	395,584
Investment earnings	224	563
Miscellaneous	-0-	66,940
Total revenues	<u>224</u>	<u>518,506</u>
EXPENDITURES		
Current:		
Public safety	-0-	1,876
Public works	-0-	318,008
Other current	-0-	89,853
Capital outlay	224	157,336
Total expenditures	<u>224</u>	<u>567,073</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(48,567)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-0-	103,014
Transfers out	(191,064)	(305,190)
Total other financing sources (uses)	<u>(191,064)</u>	<u>(202,176)</u>
Net change in fund balances	(191,064)	(250,743)
Fund balances - beginning	<u>191,064</u>	<u>438,129</u>
Fund balances - ending	<u>\$ -0-</u>	<u>187,386</u>