

CITY OF TEXAS CITY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2014



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

CITY OF TEXAS CITY, TEXAS

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2014

**PREPARED BY
THE DEPARTMENT OF FINANCE
CITY OF TEXAS CITY, TEXAS**

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INTRODUCTORY SECTION

CITY OF TEXAS CITY, TEXAS

FINANCE DEPARTMENT • OFFICE (409) 643-5907 • FAX (409) 942-1073



Mayor:
Matthew T. Doyle

Commissioners:
Mike Land
Dee Ann Haney
Thelma Bowie
Phil Roberts
Dedrick D. Johnson, Sr.
Jami Clark

March 18, 2015

To the Honorable Matthew T. Doyle, Mayor and
Members of the City Commission and
Citizens of the City of Texas City, Texas:

The Comprehensive Annual Financial Report (CAFR) of the City of Texas City, Texas (the “City”), for the fiscal year ended September 30, 2014, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The Comprehensive Annual Financial Report is presented as compliant with the financial reporting model in effect pursuant to GASB statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as Management’s Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

- The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about costs of services, operating results and financial position of the government as an economic entity.
- Following the government-wide statements are fund financial statements for the primary government (City) and proprietary fund.
- The notes to the financial statements disclose information essential for the fair presentation of the basic statements that is not displayed in the financial statements.
- The management’s discussion and analysis (MD&A) gives an objective and easily readable analysis of the City’s financial activities based on currently known facts, decisions, or conditions. It presents short and long-term analysis of the City’s activities. The City of Texas City’s MD&A can be found immediately following the independent auditor’s report.
- Required supplementary information (RSI) is financial information that GASB standards require to be presented with, but outside of, the financial statements. The RSI that GASB Statement No. 34 requires is MD&A (noted above), and budgetary comparison schedules for the General Fund.

PROFILE OF THE GOVERNMENT

The City of Texas City is the third largest city in Galveston County; located southeast of Houston, Texas. Houston is readily accessible via Interstate 45, a major thoroughfare running through the West side of Texas City. The City encompasses an area of 132 square miles and estimated population of 46,081. The City of Texas City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation.



The City of Texas City is a home-rule city operating under a strong mayor form of government. Policy-making and legislative authority are vested in a governing commission (City Commission) consisting of the Mayor and (6) six City Commissioners, all elected on a non-partisan basis. Four of the six Commissioners are elected by district, and are required to reside in their respective district in which they are elected. The Mayor and two Commissioners are elected at large. All City Commissioners and the Mayor are elected for a two year term. The City Commission is responsible, but not limited to, passing ordinances, adopting the budget and tax rate, and appointing committees. The Mayor is responsible for carrying out the policies of the City Commission, for overseeing the day-to-day operations of the City and for hiring the department directors, subject to City Commission approval.

The City of Texas City provides a full range of municipal services contemplated by ordinance and the City Charter. This includes police and fire protection, emergency medical services, street construction and maintenance, planning and zoning, recreational activities, curbside brush collection, a recycling center, a storm water drainage system, water distribution system, sewer system, wastewater collection and treatment and general administrative services. Sanitation services, residential and commercial garbage collection, are contracted with a private firm. The financial reporting units of the City are funds. The Construction Fund-Gulf Coast Water Authority Bonds, City of Texas City Economic Development Corporation, City of Texas City Harbour Foreign Trade Zone Corporation, City of Texas City Industrial Development Corporation, City of Texas City Public Facilities Development Corporation, City of Texas City Danforth Health Facilities Corporation, City of Texas City Cultural Arts Foundation, and City of Texas City Historical Preservation are reported as Component Units for which the City is financially accountable.

BUDGET

The budget is required by City Charter, which controls many facets of the budgeting process. The budget is used to plan for the use of funds generated through a variety of revenue sources to provide services for the benefit of the citizens in the community. The budget text provides the following:

- a.) Identifies revenue sources and amounts to provide for services delivered during the next fiscal year (October through September);
- b.) Approves the expenditure of monies to deliver the services provided by each of the respective operating divisions;
- c.) Provides a basis for financial recording and control of the approved revenue and expenditure dollars.

The budget process is a systematic approach to plan for the new fiscal year. The process is established to gain input from the citizens, the City Commission, and the City staff. The budget process initially begins with departmental requests, at which time each request is reviewed by the Mayor and Director of Finance, prioritized and discussed with the department head. The budget is then evaluated by City Commission in terms of staff, programs, projects, services and policies of the City. The staff, programs, projects, services and policies may be new or existing. Critical in the process is determining at what level the programs, projects, services and policies will serve. Also considered is not only the impact on the budget being formulated, but also the City's ability to pay for each; in other words, how much revenue can be generated through taxes, fees, etc., putting the least amount of burden on the citizens.

The City's budget shall be preceded by a budget message which shall explain the budget both in fiscal terms and work programs. It shall outline the proposed financial policies of the City for the ensuing fiscal year, describe the important features of the budget, indicate any major changes from the current year in financial policies, expenditures, and revenues together with the reasons for such changes, and include such other material deemed relevant to Commission consideration of the document. The budget shall provide a complete financial plan of all City funds and activities for the ensuing year. In the organization of the budget, the combination of expenditure classification by fund, organization unit, program purpose, activity, or object is deemed the most feasible in representation. It shall begin with a clear general summary of its contents; shall show in detail all estimated income, indicating the proposed property tax levy, and all proposed expenditures, including debt service, for the ensuing fiscal year; and shall be so arranged as to show comparative figures for actual and estimated income and expenditures for three fiscal years, the last completed fiscal year, the year of preparation of the budget, and the projections for the ensuing fiscal year. It shall indicate in separate sections:

- (1.) Proposed expenditures for operations during the ensuing fiscal year, detailed by departments, in terms of their respective work programs, and the method of financing such expenditures;
- (2.) Proposed capital improvement expenditures during the ensuing fiscal year, detailed by purpose and the proposed method of financing each capital expenditure;
- (3.) Anticipated net surplus or deficit for the ensuing fiscal year of each utility owned or enterprise fund operated by the City and the proposed method of its disposition; budgets for each utility or enterprise fund giving detailed income and expenditure information shall be included; and
- (4.) Detailed schedules indicating the City's debt position and debt service requirements.

The Commission, may, upon the recommendation of the chief executive officer, transfer any unencumbered appropriation balance or any portion thereof within a department of the City government to another.

The City Commission is required to adopt the final budget by no later than the close of the current fiscal year.

BUDGET (continued)

Budget transfers within departments require the approval of the Mayor and the Director of Finance, and transfers outside departments and amendments to the final budget require City Commission approval.

ECONOMIC CONDITION AND OUTLOOK

The City of Texas City prides itself on providing quality services and amenities for its citizens. With over 1,100 acres of parks spread over 40 locations throughout the City, The City of Texas City has one of the best recreational and tourism (Parks & Recreation) departments in the State of Texas. With the help of BP's contribution, the City will be developing a mix-use development called Central Park that will include a 280+ acre environmental park and 40+ acres of various ball fields and other interactive facilities.

The City of Texas City economic base maintains its status as a major global economic power, with one of the largest ports in the country, which is a gateway to worldwide trade and a major hub for world energy supplies. The industrial base comes from a strong petrochemical industry with significant base operations in the area. They include Marathon Petroleum, Valero Refining, Eastman Chemical, BP Chemical, Dow Chemicals and Ashland, Inc. These facilities account for nearly \$400 million in payroll annually, more than \$75 million in local property and sales taxes, almost \$2 million for local charity contributions, and provide more than 26,000 man-hours for local volunteer programs. But their biggest contribution to date is the manufacturing of products used in our home and business lives. The City of Texas City still remains optimistic about the strength of the petro-chemical industry and is still looking at developing Shoal Point into a container facility.

The City of Texas City's community purpose is to make it possible for all citizens to benefit from living, working, worshipping and playing in a safe, healthy, attractive and economically viable community. Thereby, offering all citizens the opportunity for a rewarding, satisfying and fulfilling lifestyle, and providing a foundation for a strong family unit environment.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

The City of Texas City continues to enhance services provided to citizens. Many of the notable achievements during the year reflect this focus:

- Continued paving and drainage improvement projects;
- Continued waterline and sewer line improvements;
- Renovated Rainbow Park;
- Major renovations to Bayou Golf Course;
- Continue to operate and maintain a City committed to delivering quality public services to its citizens.

CAPITAL IMPROVEMENT PROGRAM (CIP)

A capital improvement program (CIP) is a fiscal planning tool that identifies capital improvement projects, prioritizes these projects, and schedules them for funding and implementation. Capital improvement programming provides the decision-makers in Texas City with the ability to gain an overall perspective on new development in the City and to coordinate government capital improvement and outlay plans with general community growth and expansion. This enables the City to foresee repair and replacement needs.

A CIP helps assure logical development of public facilities and helps avoid concentrating too much on certain types of projects to the exclusion or detriment of other public facility and capital needs.

A capital improvement program is an important capital and fiscal planning tool. The CIP, if exercised skillfully and with good judgment, will help Texas City:

- (1.) Select projects which address the most pressing need(s);
- (2.) Eliminate projects that are favored by one or more groups in the community but have a low overall priority;
- (3.) Prevent projects from being undertaken either too soon, causing unnecessary carrying costs, or too late, after the need for the project is upon the City and planning must be done in a crisis situation.

The capital budget is only as good as the plan for financing the proposed projects. The number of public improvements a municipality can finance generally depends on:

- (1.) The level of recurring future operating expenditures;
- (2.) The current level of debt (bonded indebtedness);
- (3.) The legal limit of debt it may incur (bonded capacity);
- (4.) Any potential sources of additional revenue available for capital improvement financing.

Financial analysis and planning are needed for intelligent capital improvement programming. The three elements that must be clearly understood are:

- (1.) The relationship between the revenue program (based on the economic vitality of the community) and the operating budget (based on a program of public services), with the resulting cash funds available to pay in whole or in part for capital improvements or to meet the obligations of the debt service;
- (2.) The new debt structure of the community and its ability to incur new debt;
- (3.) Policies and legal mandates dealing with revenues, operating expenditures, capital improvements, bonds, and the relations among and between them.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining internal control designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is completed to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Internal control is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived, and (2) the evaluation of costs and benefits require estimates and judgments by management.

We believe the City's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Commission. Activities of the General, Special Revenue, Debt Service, Construction, Enterprise, Internal Service, Agency Funds and Component Units are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

The City of Texas City's financial statements have been audited by Whitley Penn LLP, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Texas City for the fiscal year ended September 30, 2014, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City of Texas City's financial statements for the fiscal year ended September 30, 2014, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

ACKNOWLEDGEMENTS

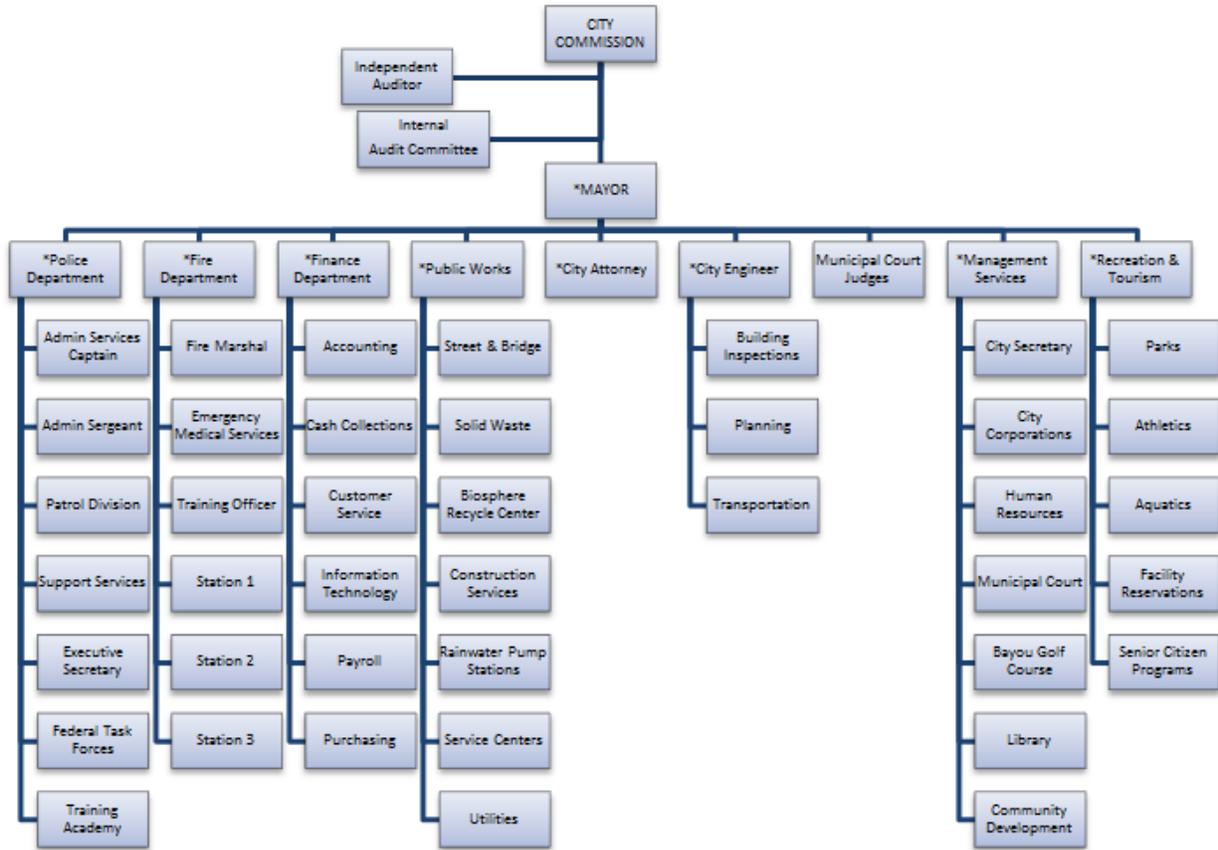
The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation. We would also like to thank the Mayor and City Commission for their interest and unfailing support in planning and conducting the financial operations of the City in a responsible and prudent manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Laura R. Boyd".

Laura R. Boyd
Director of Finance

City of Texas City Organizational Chart



*Executive Committee members

Appointments by Commission:
 City Secretary
 City Attorney
 Municipal Court Judges
 Independent Auditors

Appointments by Mayor & Confirmed by Commission:
 Director of Finance
 Fire Chief
 Police Chief

CITY OF TEXAS CITY, TEXAS
PRINCIPAL OFFICIALS

The City of Texas City is governed by a mayor, mayor pro-tem and city commissioners.



Mayor
Matthew T. Doyle

Commissioners At-Large



Mike Land
Mayor Pro-Tem



Dee Ann Haney



Thelma Bowie

District 2



Phil Roberts

District 3



Dedrick Johnson, Sr.

District 4



Jami Clark



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Texas City
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITORS

The Honorable Mayor and
Members of the City Commission
City of Texas City, Texas

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Honorable Mayor and
Members of the City Commission
City of Texas City, Texas

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that required supplementary information, such as management's discussion and analysis, schedule of funding progress and budgetary comparison information on pages 9-18, 79-80 and 81-82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Honorable Mayor and
Members of the City Commission
City of Texas City, Texas

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Texas City, Texas
March 11, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF TEXAS CITY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Comprehensive Annual Financial Report, we present a narrative overview and analysis of the financial activities of the City of Texas City for the fiscal year ended September 30, 2014. Please read it in conjunction with the independent auditors' report, our letter of transmittal and the City's Basic Financial Statements.

Financial Highlights

- The assets and deferred outflows of the City of Texas City exceeded its liabilities at the close of the most recent fiscal year by \$171.9 million (*net position*). Of this amount, \$7.6 million (*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 \$7.1 million.
- As of the close of the current fiscal year, the City of Texas City's governmental funds reported combined ending fund balances of \$39.3 million, an increase of \$13.0 million in comparison with the prior year. Approximately, \$18.8 million (48 percent) of the total fund balance amount is available for spending at the government's discretion (unassigned).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$18.8 million, or 43 percent of total general fund expenditures.
- The City's total debt increased by \$5.4 million as a result of 2013 certificate of obligation issuance.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Texas 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 themselves.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Texas 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, deferred outflows and liabilities, with the difference between the three reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Texas City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administrative services, public safety, public works, culture and recreation, health and sanitation. The business-type activities of the City of Texas City include the Water and Sewer System Revenue.

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The City's seven component units consist of the following:

- City of Texas City Economic Development Corporation (4A)
- City of Texas City Public Facilities Development Corporation
- City of Texas City Industrial Development Corporation
- City of Texas City Harbour Foreign Trade Zone Corporation
- City of Texas City Cultural Arts Foundation
- City of Texas City Historical Preservation Corporation
- Lago Mar Development Authority

The government-wide financial statements can be found on pages 21-23 of this report.

Fund financial statements

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

Governmental funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Texas City maintains twenty-four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic governmental fund financial statements can be found on pages 24-27 of this report.

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Proprietary funds

The City of Texas City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Texas City uses enterprise funds to account for its Water and Sewer System operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Texas City uses internal service funds to account for its capital equipment replacement program and for its employee health/dental insurance. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer System operations. Several of Gulf Coast Water Authority (GCWA) Bond Construction Funds are included in the operation of the City's Water Fund. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 28-31 of this report.

Fiduciary funds

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

The basic fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to the financial statements

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

The notes to the financial statements can be found on pages 38-74 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Texas City's progress in funding its obligation to provide pension benefits to its employees. The City of Texas City adopts an annual appropriated budget for its general, debt service, special revenue, construction, water, sewer, internal service, fiduciary funds, and component units. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Combining and individual fund statements and schedules can be found on pages 84-128.

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Texas City, assets and deferred outflows exceeded liabilities by \$171.9 million at the close of the most recent fiscal year.

By far the largest portion of the City of Texas City's net position \$154.7 million (90.0 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Texas City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Texas City's Net Position (in millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 44.8	\$ 31.4	\$ 2.7	\$ 6.0	\$ 47.5	\$ 37.4
Capital assets	121.6	117.1	61.3	61.5	182.9	178.6
Total assets	166.4	148.5	64.0	67.5	230.4	216.0
Total Deferred Outflows of Resource	0.5	0.6	-	-	0.5	0.6
Long-term liabilities outstanding	43.1	35.9	7.1	8.4	50.2	44.3
Other Liabilities	6.1	4.9	2.7	2.6	8.8	7.5
Total Liabilities	49.2	40.8	9.8	11.0	59.0	51.8
Net Position						
Net Investment in capital assets	100.5	96.2	54.2	53.4	154.7	149.6
Restricted	9.6	9.0	-	-	9.6	9.0
Unrestricted	7.6	3.1	-	3.1	7.6	6.2
Total Net Position	\$ 117.7	\$ 108.3	\$ 54.2	\$ 56.5	\$ 171.9	\$ 164.8

An additional portion of the City of Texas City's net position \$9.5 million (5.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$7.6 million (4.5 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

City of Texas City's Changes in Net Position (in millions)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services	\$ 8.4	\$ 7.8	\$ 11.0	\$ 10.9	\$ 19.4	\$ 18.7
Operating grants and contributions	5.9	4.5	-	-	5.9	4.5
Capital grants and contributions	0.2	-	-	-	0.2	-
General Revenues:						
Property Taxes	22.2	22.0	-	-	22.2	22.0
Other Taxes	20.8	18.4	-	-	20.8	18.4
Other	3.4	7.1	3.7	5.6	7.1	12.7
Total revenues	60.9	59.8	14.7	16.5	75.6	76.3
Expenses						
General government	4.4	5.0	-	-	4.4	5.0
Public Safety	22.0	21.3	-	-	22.0	21.3
Public Works	13.2	12.5	-	-	13.2	12.5
Health and Welfare	0.4	0.4	-	-	0.4	0.4
Culture and Recreation	10.1	10.4	-	-	10.1	10.4
Economic and Community Development	0.3	0.6	-	-	0.3	0.6
Interest on long-term debt	1.1	1.0	-	-	1.1	1.0
Enterprise Fund - Water	-	-	11.2	9.6	11.2	9.6
Enterprise Fund - Sewer	-	-	5.8	5.5	5.8	5.5
Total Expenses	51.5	51.2	17.0	15.1	68.5	66.3
Increase (decrease) in net position	9.4	8.6	(2.3)	1.4	7.1	10.0
Net position - beginning	108.3	99.7	56.5	55.1	164.8	154.8
Net position - ending	\$ 117.7	\$ 108.3	\$ 54.2	\$ 56.5	\$ 171.9	\$ 164.8

During the current fiscal year, the government's net position increased by \$7.1 million. This increase is attributed to the rise in property tax values and resulting increase in tax revenues, an increase in sales taxes, charges for services, and operating grants and contributions.

Governmental activities

Governmental activities increased the City of Texas City's net position by \$9.4 million. Key elements of changes in net position are as follows:

- Property tax revenues increased by \$0.2 million, which was attributed to an increase in the tax rate from \$.425 per \$100 valuation to \$.453 per \$100 valuation and assessed values and offset by an error in calculation of taxes, which result in a tax refund.
- Other tax revenue increased by \$2.4 million, which was mainly attributed to increase sales tax revenue from new commercial business in the western portion of the city.
- Operating Grants and Contributions increased by \$1.3 million, which is related to Community Development Block Grant – General Land Office award.

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Increases in expenses by function for governmental activities are detailed below:

- Public Safety increase of \$700,000, was mainly due to increases in personnel costs..
- Public Works increase of \$700,000, was due to increase in personnel costs and increases in the cost of road repair materials.

Business-type activities

Business-type activities decreased the City of Texas City's net position by \$2.2 million. Key elements of the expense increase are as follows:

- Increase in maintenance expenses.
- Increase in expenses related to Gulf Coast Water Authority.

Financial Analysis of the Government's Funds

The City of Texas City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City of Texas City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of Texas City's governmental funds reported combined ending fund balances of \$39.3 million an increase of \$13.0 million as compared to the prior year. *Unassigned fund balance*, which is available for spending at the government's discretion, totaled \$18.8 million. The remainder of fund balance is *nonspendable* of \$.9 million for inventories and prepaid items and *restricted fund balance* indicate that it is not available for new spending because it has already been restricted 1) to pay debt service of \$2.2 million, 2) public safety of \$1.3 million, capital projects of \$9.5 million and development activities of \$5.6 million. In addition the City *assigned fund balance* for street improvements of \$1.0 million.

The general fund is the chief operating fund of the City of Texas City. At the end of the current fiscal year, *unassigned fund balance* amounted to \$18.8 million while total fund balance amounted to \$20.7 million. As a measure of the general fund's liquidity, it may be useful to compare both fund balance unassigned for future expenditures and total fund balance, to total fund expenditures. Unassigned fund balance represents 43 percent of total general fund expenditures, while total fund balance represents 47 percent of that same amount.

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

During the current fiscal year, the fund balance of the City of Texas City's General Fund increased by \$5.9 million. This increase is mainly due to higher collection of property, sales taxes and pipeline easement fees.

2010 Series Construction fund decrease by \$1.7 million, which was used to complete construction projects and the 2013 Series Construction fund increased its fund balance by \$8.4 million, which was a result of issuance of certificate of obligations for future construction projects.

The debt service has a total fund balance of \$2.2 million, which is legally restricted for payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$0.07 million. A majority of this decrease is attributed to a management decision to not increase tax rates for debt service.

Proprietary funds

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

Unrestricted net position at the end of the year for the Water and Sewer Funds was a deficit of \$0.01 million and total net position was \$54.2 million. The combined total change in net position for these funds was a decrease of \$2.2 million. At the end of the year, internal service funds had unrestricted deficit net position of \$1.9 million and total net position of \$3.1 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Texas City's business-type activities.

General Fund Budgetary Highlights

During the year there was a \$700,000 increase in appropriations between the original and final amended budget. Following are some components of the budgetary increase:

- Increase in building and equipment maintenance expenditures.
- Increase in cost of road repair materials.

Capital Assets and Debt Administration

Capital assets

The City of Texas City's investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to \$182.9 million (net of accumulated depreciation). This investment in capital assets includes infrastructure, land, historical treasures and works of art, buildings, improvements, vehicles, machinery and equipment, furniture and office equipment, construction in progress and investment in future water rights. The total increase in the City of Texas City's investment in capital assets for the current fiscal year was \$4.3 million (2.4 percent).

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Major capital assets acquired and major projects completed during the current fiscal year included the following:

- Major capital assets:
 - Various Bomb Squad Equip. \$371,067 Police (grant funds)
 - (2) Chevrolet Caprices \$81,856 Police
 - (18) Motorola Digital Radios \$88,868 Fire
 - (1) Bomag Pneumatic Roller \$66,500 Public Works
 - (1) Bobcat Compact Loader \$78,297 Public Works
 - (2) Ford Trucks \$74,721 Water
 - (2) Ford Trucks \$43,096 Sewer

- Major projects completed:
 - 13th Avenue Drainage Improvement Project \$2,455,373
 - Lift Station 1 Force Main Project \$1,470,017
 - Lift Station Improvements \$1,380,103
 - Ash Road Drainage Improvement Project \$869,789
 - Waterline Rehab. Project Phase 12 \$767,418
 - Rainbow Park Renovation \$200,000

City of Texas City's Capital Assets (in millions)

	Governmental Activities	Business-type Activities	Total
Land	\$ 3.5	\$ 0.1	\$ 3.6
Historical treasures & works of art	0.9	-	0.9
Infrastructure	75.5	115.1	190.6
Buildings & structures	73.5	1.9	75.4
Machinery, equipment & furniture	28.1	6.0	34.1
Construction in progress	5.5	3.4	8.9
	<u>187.0</u>	<u>126.5</u>	<u>313.5</u>
Less: Accumulated depreciation	(65.4)	(65.2)	(130.6)
	<u><u>\$ 121.6</u></u>	<u><u>\$ 61.3</u></u>	<u><u>\$ 182.9</u></u>

Additional information on the City of Texas City capital assets can be found on pages 56-59 of this report.

Long-term debt

At the end of the current fiscal year, the City of Texas City had a total bonded debt outstanding of \$41.6 million. Of this amount, \$35.0 million comprises debt backed by the full faith and credit of the government. The remainder of \$6.6 million of the City of Texas City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Certificates of Obligation, General Obligation, and Revenue Bonds (in millions)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
General obligation bonds	\$ 19.5	\$ -	\$ 19.5
Certificates of obligation	15.5	-	15.5
Contract revenue bonds	-	6.6	6.6
	<u>\$ 35.0</u>	<u>\$ 6.6</u>	<u>\$ 41.6</u>

The City of Texas City's total bonded debt increased by \$5.5 million (15.2 percent) during the current fiscal year due to \$9.9 million 2013 certificate of obligation issuance less annual scheduled principal payments on the debt.

All of the City's bond issues have been successful in qualifying for bond insurance resulting in ratings of Aa3 by Moody's Investors Services and AA- from Standard & Poor's.

Additional information on the City of Texas City's long-term debt can be found on pages 61-66 of this report.

Economic Factors and Next Year's Budgets and Rates

- The City of Texas City's industrial base continues to contribute to the economic growth in Texas City. Contributions in the form of local employment for residents, economic funding in the areas of sales and property taxes, and in-kind contributions, help keep Texas City an economically viable community.
- The 2014-15 Budget was prepared assuming a total tax rate of \$.4380 per \$100 valuation, which is an increase from the previous fiscal year. The tax rate provides sufficient funds for general fund operations and debt service requirements. The 2014 tax rate is comprised of the following components:

General Fund	\$0.383686
Debt Service	\$0.054314

- The General Fund has budgeted revenues and other sources of \$46.49 million, compared to last year's budgeted revenues and other sources of \$45.34 million. This represents an increase of \$1.15 million. The increase in revenues is from higher property tax valuations and increase in municipal court fines.
- The General Fund has budgeted expenditures of \$46.55 million, compared to the previous year's budgeted expenditures of \$45.66 million, an increase of \$890,000 due to increased personnel costs.
- The 2014-15 Budget is expected to result in an unassigned fund balance approximately 28% of budgeted expenditures.
- The Water Revenue Fund has budgeted revenues of \$6.6 million. Budgeted expenditures in the Water Revenue Fund totaled \$6.5 million.

CITY OF TEXAS CITY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- The Sewer Revenue Fund has budgeted revenues of \$4.2 million. Expenditures in the Sewer Revenue Fund totaled \$4.3 million.
- The 2014-15 Total Budget includes \$26.8 million in capital outlay, which includes construction projects, equipment replacement, land purchases, and the ongoing water and sewer line replacement projects.

Requests for Information

This financial report is designed to provide a general overview of the City of Texas City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 1801 9th Avenue North, Texas City, Texas 77590.

BASIC FINANCIAL STATEMENTS

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

Exhibit A-1

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and equivalents	\$ 9,427,773	\$ 4,890,782	\$ 14,318,555	\$ 394,959
Investments	15,575,000	3,000,000	18,575,000	6,775,000
Receivables	3,868,086	872,603	4,740,689	75,000
Internal balances	6,313,407	(6,313,407)	-	-
Due from others	97,089	-	97,089	-
Due from other governmental agencies	5,114,599	-	5,114,599	786,240
Due from component units	3,570,164	-	3,570,164	-
Prepaid items	71,975	36,278	108,253	-
Inventories	837,594	269,769	1,107,363	-
Capital Assets:				
Capital assets, not being depreciated	9,828,127	3,540,154	13,368,281	5,193,828
Infrastructure	75,510,101	115,125,906	190,636,007	-
Buildings	65,121,835	1,867,676	66,989,511	1,099,595
Equipment and furniture	28,052,987	6,055,191	34,108,178	-
Other capital assets	8,394,214	-	8,394,214	87,778
Less: accumulated depreciation	(65,352,523)	(65,202,143)	(130,554,666)	(890,422)
Total Capital Assets	<u>121,554,741</u>	<u>61,386,784</u>	<u>182,941,525</u>	<u>5,490,779</u>
Total Assets	<u>166,430,428</u>	<u>64,142,809</u>	<u>230,573,237</u>	<u>13,521,978</u>
Deferred Outflows of Resources				
Deferred charge on refunding	514,534	-	514,534	-
Total Deferred Outflows of Resources	<u>514,534</u>	<u>-</u>	<u>514,534</u>	<u>-</u>
Liabilities				
Accounts payable and accrued expenses	5,799,044	2,772,334	8,571,378	224,759
Accrued interest payable	134,358	17,547	151,905	-
Due to others	211,641	-	211,641	269,100
Due to primary government	-	-	-	3,570,164
Long-term liabilities:				
Due within one year:				
Bonds, capital leases, and contracts	3,729,957	1,001,838	4,731,795	-
Compensated absences	412,630	21,352	433,982	-
Due in more than one year:				
Bonds, capital leases and contracts	32,528,202	6,061,415	38,589,617	-
Net pension obligation	2,460,607	-	2,460,607	-
Compensated absences	3,927,821	46,119	3,973,940	-
Total Liabilities	<u>49,204,260</u>	<u>9,920,605</u>	<u>59,124,865</u>	<u>4,064,023</u>
Net Position				
Net investment in capital assets	100,536,097	54,323,531	154,859,628	5,490,779
Restricted for:				
Debt service	2,185,714	-	2,185,714	-
Culture & recreation	1,908,725	-	1,908,725	647,247
Public safety	1,103,121	-	1,103,121	-
Economic & physical development	4,430,521	-	4,430,521	3,530,455
Unrestricted	7,576,524	(101,327)	7,475,197	(210,526)
Total Net Position	<u>\$ 117,740,702</u>	<u>\$ 54,222,204</u>	<u>\$ 171,962,906</u>	<u>\$ 9,457,955</u>

See notes to the financial statements.

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

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 4,400,919	\$ -	\$ -	\$ -
Public safety	22,044,744	4,107,224	486,823	-
Public works	13,190,376	2,255,542	5,158,382	-
Health and welfare	379,188	77,272	-	-
Culture and recreation	10,078,098	1,984,085	-	156,119
Economic and community development	300,733	-	300,636	-
Interest and fiscal charges	1,138,917	-	-	-
Total Governmental Activities	51,532,975	8,424,123	5,945,841	156,119
Business-type Activities:				
Water revenue fund	11,186,501	6,578,452	-	-
Sewer revenue fund	5,786,581	4,383,774	-	-
Total Business-type Activities	16,973,082	10,962,226	-	-
Total Primary Government	\$ 68,506,057	\$ 19,386,349	\$ 5,945,841	\$ 156,119
Component Units				
Component units	\$ 5,231,786	\$ 435,271	\$ 246,743	\$ -
Total Component Units	\$ 5,231,786	\$ 435,271	\$ 246,743	\$ -

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise and other taxes

Sales taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning

Prior period adjustments

Net Position - ending

See notes to the financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,400,919)	\$ -	\$ (4,400,919)	
(17,450,697)	-	(17,450,697)	
(5,776,452)	-	(5,776,452)	
(301,916)	-	(301,916)	
(7,937,894)	-	(7,937,894)	
(97)	-	(97)	
(1,138,917)	-	(1,138,917)	
<u>(37,006,892)</u>	<u>-</u>	<u>(37,006,892)</u>	
-	(4,608,049)	(4,608,049)	
-	<u>(1,402,807)</u>	<u>(1,402,807)</u>	
-	<u>(6,010,856)</u>	<u>(6,010,856)</u>	
<u>(37,006,892)</u>	<u>(6,010,856)</u>	<u>(43,017,748)</u>	
			<u>\$ (4,549,772)</u>
			<u>(4,549,772)</u>
19,273,535	-	19,273,535	1,187,699
2,919,520	-	2,919,520	-
5,068,439	-	5,068,439	-
15,716,952	-	15,716,952	5,238,984
39,761	19,365	59,126	18,670
4,781,731	2,384,918	7,166,649	214,412
<u>(1,380,103)</u>	<u>1,380,103</u>	<u>-</u>	<u>-</u>
<u>46,419,835</u>	<u>3,784,386</u>	<u>50,204,221</u>	<u>6,659,765</u>
9,412,943	(2,226,470)	7,186,473	2,109,993
108,327,759	56,448,674	164,776,433	7,581,043
-	-	-	(233,081)
<u>\$ 117,740,702</u>	<u>\$ 54,222,204</u>	<u>\$ 171,962,906</u>	<u>\$ 9,457,955</u>

CITY OF TEXAS CITY, TEXAS

Exhibit B-1

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	General Fund	CDBG Disaster Recovery - GLO	2010 Series Construction Fund	2013 Series Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 8,649,688	\$ -	\$ -	\$ -	\$ 774,916	\$ 9,424,604
Investments	25,000	-	1,500,000	9,900,000	2,400,000	13,825,000
Taxes receivable, net	610,601	-	-	-	114,047	724,648
Due from other funds	5,093,217	-	-	-	6,469,386	11,562,603
Due from other governments	2,539,202	2,073,162	-	-	502,235	5,114,599
Due from component units	3,570,164	-	-	-	-	3,570,164
Other receivables	2,527,128	-	-	-	159,531	2,686,659
Inventories	837,594	-	-	-	-	837,594
Prepaid items	71,975	-	-	-	-	71,975
Total Assets	\$ 23,924,569	\$ 2,073,162	\$ 1,500,000	\$ 9,900,000	\$ 10,420,115	\$ 47,817,846
Liabilities, Deferred Inflows and Fund Balances						
Liabilities:						
Accounts payable	\$ 943,783	\$ 2,073,162	\$ 196,362	\$ 293,690	\$ 106,698	\$ 3,613,695
Due to other funds	-	-	806,836	1,208,335	550,978	2,566,149
Due to other governments	334,051	-	-	-	-	334,051
Accrued wages payable	587,802	-	-	-	-	587,802
Total Liabilities	1,865,636	2,073,162	1,003,198	1,502,025	657,676	7,101,697
Deferred Inflows of Resources:						
Unavailable revenue - property taxes	588,676	-	-	-	109,837	698,513
Unavailable revenue - pipeline	766,289	-	-	-	-	766,289
Total Deferred Inflows	1,354,965	-	-	-	109,837	1,464,802
Fund Balances:						
Nonspendable:						
Inventories	837,594	-	-	-	-	837,594
Prepaid items	71,975	-	-	-	-	71,975
Restricted:						
Debt service	-	-	-	-	2,210,235	2,210,235
Public safety	-	-	-	-	1,288,934	1,288,934
Capital projects	-	-	496,802	8,397,975	610,532	9,505,309
Development activities	-	-	-	-	5,560,280	5,560,280
Assigned:						
Street improvements	1,000,000	-	-	-	-	1,000,000
Unassigned	18,794,399	-	-	-	(17,379)	18,777,020
Total Fund Balances	20,703,968	-	496,802	8,397,975	9,652,602	39,251,347
Total Liabilities, Deferred Inflows and Fund Balances	\$ 23,924,569	\$ 2,073,162	\$ 1,500,000	\$ 9,900,000	\$ 10,420,115	\$ 47,817,846

See notes to the financial statements.

CITY OF TEXAS CITY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2014

Exhibit B-2

Total fund balance, governmental funds \$ 39,251,347

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 116,553,639

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. 3,149,955

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds and certificates of obligation payable	(34,985,000)
Tax refund payable	(476,211)
Capital leases payable	(134,324)
Compensated absences	(4,340,451)
Accrued interest payable	(134,358)
Net pension obligation	(2,460,607)
Unamortized premium on bonds	(662,624)

Unavailable revenues in the governmental fund statements is recognized as revenue in the government-wide financial statements. 1,464,802

Deferred change on refunding 514,534

Net Position of Governmental Activities in the Statement of Net \$ 117,740,702

CITY OF TEXAS CITY, TEXAS

Exhibit B-3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	General Fund	CDBG Disaster Recovery - GLO	2010 Series Construction Fund	2013 Series Construction Fund	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 19,782,617	\$ -	\$ -	\$ -	\$ 2,938,129	\$ 22,720,746
General sales tax	15,716,952	-	-	-	-	15,716,952
Miscellaneous taxes	4,287,047	-	-	-	686,615	4,973,662
Licenses and permits	665,120	-	-	-	-	665,120
Intergovernmental	133,432	5,158,382	-	-	704,027	5,995,841
Charges for services	4,277,792	-	-	-	146,566	4,424,358
Fine and forfeits	2,014,331	-	-	-	226,499	2,240,830
Investment earnings	1,113	-	4,049	22,727	6,478	34,367
Miscellaneous revenue	3,140,981	-	-	-	2,033,034	5,174,015
Total Revenues	50,019,385	5,158,382	4,049	22,727	6,741,348	61,945,891
Expenditures						
Current:						
General government	4,184,254	-	-	-	49,474	4,233,728
Public safety	20,240,445	-	-	-	154,405	20,394,850
Public works	10,916,103	-	-	-	33,605	10,949,708
Health & welfare	356,294	-	-	-	-	356,294
Culture and recreation	7,755,420	-	-	-	695,122	8,450,542
Economic & community development	-	-	-	-	300,636	300,636
Capital outlay	146,978	5,158,382	2,170,625	1,524,752	716,700	9,717,437
Debt service:						
Principal retirement	51,328	-	-	-	3,400,000	3,451,328
Interest and fiscal charges	7,487	-	-	58,738	1,062,390	1,128,615
Total Expenditures	43,658,309	5,158,382	2,170,625	1,583,490	6,412,332	58,983,138
Excess (deficiency) of revenues over expenditures	6,361,076	-	(2,166,576)	(1,560,763)	329,016	2,962,753
Other Financing Sources (Uses)						
Transfers in	-	-	505,705	-	614,316	1,120,021
Proceeds from sale of capital assets	40,148	-	-	-	-	40,148
Issuance of debt	-	-	-	9,958,738	1,262	9,960,000
Transfers out	(500,000)	-	-	-	(620,021)	(1,120,021)
Total Other Financing Sources (Uses)	(459,852)	-	505,705	9,958,738	(4,443)	10,000,148
Net change in fund balances	5,901,224	-	(1,660,871)	8,397,975	324,573	12,962,901
Fund balances - beginning	14,802,744	-	2,157,673	-	9,328,029	26,288,446
Fund balances - ending	\$ 20,703,968	\$ -	\$ 496,802	\$ 8,397,975	\$ 9,652,602	\$ 39,251,347

See notes to the financial statements.

CITY OF TEXAS CITY, 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, 2014

Exhibit B-4

Net change in fund balances - total governmental funds: \$ 12,962,901

Amounts reported for Governmental Activities in the Statement of Activities are different

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	9,717,437
Depreciation expense	(3,608,844)
Capital assets transferred to business-type activities	(1,380,103)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Unavailable tax and emergency management revenues	600,583
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Governmental funds report proceeds from long-term debt as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of long-term debt principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt service principal	3,451,328
Proceeds from issuance of long-term debt	(9,960,000)

Internal service funds are used by management to charge the costs of certain activities, such as self-insured employee health insurance, equipment replacement and property, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

(1,609,323)

Capital assets contributed from component units are not presented in the governmental funds, but are included as revenue in the Statement of Activities.

156,119

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

(Increase) decrease in accrued interest	(20,072)
(Increase) decrease in net pension obligation	(13,605)
(Increase) decrease in compensated absences	(417,037)
Amortization of deferred loss on refunding	(94,787)
Amortization of premium on bonds	104,557
(Increase) decrease in tax refund payable	(476,211)

Change in net position of governmental activities

\$ 9,412,943

See notes to the financial statements.

CITY OF TEXAS CITY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2014

Exhibit C-1

	Business-type Activities - Enterprise Funds			Governmental Activities
	Major Enterprise Funds			
	Water Revenue Fund	Sewer Revenue Fund	Total Enterprise Funds	
Assets				
Current assets				
Cash and cash equivalents	\$ 4,224,917	\$ -	\$ 4,224,917	\$ 3,169
Investments	3,000,000	-	3,000,000	1,750,000
Accounts receivables, net	674,383	193,140	867,523	-
Accrued interest receivable	5,080	-	5,080	-
Other receivables	-	-	-	456,779
Inventories	159,367	110,402	269,769	-
Prepaid items	36,278	-	36,278	-
Total current assets	8,100,025	303,542	8,403,567	2,209,948
Non-current assets				
Restricted cash and cash equivalents	665,865	-	665,865	-
Capital assets:				
Land and improvements	137,410	4,652	142,062	-
Infrastructure	56,960,117	58,165,789	115,125,906	-
Buildings	353,524	1,514,152	1,867,676	-
Equipment and furniture	2,736,614	3,318,577	6,055,191	14,030,391
Construction in progress	768,786	2,629,306	3,398,092	-
Less accumulated depreciation	(31,200,010)	(34,002,133)	(65,202,143)	(9,029,289)
Total capital assets	29,756,441	31,630,343	61,386,784	5,001,102
Total non-current assets	30,422,306	31,630,343	62,052,649	5,001,102
Total Assets	38,522,331	31,933,885	70,456,216	7,211,050
Liabilities				
Current Liabilities				
Accounts payable	705,862	399,626	1,105,488	290,695
Accrued wages payable	25,130	18,223	43,353	-
Due to other funds	4,095,111	2,218,296	6,313,407	2,797,599
Customer deposits payable	1,619,828	3,665	1,623,493	-
Bonds payable, current	1,001,838	-	1,001,838	-
Accrued interest payable	17,547	-	17,547	-
Compensated absences	5,031	16,321	21,352	-
Claims and judgments, current	-	-	-	972,801
Total Current Liabilities	7,470,347	2,656,131	10,126,478	4,061,095
Non-current Liabilities				
Bonds payable	6,061,415	-	6,061,415	-
Compensated absences	19,517	26,602	46,119	-
Total Non-current Liabilities	6,080,932	26,602	6,107,534	-
Total Liabilities	13,551,279	2,682,733	16,234,012	4,061,095
Net Position				
Net investment in capital assets	22,693,188	31,630,343	54,323,531	5,001,102
Unrestricted	2,277,864	(2,379,191)	(101,327)	(1,851,147)
Total Net Position	\$ 24,971,052	\$ 29,251,152	\$ 54,222,204	\$ 3,149,955

See notes to the financial statements.

CITY OF TEXAS CITY, TEXAS

Exhibit C-2

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities
	Major Enterprise Funds			
	Water Revenue Fund	Sewer Revenue Fund	Total Enterprise Funds	
Revenues				
Charges for services	\$ 6,578,452	\$ 4,383,774	\$ 10,962,226	\$ 5,764,384
Miscellaneous operating revenues	2,346,618	-	2,346,618	-
Total Revenues	<u>8,925,070</u>	<u>4,383,774</u>	<u>13,308,844</u>	<u>5,764,384</u>
Operating Expenses				
Personnel services	1,516,296	1,420,015	2,936,311	-
Contractual and professional services	903,009	266,710	1,169,719	1,397,763
Other supplies and expenses	3,822,838	565,162	4,388,000	-
Repairs and maintenance	882,989	942,834	1,825,823	-
Utilities	200,425	236,318	436,743	-
Insurance claims and expenses	-	-	-	4,933,139
Depreciation	3,559,385	2,355,542	5,914,927	1,102,296
Amortization	(52,350)	-	(52,350)	-
Miscellaneous expense	75,181	-	75,181	-
Total Operating Expenses	<u>10,907,773</u>	<u>5,786,581</u>	<u>16,694,354</u>	<u>7,433,198</u>
Operating income (loss)	<u>(1,982,703)</u>	<u>(1,402,807)</u>	<u>(3,385,510)</u>	<u>(1,668,814)</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	19,365	-	19,365	5,394
Interest expense	(278,728)	-	(278,728)	-
Gain/loss on sale of capital assets	-	38,300	38,300	54,097
Total Non-Operating Revenues (Expenses)	<u>(259,363)</u>	<u>38,300</u>	<u>(221,063)</u>	<u>59,491</u>
Income (loss) before contributions	<u>(2,242,066)</u>	<u>(1,364,507)</u>	<u>(3,606,573)</u>	<u>(1,609,323)</u>
Capital contributions	<u>-</u>	<u>1,380,103</u>	<u>1,380,103</u>	<u>-</u>
Change in net position	<u>(2,242,066)</u>	<u>15,596</u>	<u>(2,226,470)</u>	<u>(1,609,323)</u>
Total Net Position - beginning	<u>27,213,118</u>	<u>29,235,556</u>	<u>56,448,674</u>	<u>4,759,278</u>
Total Net Position - ending	<u>\$ 24,971,052</u>	<u>\$ 29,251,152</u>	<u>\$ 54,222,204</u>	<u>\$ 3,149,955</u>

See notes to the financial statements.

CITY OF TEXAS CITY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2014

Exhibit C-3
Page 1 of 2

	Business-type Activities - Enterprise Funds			
	Major Enterprise Funds			Governmental Activities
	Water Revenue Fund	Sewer Revenue Fund	Total Enterprise Funds	Total Internal Service Funds
Cash flows from operating activities				
Cash received from customers	\$ 9,977,055	\$ 4,445,479	\$ 14,422,534	\$ 5,649,812
Cash paid to employees	(1,517,997)	(1,410,929)	(2,928,926)	-
Cash paid to suppliers	(6,062,248)	(2,132,162)	(8,194,410)	(1,511,069)
Cash paid from claims	-	-	-	(4,841,013)
Net cash provided (used) by operating activities	<u>2,396,810</u>	<u>902,388</u>	<u>3,299,198</u>	<u>(702,270)</u>
Cash flows from noncapital financing activities				
Advances to (repayments from) other funds	4,095,111	1,021,865	5,116,976	334,129
Net cash provided (used) by noncapital financing activities	<u>4,095,111</u>	<u>1,021,865</u>	<u>5,116,976</u>	<u>334,129</u>
Cash flows from capital and related financing activities				
Proceeds from sales of capital assets	-	38,300	38,300	54,097
Principal on capital debt	(974,725)	-	(974,725)	-
Interest expense	(261,181)	-	(261,181)	-
Acquisition and construction of capital assets	(2,493,336)	(1,962,553)	(4,455,889)	(689,326)
Net cash provided (used) by capital and related financing activities	<u>(3,729,242)</u>	<u>(1,924,253)</u>	<u>(5,653,495)</u>	<u>(635,229)</u>
Cash flows from investing activities				
Proceeds from sales and maturities of investments	(82,375)	-	(82,375)	-
Purchase of investments	-	-	-	1,000,000
Interest and dividends received	19,878	-	19,878	5,394
Net cash provided (used) by investing activities	<u>(62,497)</u>	<u>-</u>	<u>(62,497)</u>	<u>1,005,394</u>
Net increase (decrease) in cash and cash equivalents	2,700,182	-	2,700,182	2,024
Cash and cash equivalents, beginning	<u>2,190,600</u>	<u>-</u>	<u>2,190,600</u>	<u>1,145</u>
Cash and cash equivalents, ending	<u>\$ 4,890,782</u>	<u>\$ -</u>	<u>\$ 4,890,782</u>	<u>\$ 3,169</u>
Cash and cash equivalents	\$ 4,224,917	\$ -	\$ 4,224,917	\$ 3,169
Restricted cash and cash equivalents	665,865	-	665,865	-
Cash and cash equivalents, ending	<u>\$ 4,890,782</u>	<u>\$ -</u>	<u>\$ 4,890,782</u>	<u>\$ 3,169</u>

See notes to the financial statements.

CITY OF TEXAS CITY, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 For the Year Ended September 30, 2014

Exhibit C-3
 Page 2 of 2

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Major Enterprise Funds</u>			
	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>	<u>Total Enterprise Funds</u>	
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,982,703)	\$ (1,402,807)	\$ (3,385,510)	\$ (1,668,814)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	3,559,385	2,355,542	5,914,927	1,102,296
Amortization	(52,350)	-	(52,350)	-
(Increase) decrease in receivables	856,336	61,705	918,041	(114,572)
(Increase) decrease in prepaid expenses	(35,869)	-	(35,869)	-
(Increase) decrease in inventories	(8,514)	(28,044)	(36,558)	-
Increase (decrease) in accounts payable	(133,423)	(93,094)	(226,517)	(113,306)
Increase (decrease) in accrued wages payable	5,917	1,963	7,880	-
Increase (decrease) in customer deposits payable	195,649	-	195,649	-
Increase (decrease) in compensated absences	(7,618)	7,123	(495)	-
Increase (decrease) in accrued claims payable	-	-	-	92,126
Total adjustments	<u>4,379,513</u>	<u>2,305,195</u>	<u>6,684,708</u>	<u>966,544</u>
Net cash provided (used) by operating activities	<u>\$ 2,396,810</u>	<u>\$ 902,388</u>	<u>\$ 3,299,198</u>	<u>\$ (702,270)</u>
Schedule of non-cash capital and related financing activities:				
Contribution of capital assets	\$ -	\$ 1,380,103	\$ 1,380,103	\$ -

See notes to the financial statements.

CITY OF TEXAS CITY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2014

Exhibit D-1

	<u>Pension Trust</u>	<u>Private Purpose Trust</u>	
	Firemen's Relief and Retirement Fund	Life & Disability Fund	Agency Fund
Assets			
Cash and cash equivalents	\$ 466,735	\$ 17,901	\$ 49,946
Investments:			
U.S. Government obligations	1,653,038	-	-
Municipal bonds	116,412	-	-
Corporate bonds	1,670,133	-	-
Corporate stocks	9,486,652	-	-
Other investments	3,223,536	225,000	100,000
Total Investments	<u>16,149,771</u>	<u>225,000</u>	<u>100,000</u>
Receivables:			
Interest and Dividends	20,707	-	-
Due from others	-	-	211,641
Miscellaneous	704	-	15,390
Total receivables	<u>21,411</u>	<u>-</u>	<u>227,031</u>
Total assets	<u>16,637,917</u>	<u>242,901</u>	<u>376,977</u>
Liabilities			
Due to other funds	97,089	-	-
Refunds payable and others	-	-	376,977
Total liabilities	<u>97,089</u>	<u>-</u>	<u>\$ 376,977</u>
Net Position			
Held in trust for benefits and other purposes	<u>\$ 16,540,828</u>	<u>\$ 242,901</u>	

See notes to the financial statements.

The data presented in this schedule for the pension trust fund represents activity as of December 31, 2013.

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

Exhibit D-2

	<u>Pension Trust</u>	<u>Private Purpose Trust</u>
	Firemen's Relief and Retirement Fund	Life & Disability Fund
Additions		
Contributions:		
Employer	\$ 724,307	\$ -
Plan Members	724,307	-
Total contributions	<u>1,448,614</u>	<u>-</u>
Investment earnings:		
Net increase (decrease) in fair value of investments	1,944,436	-
Interest	59,141	608
Dividends	235,772	-
Investment activity expense	(164,911)	-
Total net investment earnings	<u>2,074,438</u>	<u>608</u>
Total additions	<u>3,523,052</u>	<u>608</u>
Deductions		
Benefits	1,644,647	-
Refunds of contributions	59,392	-
Administrative	27,945	-
Miscellaneous	12,913	-
Total deductions	<u>1,744,897</u>	<u>-</u>
Change in net position	1,778,155	608
Net position - beginning	<u>14,762,673</u>	<u>242,293</u>
Net position - ending	<u>\$ 16,540,828</u>	<u>\$ 242,901</u>

See notes to the financial statements.

The data presented in this schedule for the pension trust fund represents activity for the fiscal year of January 1, 2013, to December 31, 2013.

CITY OF TEXAS CITY, TEXAS
COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT
UNITS - GOVERNMENTAL ACTIVITIES
September 30, 2014

	Texas City Economic Development Corp.	Public Facilities Development Fund	Texas City Industrial Development Corp.
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 9,811
Investments	5,775,000	400,000	150,000
Due from other governments	786,240	-	-
Other receivables	-	-	-
Capital assets, net	4,944,755	502,974	-
Total Assets	11,505,995	902,974	159,811
Liabilities			
Accounts payable	201,329	-	-
Due to developer	-	-	-
Due to primary government	3,285,689	13,837	-
Accrued wages payable	3,728	-	-
Total Liabilities	3,490,746	13,837	-
Net Position			
Investment in capital assets	4,944,755	502,974	-
Restricted:			
Culture & recreation	-	386,163	159,811
Economic & physical development	3,070,494	-	-
Unrestricted	-	-	-
Total Net Position	\$ 8,015,249	\$ 889,137	\$ 159,811

See notes to the financial statements.

Exhibit E-1

Texas City Harbour Foreign Trade Zone	Texas City Cultural Arts Foundation	Texas City Historical Preservation Corp.	Lago Mar Development Authority	Totals
\$ -	\$ 166,615	\$ 150,503	\$ 68,030	\$ 394,959
300,000	150,000	-	-	6,775,000
-	-	-	-	786,240
75,000	-	-	-	75,000
-	-	43,050	-	5,490,779
<u>375,000</u>	<u>316,615</u>	<u>193,553</u>	<u>68,030</u>	<u>13,521,978</u>
-	125	7,032	9,456	217,942
-	-	-	269,100	269,100
270,638	-	-	-	3,570,164
3,089	-	-	-	6,817
<u>273,727</u>	<u>125</u>	<u>7,032</u>	<u>278,556</u>	<u>4,064,023</u>
-	-	43,050	-	5,490,779
101,273	-	-	-	647,247
-	316,490	143,471	-	3,530,455
-	-	-	(210,526)	(210,526)
<u>\$ 101,273</u>	<u>\$ 316,490</u>	<u>\$ 186,521</u>	<u>\$ (210,526)</u>	<u>\$ 9,457,955</u>

CITY OF TEXAS CITY, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS -
GOVERNMENTAL ACTIVITIES
For the year ended September 30, 2014

Functions/Programs	Program Revenue			Texas City Economic Development Corp.
	Expenses	Charges for Services	Operating Grants and Contributions	
Component Units				
Governmental Activities				
Texas City Economic Development Corp.	\$ 3,309,492	\$ 34,346	\$ -	\$ (3,275,146)
Public Facilities Development Fund	493,167	240,998	-	-
Texas City Industrial Development Corp.	-	-	-	-
Texas City Foreign Trade Zone	130,687	145,145	-	-
Texas City Cultural Arts Foundation	32,369	-	126,243	-
Texas City Historical Preservation Corp.	100,695	14,782	120,500	-
Lago Mar Development Authority	1,165,376	-	-	-
Total Component Units	<u>\$ 5,231,786</u>	<u>\$ 435,271</u>	<u>\$ 246,743</u>	<u>(3,275,146)</u>
General Revenues				
Taxes:				
Property taxes				-
Sales taxes				5,238,984
Unrestricted investment earnings				15,740
Miscellaneous				214,412
Total general revenues				<u>5,469,136</u>
<i>Change in net position</i>				2,193,990
Net position - beginning				5,821,259
Prior period adjustment				-
Net position - ending				<u>\$ 8,015,249</u>

See notes to the financial statements.

Net (Expense) Revenue and Changes in Net Position						
Public Facilities Development Fund	Texas City Industrial Development Corp.	Texas City Harbour Foreign Trade Zone	Texas City Cultural Arts Foundation	Texas City Historical Preservation Corp.	Lago Mar Development Authority	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,275,146)
(252,169)	-	-	-	-	-	(252,169)
-	-	-	-	-	-	-
-	-	14,458	-	-	-	14,458
-	-	-	93,874	-	-	93,874
-	-	-	-	34,587	-	34,587
-	-	-	-	-	(1,165,376)	(1,165,376)
<u>(252,169)</u>	<u>-</u>	<u>14,458</u>	<u>93,874</u>	<u>34,587</u>	<u>(1,165,376)</u>	<u>(4,549,772)</u>
-	-	-	-	-	1,187,699	1,187,699
-	-	-	-	-	-	5,238,984
1,080	404	809	405	-	232	18,670
-	-	-	-	-	-	214,412
<u>1,080</u>	<u>404</u>	<u>809</u>	<u>405</u>	<u>-</u>	<u>1,187,931</u>	<u>6,659,765</u>
(251,089)	404	15,267	94,279	34,587	22,555	2,109,993
1,140,226	159,407	86,006	222,211	151,934	-	7,581,043
-	-	-	-	-	(233,081)	(233,081)
<u>\$ 889,137</u>	<u>\$ 159,811</u>	<u>\$ 101,273</u>	<u>\$ 316,490</u>	<u>\$ 186,521</u>	<u>\$ (210,526)</u>	<u>\$ 9,457,955</u>

I. Summary of Significant Accounting Policies

The City of Texas City (the “City”) is a municipality operating under the applicable laws and regulations of the State of Texas. The City prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board, other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants, and the requirements of contracts and grants of agencies from which it receives funds.

In 2003, the City implemented GASB Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments (GASB Statement No. 34), GASB Statement No. 37, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments: Omnibus which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, Certain Financial Statement Note Disclosures which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government’s operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

A. Reporting Entity

Primary government. The City of Texas City, Texas was incorporated in September 1911, and is a home rule City under statutes of the State of Texas. It is governed by an elected mayor and six-member commission. The current City charter was amended November 7, 1995. The City provides the full range of municipal services contemplated by statute or character. This includes public safety (police and fire), highway and streets, sanitation, health, culture-recreation, education, planning and zoning, and general administrative services. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for descriptions) to emphasize that they are legally separate from the primary government.

Blended component units. The Firemen’s Relief and Retirement Fund, an entity legally separate from the City, is governed by a seven member board. For financial reporting purposes, the Firemen’s Relief and Retirement Fund is reported as if it were part of the City’s operations because its purpose is to provide benefits to employees of the City. The fund is reported as a Pension Trust Fund in the Fiduciary Fund Types.

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Discretely presented component units. All of these units are presented as governmental fund types.

Texas City Economic Development Corporation. The Texas City Economic Development Corporation is a non-profit corporation created for the purpose of promotion and development of new and expanded businesses within the City of Texas City and any other activity allowed by the enabling statutes. The administration of the Economic Development Corporation is vested in a board of directors and a general manager. The City appoints the board of directors and the Economic Development Corporation Board appoints the general manager. However, the corporation is fiscally dependent on the City because their operational and capital budgets are approved by the City Commission.

Public Facilities Development Corporation. The Public Facilities Development Corporation is a non-profit corporation created to enhance the welfare and/or prosperity of the citizens of the City and the State of Texas through the acquisition, financing, construction, equipping, operation, and/or leasing, on behalf of the City, facilities that promote or encourage economic, civic, social, and/or educational development or expansion. The administration of the corporation is vested with the board of directors, which are appointed by the City Commission. Although the Public Facilities Development Corporation has the authority to operate and lease the facilities, the operational and capital budgets are approved by the City Commission.

City of Texas City Industrial Development Corporation. The City of Texas City Industrial Development Corporation was created to issue industrial development revenue bonds for the purpose of paying all or part of the costs of constructing and acquiring one or more commercial, industrial or manufacturing facilities within the City, or for the purpose of loaning the proceeds to one or more corporations duly authorized to do business in the State of Texas, in order to provide temporary or permanent financing of all or part of the cost of constructing and acquiring a commercial, industrial, or manufacturing facility. The board of directors is appointed by the City; however, none of the directors are members of the City Commission. The corporation's operational budget is subject to approval by the City Commission.

Texas City Harbour Foreign Trade Zone Corporation. The Texas City Foreign Trade Zone Corporation was created to operate and maintain a foreign trade zone and subsequent subzones in Galveston, Brazoria, and Chambers County areas for the promotion of international trade. The administration of the Texas City Foreign Trade Zone Corporation is conducted by a board of directors and a general manager. The City Commission appoints the board of directors, and the board of directors of the corporation appoints the general manager. Although the Foreign Trade Zone Corporation has the authority to set user fees, its operational and capital budgets must be approved by the City Commission.

Texas City Cultural Arts Foundation. The Texas City Cultural Arts Foundation is a Nonprofit Corporation created to promote the Arts. The administration of the Corporation is conducted by a board of directors. The Corporation's operational and capital budgets are subject to approval by the City Commission.

Texas City Historical Preservation Corporation. The Texas City Historical Preservation Corporation is a non-profit corporation created to protect, preserve and enhance historical structures and articles in the City of Texas City and the surrounding communities. The administration of the Corporation is conducted by a board of directors. The Corporation's operational and capital budgets are subject to approval by the City Commission.

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Lago Mar Development Authority. The Lago Mar Development Authority is a non-profit corporation created to aid, assist and act on behalf of the City in the performance of the City's obligation with respect to Reinvestment Zone Number One. The affairs of the authority are managed by a board of directors, which are appointed by the Mayor and approved by the City Commission. However, none of the directors are members of the City Commission.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices: City of Texas City, 1801 Ninth Avenue North, Texas City, Texas 77590.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *special revenue fund CBDG Disaster Recovery GLO Fund* is used to facilitate disaster recovery from Hurricane Ike. The City sustained flooding that resulted in drainage infrastructure failure. Funds received from federal awards are used to assist in providing the city with adequately-size drainage infrastructure to reduce flooding.

The *capital project funds 2010 Series Construction Fund and 2013 Series Construction Fund* account for the acquisition and construction of major capital facilities, other than those financed by proprietary funds.

The City reports the following major proprietary funds:

The *Water Revenue Fund* and *Sewer Revenue Fund* account for the rendering of water and sewer services to the residents of the City. The Gulf Coast Water Authority hold debt in the city name and those amounts are reported in the Water fund. The City agreed to provide sufficient funds to retire bonds utilized to construct facilities.

Additionally, the government reports the following fund types:

The *internal services funds* account for equipment replacement costs and group health insurance costs as needed by City departments on a cost reimbursement basis

The *pension trust fund* is used to account for the assets of the City's fire fighters pension plan. The pension trust fund is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting

The *private-purpose trust fund* is used to account for funds received from the termination of the City's former life and disability insurance plan.

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The *agency funds* are used to account for resources held for others in a custodial capacity. The most significant of these funds are as follows:

- Mae Dixon Blalock Estate Fund - created to hold in trust amounts contributed to the City of Texas City Library to be used for building improvements.
- TCPD Training Tower Fund - used to account for donations specific to construction of a training tower.
- Municipal Court Bonds Fund - used to account for municipal court bonds posted by individuals that are being held until disposition of the case.

As a general rule, except for interfund services provided and used which are not eliminated in the process of consolidation, the effect of other interfund activity has been eliminated from the government-wide financial statements.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Revenue and Sewer Revenue enterprise funds, and of the City's Equipment Replacement and Group Insurance internal service funds are charges to customers for sales and services. The Water Revenue Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Trust funds employ the same economic resources measurement focus and accrual basis of accounting as described for proprietary funds. Since agency funds report only assets and liabilities, they have no measurement focus.

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

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

1. Deposits and investments

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

State statutes authorize the City to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 6) fully collateralized repurchase agreements; and 7) a public funds investment pool meeting the requirement of Government Code 2256.016 – 2256.019. Temporary investments are reported at cost, which approximates market.

Except for the Firefighters' Relief and Retirement Fund, the City's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA).

2. Receivables and payables

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

All customer and property tax receivables are shown net of an allowance for uncollectibles. Customer accounts receivable in excess of 120 days comprise the customer accounts receivable allowance for uncollectibles. Property taxes are levied as of October 1 on property values assessed as of the same date. Assessed values approximate 100% of market value. Taxes are due October 1, immediately following the levy date, and are considered delinquent February 1 of the following year. Property taxes attach as an enforceable lien on property as of January 1.

3. Inventories and prepaid items

Inventories are valued at cost. The General Fund inventory consists of consumable vehicle replacement parts, fuel and other supplies. The consumption method of accounting is used for the governmental fund types whereby supplies are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of the enterprise fund revenue bonds, and certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets held in the general fund to repay cash bonds held are also classified as restricted assets.

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined, by the City, as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest expense was incurred on assets constructed using business-type activity funds; therefore, no interest has been capitalized on those projects.

General infrastructure, property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
General infrastructure - streets	99
General infrastructure - drainage	99
General infrastructure - water and sewer plant and lines	50
Buildings and structures	40
Other improvements	20-40
Heavy equipment	7
Light equipment - normal use	7
Light equipment - frequent use	5
Emergency vehicles	5
Other vehicles	7
Office furniture and equipment	7
Computer equipment	7

Land, construction in process, historical treasures and works of art are non-exhaustible assets and are therefore not depreciated.

General infrastructure assets are defined by *Governmental Accounting Standards Board* Statement No. 34 as “long-lived assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets” and include the following: (1) roads; (2) bridges; (3) tunnels; (4) drainage systems; (5) water and sewer systems; (6) dams; and (7) lighting systems.

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

6. *Deferred outflows/inflows of resources*

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resource, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and pipeline easement fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. *Compensated absences*

Employees are paid by prescribed formula for absence due to vacation. The eligibility for such benefits lapses at year end, and pay in lieu of vacation is not given except in case of termination. The accumulated vacation leave is reported in the government-wide statement of net position.

Every employee of the City accumulates sick leave at full pay at the rate of fifteen days per year, not to exceed a total of ninety days accumulated unpaid sick leave. Upon termination, policemen and firemen receive payment for their accumulated sick leave. All other City employees are paid for the total amount accumulated, up to a maximum of forty-five days, only upon retirement or death. Only the estimated current portion of unpaid sick pay in connection with terminated employees' unpaid balance of reimbursable unused leave has been accrued in the General Fund. The non-current portion has been recorded directly in the (government-wide statement of net position). At September 30, 2014, current sick and vacation leave payable amounted to \$433,982 and non-current sick leave payable amounted to \$3,973,940. Compensated absences are reported in governmental funds only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

8. *Long-term obligations*

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

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

8. Long-term obligations (continued)

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

9. Net position and fund balance

Net Position on the Statement of Net Position includes the following:

Net investment in capital assets – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for culture & recreation – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use for culture and recreation activities.

Restricted for public safety – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use for public safety activities.

Restricted for economic development – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use for economic development activities.

Unrestricted net position – the difference between the assets and liabilities that are not reported in net position net investment in capital assets, or restricted net position. Funds can be used for any activities the City determines.

Net position flow assumption - the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted -net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

The City uses the following fund balance classifications to describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

I. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance (continued)

9. Net position and fund balance (continued)

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Commissioners). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

Assigned fund balance – amounts the City intends to use for a specific purpose. The City's has established a policy by ordinance that authorizes the Mayor to assign fund balance amounts. The Mayor has assigned \$1 million of the general fund's fund balance for street and other improvements.

Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City has adopted a policy stating which fund balance category is spent first when committed, assigned or unassigned fund balances are available. The City will consider amounts to have been spent first out of committed funds, then assigned and finally unassigned funds.

The City passed a resolution stating the City intends to maintain a minimum fund balance of 25% of the City general fund annual operating expenditures. If the fund balance drops below 25%, it shall be recovered at a rate of 1% minimally, each year. The City's general fund was in compliant with the resolution.

10. Statement of cash flows

In accordance with Governmental Accounting Standards Board Statement No. 34, a Statement of Cash Flows is required as part of a full set of financial statements for all Proprietary Funds. For purposes of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

II. Stewardship, Compliance, and Accountability

A. Budgetary information

The City Commission follows these procedures as prescribed by the City Charter in establishing the budgets reflected in the accompanying combined financial statements:

The City Commission adopts an annual operating budget, which can be amended by the City Commission throughout the year. Formal budgetary accounting is employed as a management control for all funds of the City; however, legal budgets are adopted only for the general fund, special revenue funds, debt service fund, and capital projects funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The City Commission follows these procedures as prescribed by the City Charter in establishing the budgets reflected in the accompanying combined financial statements:

1. At least thirty days prior to the Commission makes its tax levy for the fiscal year, the Finance Director shall file a copy of proposed budget with the City Secretary. The City Secretary shall make the proposed budget available for the inspection of any taxpayer.
2. The City Commission shall provide for a public hearing, which shall take place on some date not less than fifteen days subsequent to the time the budget is filed, to obtain taxpayers comments. At the conclusion of such hearing, the budget shall be acted upon by the City Commission.

The legal level of budgetary control in the general fund is the department level. In the special revenue funds, debt service fund, and the capital projects funds, budgetary control is at the fund level. However, the City Commission may, upon the recommendation of the Mayor, transfer any appropriation balance or any portion thereof from one department to another. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments.

With the Mayor's approval, the budget may be amended within a department without seeking the approval of the City Commission.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. As of September 30, 2014, encumbrances outstanding were as follows:

General fund	\$ 169,970
Other governmental funds	9,973,771
Water fund	332,855
Sewer fund	1,010,829
Internal service funds	176,627
	<u>\$ 11,664,052</u>
 Component Units	 <u>\$ 12,119</u>

II. Stewardship, Compliance, and Accountability (continued)

B. Excess of expenditures over appropriations

For the year ended September 30, 2014, expenditures in the General Fund exceeded appropriations in the following departments:

General fund:		
Administration	\$	307,575
Data processing		47,998
Police		62,611
Municipal Court		15,511
Emergency management		30,191
	\$	<u>463,886</u>

General fund deficits were funded by excess budget amounts in other departments of the general fund.

Deficit fund equity

As of September 30, 2014, the Group Insurance internal service fund had a net position deficit of \$3,238,572, and FEMA Disaster Assistance Fund has a deficit fund balance of \$17,379. The City plans to transfer funds in the future to cover the deficits for all the funds.

III. Detailed Notes on All Funds

A. Deposits and investments

Authorization for deposits and investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The City Commission has adopted a written investment policy as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government agencies, fully collateralized certificates of deposit, repurchase agreements, and state and local government investment pools. The City's investment policy does not allow investments in commercial paper, collateralized mortgage obligations, floating rate investments, or swaps.

III. Detailed Notes on All Funds (continued)

A. Deposits and investments (continued)

Deposit and investment amounts

The City’s cash and investments are classified as: cash and cash equivalents, investments, and restricted cash and investments. The cash and cash equivalents include cash on hand and deposits with financial institutions. The investments that have a maturity at purchase of greater than three months consist of U.S. Government obligations (agencies). For better management of cash, the City pools the cash, based on the City’s needs, into either deposits in bank accounts or in longer-term investments in U.S. Government securities. However, each fund’s balance of cash and investments is maintained in the books of the City.

The following schedule presents the City’s recorded cash and investments at year-end:

	Total Fair Value			Total
	Primary Government	Fiduciary Funds*	Component Units	
Cash on hand and on deposit	\$ 14,318,555	\$ 534,582	\$ 394,959	\$ 15,248,096
Investments:				
Certificates of Deposit	18,575,000	325,000	6,775,000	25,675,000
Total Cash and Investments	<u>\$ 32,893,555</u>	<u>\$ 859,582</u>	<u>\$ 7,169,959</u>	<u>\$ 40,923,096</u>

* Fiduciary investments are not subject to the City’s investment policies. In addition, City of Texas City Firemen’s Relief and Retirement Fund investments are reported separately.

At September 30, 2014, the City reported bank deposits in the amount of \$16,047,144 and the book balances totaled \$15,180,166. The bank deposits were entirely collateralized by federal depository insurance and by collateral held by the City’s agent in the City’s name.

For the fiscal year 2014, the City’s investment income is as follows:

	Primary Government	Component Units	Total
Interest income	\$ 59,126	\$ 18,670	\$ 77,796
	<u>\$ 59,126</u>	<u>\$ 18,670</u>	<u>\$ 77,796</u>

III. Detailed Notes on All Funds (continued)

A. Deposits and investments (continued)

Investment Risks:

Interest Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure under U.S. generally accepted accounting principles:

	<u>Total Fair Value</u>		Weighted Average Maturity (days)
	Primary Government	Component Units	
Certificates of deposit	<u>\$ 18,575,000</u>	<u>\$ 6,775,000</u>	97

The City measures interest rate risk using the weighted average maturity method for the portfolio. The City's investment policy specifies a maximum weighted average maturity of 365 days or 12 months based on the stated maturity date for each investment in the portfolio. To the extent possible, the City attempts to match investments with anticipated cash flow requirements, thereby avoiding the need to sell on the open market prior to maturity.

Concentration of Credit Risk

The City's investment policy allows investments by type based on the following diversification requirements:

<u>Investment Type</u>	<u>Maximum Investment %</u>
U.S. treasuries and securities with the U.S. Government's guarantee	100%
U.S. Government agencies and instrumentalities	up to 50%
Fully insured or collateralized CDs	100%
State and local government investment pools	up to 50%

Credit Risk:

All the City's investments were at acceptable levels required by guidelines prescribed of PFIA and investment policy. The City was fully invested in time certificates of deposit, insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, in state or national banks. Any deposits exceeding FDIC insurance limits shall be collateralized at 102% of the face amount of the Certificate of Deposit by securities listed U.S. government treasuries, agencies or similar agencies and held by the City's custodial bank.

III. Detailed Notes on All Funds (continued)

A. Deposits and investments (continued)

Investments - Firemen’s Relief and Retirement Fund

Statutes of the State of Texas authorize the Fund to invest surplus funds in the manner provided by the Government Code, Title 8, Subtitle A. Subchapter C. This subchapter provides for the investment of surplus assets in any investment or investments that are deemed “prudent” by the Board. The investment policy of the Board does not restrict the types of investments authorized to be made on behalf of the Fund; however, the Board seeks to produce a return on investments that is based on prudent and reasonable investment risk and the cash flow requirements of the Fund given prevailing economic and capital market conditions. While the Board recognizes the importance of the preservation of capital, it also adheres to the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with incremental returns. Consequently, prudent risk-taking is justifiable.

The Board has employed Morgan Stanley (Custodian) as Custodian of the assets of the Fund, and in said capacity, the Custodian shall be a fiduciary of the Fund’s assets with respect to its discretionary duties including safekeeping the Fund’s assets. The Custodian shall establish and maintain a custodian account to hold, or direct its agents to hold, for the account of the Fund all assets that the Board shall from time to time deposit with the Custodian. All right, title and interest in and to the Fund’s assets for the exclusive purpose of providing the benefits to the members and the qualified survivors of the Fund.

The Board shall manage the investment program of the Fund in compliance with all applicable Federal and State statutes and regulations concerning the investment of pension assets. The Board has adopted an Investment Policy Statement (Investment Policy) to set forth the factors involved in the management of investment assets for the Fund.

The fair value of the Fund’s investments as of December 31, 2013 by type are as follows:

Cash on hand and on deposit	<u>\$ 466,735</u>
Investments:	
Fixed income securities:	
U.S. Government obligations	1,653,038
Municipal bonds	116,412
Corporate bonds	1,670,133
Corporate stocks	9,486,652
Other investments	<u>3,223,536</u>
Total Investments	<u>16,149,771</u>
Total Cash and Investments	<u><u>\$ 16,616,506</u></u>

* Fiduciary investments are not subject to the City's investment policies.

III. Detailed Notes on All Funds (continued)

A. Deposits and investments (continued)

Investments - Firemen’s Relief and Retirement Fund (continued)

Custodial credit risk. For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investments securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Fund, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Fund’s name.

Concentration of credit risk. The allocation of assets among various assets classes is set by the Board with the objective of optimizing the investment return if the Fund within framework of acceptable and diversification. For major asset classes (e.g. domestic equities, international equities, fixed income, alternative investments, private equity and real estate), the Fund will further diversify by employing investment managers who implement the strategies selected by the Board.

Interest rate risk. The Fund invests in fixed income securities including, but not limited to, investment representing instruments with an obligated fixed rate of interest including public and private debentures, mortgages, investments in life insurance general accounts and guaranteed investment contracts, with maturities greater than one year, and options/futures. Instruments may have an investment grade or non-investment grade rating. Purchases and sales, investment selection and implementation of investment strategies are delegated to the discretion of the investment manager, subject to compliance with its management agreement and the Fund’s Investment Policy.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment. Interest rate risk is the greatest risk faced by an investor in the fixed income market. The price of a fixed income security typically moves in the opposite direction of the change in interest rates. The weighted average maturity expresses investment time horizons (when the investment comes due and payable) in years, weighted to reflect the dollar size of individual investments within the investment type. The Fund does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates, but rather mandates such limits within the Investment Management Services Contract.

At December 31, 2013 the following table shows the Fund’s investments by type, with weighted average maturity and fair value:

	Fair Value	Weighted Average Maturity (days)
Investments:		
Fixed income securities:		
U.S. Government obligations	\$ 1,653,038	1,553
Municipal bonds	116,412	9,222
Corporate bonds	1,670,133	2,969
	<u>\$ 3,439,583</u>	

III. Detailed Notes on All Funds (continued)

A. Deposits and investments (continued)

Investments - Firemen’s Relief and Retirement Fund (continued)

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund does not have a formal policy limiting credit risk, but rather mandates such limits with the Investment Management services Contract.

The Fund’s exposure to investment credit risk in fixed income securities as of December 31, 2013 is as follows:

Quality Rating	Fair Value	Percentage of Holdings
AA+	\$ 1,687,287	49.05%
AA	27,767	0.81%
A+	212,399	6.18%
A	116,412	3.38%
A-	914,982	26.60%
BBB+	282,564	8.22%
BBB	198,172	5.76%
	<u>\$ 3,439,583</u>	<u>100.00%</u>

Foreign currency risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Realized and unrealized gains and losses on investments which result from changes in foreign currency exchange rates have been including in the net appreciation (depreciation) in fair value of investments. The Fund’s policy allows external investment managers to decide what action to take regarding their respective portfolio’s foreign currency exposures subject to compliance with its respective Investment Management Services Contract and the Fund’s Investment Policy Statement.

III. Detailed Notes on All Funds (continued)

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Major Funds					Total
	General	CDBG Disaster Recovery - GLO	Water Revenue	Sewer Revenue	Nonmajor & Other Funds	
Receivables:						
Property taxes	\$ 1,403,182	\$ -	\$ -	\$ -	\$ 288,678	\$ 1,691,860
Utility customers	-	-	920,010	297,139	-	1,217,149
Garbage collection	140,187	-	-	-	-	140,187
Gross receipts taxes	1,020,527	-	-	-	-	1,020,527
Sales & mixed drink taxes	2,375,138	-	-	-	-	2,375,138
EMS transport	3,909,187	-	-	-	-	3,909,187
Other governments	164,064	2,073,162	-	-	502,235	2,739,461
Interest	-	-	5,080	-	-	5,080
Other	1,084,676	-	-	-	616,310	1,700,986
Gross receivables	10,096,961	2,073,162	925,090	297,139	1,407,223	14,799,575
Less: allowance for uncollectibles	(4,420,030)	-	(245,627)	(103,999)	(174,631)	(4,944,287)
Net total receivables	\$ 5,676,931	\$ 2,073,162	\$ 679,463	\$ 193,140	\$ 1,232,592	\$ 9,855,288

Certain revenues are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

	Major Funds			Nonmajor & Other Funds	Total
	General	Water Revenue	Sewer Revenue		
Uncollectibles related to:					
Property taxes	\$ 792,581	\$ -	\$ -	\$ 174,631	\$ 967,212
Utilities customers	-	245,627	103,999	-	349,626
EMS billings	3,578,383	-	-	-	3,578,383
Garbage collection	49,066	-	-	-	49,066
Total allowance for uncollectibles	\$ 4,420,030	\$ 245,627	\$ 103,999	\$ 174,631	\$ 4,944,287

Discretely presented component units

	Texas City Economic Development	Texas City Harbour Foreign Trade Zone	Total
	Receivables:		
Due from other governments	\$ 786,240	\$ -	\$ 786,240
Other	-	75,000	75,000
Net total receivables	\$ 786,240	\$ 75,000	\$ 861,240

III. Detailed Notes on All Funds (continued)

C. Capital assets

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

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 3,375,267	\$ 100,186	\$ -	\$ 3,475,453
Historical treasures and works of art	868,833	-	-	868,833
Construction in progress	5,277,661	8,683,302	(8,477,122)	5,483,841
Total capital assets, not being depreciated	9,521,761	8,783,488	(8,477,122)	9,828,127
Capital assets, being depreciated:				
Streets and drainage	71,894,514	290,425	3,325,162	75,510,101
Buildings and structures	61,146,925	203,053	3,771,857	65,121,835
Improvements other than buildings	8,176,964	217,250	-	8,394,214
Machinery and equipment	27,412,864	1,068,666	(428,543)	28,052,987
Total capital assets, being depreciated	168,631,267	1,779,394	6,668,476	177,079,137
Less accumulated depreciation for:				
Streets and drainage	(26,801,286)	(921,194)	-	(27,722,480)
Buildings and structures	(11,018,484)	(1,823,385)	-	(12,841,869)
Improvements other than buildings	(3,746,165)	(266,120)	-	(4,012,285)
Machinery and equipment	(19,503,991)	(1,694,195)	422,297	(20,775,889)
Total accumulated depreciation	(61,069,926)	(4,704,894)	422,297	(65,352,523)
Governmental capital assets, net	\$117,083,102	\$ 5,857,988	\$ (1,386,349)	\$121,554,741
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 142,062	\$ -	\$ -	\$ 142,062
Construction in progress	2,382,072	3,253,454	(2,237,434)	3,398,092
Total capital assets, not being depreciated	2,524,134	3,253,454	(2,237,434)	3,540,154
Capital assets, being depreciated:				
Buildings and structures	1,867,676	-	-	1,867,676
Improvements other than buildings	110,477,312	2,411,160	2,237,434	115,125,906
Machinery and equipment	5,883,813	171,378	-	6,055,191
Total capital assets, being depreciated	118,228,801	2,582,538	2,237,434	123,048,773
Less accumulated depreciation for:				
Buildings and structures	(1,863,417)	(304)	-	(1,863,721)
Improvements other than buildings	(52,587,853)	(5,574,333)	-	(58,162,186)
Machinery and equipment	(4,847,582)	(340,290)	11,636	(5,176,236)
Total accumulated depreciation	(59,298,852)	(5,914,927)	11,636	(65,202,143)
Business-type capital assets, net	\$ 61,454,083	\$ (78,935)	\$ 11,636	\$ 61,386,784

III. Detailed Notes on All Funds (continued)

C. Capital assets (continued)

Discretely presented component units

Texas City Economic Development Corporation

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 4,901,552	\$ 43,203	\$ -	\$ 4,944,755
Construction in progress	-	156,119	(156,119)	-
Total capital assets, not being depreciated	<u>4,901,552</u>	<u>199,322</u>	<u>(156,119)</u>	<u>4,944,755</u>
Governmental capital assets, net	<u>\$ 4,901,552</u>	<u>\$ 199,322</u>	<u>\$ (156,119)</u>	<u>\$ 4,944,755</u>

Public Facilities Development Corporation

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 439,677	\$ -	\$ (220,604)	\$ 219,073
Total capital assets, not being depreciated	<u>439,677</u>	<u>-</u>	<u>(220,604)</u>	<u>219,073</u>
Capital assets, being depreciated:				
Buildings and structures	1,099,595	-	-	1,099,595
Improvements other than buildings	73,278	-	-	73,278
Total capital assets, being depreciated	<u>1,172,873</u>	<u>-</u>	<u>-</u>	<u>1,172,873</u>
Less accumulated depreciation for:				
Buildings and structures	(838,440)	(27,490)	-	(865,930)
Improvements other than buildings	(19,378)	(3,664)	-	(23,042)
Total accumulated depreciation	<u>(857,818)</u>	<u>(31,154)</u>	<u>-</u>	<u>(888,972)</u>
Governmental capital assets, net	<u>\$ 754,732</u>	<u>\$ (31,154)</u>	<u>\$ (220,604)</u>	<u>\$ 502,974</u>

Texas City Historical Preservation Corporation

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Construction in progress	\$ 7,250	\$ 37,250	\$ (14,500)	\$ 30,000
Total capital assets, not being depreciated	<u>7,250</u>	<u>37,250</u>	<u>(14,500)</u>	<u>30,000</u>
Capital assets, being depreciated:				
Improvements other than buildings	-	-	14,500	14,500
Total capital assets, being depreciated	<u>-</u>	<u>-</u>	<u>14,500</u>	<u>14,500</u>
Less accumulated depreciation for:				
Improvements other than buildings	-	(1,450)	-	(1,450)
Total accumulated depreciation	<u>-</u>	<u>(1,450)</u>	<u>-</u>	<u>(1,450)</u>
Governmental capital assets, net	<u>\$ 7,250</u>	<u>\$ 35,800</u>	<u>\$ -</u>	<u>\$ 43,050</u>

III. Detailed Notes on All Funds (continued)

C. Capital assets (continued)

Depreciation expense was charged to functions/programs as follows:

	Depreciation Expense
Primary government	
Governmental activities:	
General government	\$ 115,450
Culture and recreation	1,602,819
Health and welfare	11,429
Public safety	467,570
Public works	1,411,576
Capital assets used by the City's internal service funds are charged to various functions based on asset usage	1,096,050
Total Governmental activities	<u>4,704,894</u>
Business-type activities:	
Water	3,559,385
Sewer	2,355,542
Total Business-type activities:	<u>5,914,927</u>
Total primary government	<u>\$ 10,619,821</u>
Discretely presented component units	
Governmental activities:	
Public Facilities Development Corporation	\$ 31,154
Texas City Historical Preservation Corporation	1,450
Total discretely presented component units	<u>\$ 32,604</u>

III. Detailed Notes on All Funds (continued)

C. Capital assets (continued)

Construction commitments

The City has active construction projects as of September 30, 2014. The projects include street improvements and sanitary sewer rehabilitation in various areas of the City. At year end, the City's commitments with contractors were as follows:

Project	Budget	Construction in Progress	Estimated Remaining Commitment
Governmental Activities			
FM 1764 Landscaping Project	\$ 288,030	\$ 248,690	\$ 39,340
15th Ave Drainage Improvements	16,962,765	3,891,338	13,071,427
Golf Course Renovation	979,598	842,257	137,341
Dog Park	61,637	19,500	42,137
Multi-street Improvements Project	9,374,671	482,056	8,892,615
Total Governmental Activities	27,666,701	5,483,841	22,182,860
Business-Type Activities			
Lift Station Improvements	1,533,017	1,375,233	157,784
Waterline Rehab Project Phase 13	1,235,082	768,786	466,296
Sewerline Rehab Project Phase 14	1,027,297	922,819	104,478
Sewerline Rehab Project Phase 15	2,271,079	128,922	2,142,157
WWTP Maintenance Shop	483,592	202,332	281,260
Total Business Activities	6,550,067	3,398,092	3,151,975
Component Units			
USS Westfield Exhibit	76,000	30,000	46,000
Total Component Units	76,000	30,000	46,000
Total	\$ 34,292,768	\$ 8,911,933	\$ 25,380,835

III. Detailed Notes on All Funds (continued)

D. Interfund receivables, payables, and transfers

Interfund receivables and payables are utilized as an offset to a fund's deficit cash with another fund's positive cash. As of September 30, 2014, there were the following interfund balances.

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Net</u>
Primary government			
Governmental activities:			
General fund	5,093,217	\$ -	\$ 5,093,217
2010 Series Construction Fund	-	806,836	(806,836)
2013 Series Construction Fund	-	1,208,335	(1,208,335)
Nonmajor governmental funds	6,469,386	550,978	5,918,408
Internal service funds	-	2,797,599	(2,797,599)
Total governmental activities	<u>11,562,603</u>	<u>5,363,748</u>	<u>6,198,855</u>
Business-type activities:			
Water revenue fund		4,095,111	(4,095,111)
Sewer revenue fund	-	2,218,296	(2,218,296)
Total business-type activities	<u>-</u>	<u>6,313,407</u>	<u>(6,313,407)</u>
Fiduciary funds:			
Trust funds		97,089	(97,089)
Agency funds	211,641	-	211,641
Total fiduciary funds	<u>211,641</u>	<u>97,089</u>	<u>114,552</u>
Total primary government	<u>\$ 11,774,244</u>	<u>\$ 11,774,244</u>	<u>\$ -</u>

Interfund transfers:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Net</u>
Primary government			
Governmental activities:			
General fund	\$ -	\$ 500,000	\$ (500,000)
2010 Series Construction Fund	505,705	-	505,705
Nonmajor governmental funds	614,316	620,021	(5,705)
Total governmental activities	<u>1,120,021</u>	<u>1,120,021</u>	<u>-</u>
Total primary government	<u>\$ 1,120,021</u>	<u>\$ 1,120,021</u>	<u>\$ -</u>

The principal reasons for governmental funds transfers included general fund to construction project funds for City improvements and to internal service government for funding purposes.

III. Detailed Notes on All Funds (continued)

E. Operating Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment are cancelable contingent upon budget funding approval. The City is therefore not obligated for any future minimum rental payments at September 30, 2014. The imputed interest on the leases is not readily determinable. Expenditures for operating leases totaled \$138,058 and \$1,924 for component units for the year.

F. Long-term debt

1. Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental activities:					
General obligation bonds	\$ 22,660,000	\$ -	\$ 3,145,000	\$ 19,515,000	\$ 2,935,000
Certificates of obligation	5,765,000	9,960,000	255,000	15,470,000	265,000
Tax refund payable	-	476,211	-	476,211	476,211
Capital leases	185,652	-	51,328	134,324	53,746
Unamortized premium/discount on bonds	767,181	-	104,557	662,624	-
Compensated absences	3,923,414	980,135	563,098	4,340,451	412,630
Net pension obligation	2,447,002	15,683	2,078	2,460,607	-
Governmental activity Long-term liabilities	<u>\$ 35,748,249</u>	<u>\$ 11,432,029</u>	<u>\$ 4,121,061</u>	<u>\$ 43,059,217</u>	<u>\$ 4,142,587</u>
Business-type activities:					
Contract revenue bonds	\$ 7,607,392	\$ -	\$ 974,725	\$ 6,632,667	\$ 1,001,838
Unamortized premium/discount on bonds	484,410	-	53,824	430,586	-
Compensated absences	67,966	22,367	22,862	67,471	21,352
Business-type activity Long-term liabilities	<u>\$ 8,159,768</u>	<u>\$ 22,367</u>	<u>\$ 1,051,411</u>	<u>\$ 7,130,724</u>	<u>\$ 1,023,190</u>

2. General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. Certain bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

III. Detailed Notes on All Funds (continued)

F. Long-term debt (continued)

2. General obligation bonds (continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding as of September 30, 2014:

Series	Interest Rates	Final Maturity Date	Outstanding 09/30/14
Series 2008 (Refunding)	3.75%	2/15/21	\$ 6,880,000
Series 2010 (Refunding)	2.00 - 3.00%	2/15/15	1,100,000
Series 2011 (Refunding)	2.00 - 3.00%	2/15/22	3,965,000
Series 2012 (Refunding)	2.00 - 3.00%	2/15/25	7,570,000
			\$ 19,515,000

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

Fiscal Year Ended September 30	Principal	Interest	Total
2015	\$ 2,935,000	\$ 540,156	\$ 3,475,156
2016	1,965,000	466,363	2,431,363
2017	2,035,000	409,400	2,444,400
2018	2,110,000	347,906	2,457,906
2019	2,190,000	283,944	2,473,944
2020 - 2024	7,745,000	530,444	8,275,444
2025	535,000	8,025	543,025
	\$ 19,515,000	\$ 2,586,238	\$ 22,101,238

3. Long-term contract revenue bonds

On July 1, 1998, the City of Texas City entered into a long-term contract with the Gulf Coast Water Authority (GCWA) to build and improve facilities for potable water transportation to the City of Texas City. The GCWA is a conservation and reclamation district created by Chapter 712, Acts of the 59th Texas Legislature, 1965, as amended (compiled as Article 8280-339, Vernon's Texas Civil Statutes, as amended). The GCWA issued bonds totaling \$9,535,000 in 1998 portion under the title "Gulf Coast Water Authority Water System Contract Revenue Bonds, Series 1998 C - City of Texas City Project". In addition the City also has obligation related to the 2011B series. In 2011 the 1998 bonds (both 1998B and 1998C) were refunding by the District, and by agreement the City continues to provide sufficient funds to retire the bonds. Gulf Coast Water Authority has pledged to make payments on scheduled principal and interest.

III. Detailed Notes on All Funds (continued)

F. Long-term debt (continued)

3. Long-term contract revenue bonds (continued)

In November 2006, the City of Texas City entered into a contract with the Gulf Coast Water Authority (“GCWA”) whereby GCWA issued \$9,680,300 of Gulf Coast Water Authority Contract Revenue Bond Series 2006 to be used to obtain water rights from the Brazos River and execute a purchase agreement for the assets of Chocolate Bayou Water Company. The bonds will be repaid with pledged revenues from the City’s Water Revenue fund.

Revenue bonds outstanding as of September 30, 2014:

Series	Interest Rates	Final Maturity Date	Outstanding 9/30/2014
Series 2006	Variable Rate	12/01/16	\$ 1,793,589
Series 2011B	2.00 - 4.00%	8/15/22	4,630,000
Series 2011C	3.00 - 5.00%	8/15/22	209,078
			<u>\$ 6,632,667</u>

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ended September 30	Enterprise Funds		
	Principal	Interest	Total
2015	\$ 1,001,838	\$ 294,494	\$ 1,296,332
2016	950,263	251,580	1,201,843
2017	1,176,207	230,657	1,406,864
2018	477,800	176,428	654,228
2019	503,890	152,816	656,706
2020-2022	2,522,669	302,922	2,825,591
	<u>\$ 6,632,667</u>	<u>\$ 1,408,897</u>	<u>\$ 8,041,564</u>

Contract Revenue Bonds Reserve Fund

Reserve requirements for the Contract Revenue Bonds Series 2006, 2011B, and 2011C are as follows:

On the date of issuance of the Bonds, funds were transferred into the Reserve Fund from the proceeds of the Bonds in to satisfy the “Reserve Fund Requirement”. The Reserve Fund Requirement means there shall remain on deposit in the Reserve Fund an amount which is the least of (i) the maximum annual debt service on the Bonds, (ii) 125% of the average annual debt service on the Bonds, or (iii) 10% of the original principal amount of the Bonds. At September 30, 2014, the required reserve was for 2006 Series was \$986,031, for the 2011B it was \$24,695 and for the 2011C the Reserve Fund amounted to \$837,663.

III. Detailed Notes on All Funds (continued)

F. Long-term debt (continued)

4. Certificates of obligation

Series 2010

On January 6, 2010, the City issued certificates of obligation of \$6,500,000 to pay the cost of construction of streets, paving and related drainage projects, to pay costs related to other capital improvement projects and to pay certain costs incurred in connection with the issuance of the certificates. It is anticipated that the debt will be retired from debt service fund revenues, the certificates' proceeds are recorded in the City's General Fund.

The City has entered an agreement with the Texas City Economic Development Corporation (the "Corporation") whereby the Corporation will pay to the City from sales tax revenues, amounts sufficient to retire the debt for the certificates. The Corporation receives one-half of one percent of sales tax remitted to the City. During the fiscal year 2014, \$1,444,015 was remitted to the City's Debt Service Fund from the Corporation.

In November 2013, the City issued \$9,960,000 of Combination Tax and Revenue Certificate of Obligation, Series 2013. The bonds interest rate is 2.69%. The proceeds received from the issuance were issued to (i) construction and rehabilitation of City streets and related drainage; (ii) improvements to public works buildings, including city repair shops; (iii) recreational facility improvements; (iv) the cost of professional services incurred in issuance of such debt.

Certificates of obligation outstanding as of September 30, 2014, were as follows:

Series	Interest Rates	Final Maturity Date	Outstanding 9/30/14
Series 2010	2.00 - 4.50%	02/15/30	\$ 5,510,000
Series 2013	2.69%	2/15/24	9,960,000
			<u>\$ 15,470,000</u>

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

Fiscal Year Ended September 30	Principal	Interest	Total
2015	\$ 265,000	\$ 475,661	\$ 740,661
2016	705,000	462,448	1,167,448
2017	730,000	442,295	1,172,295
2018	750,000	421,505	1,171,505
2019	770,000	399,786	1,169,786
2020 - 2024	9,810,000	1,745,079	11,555,079
2025 - 2029	2,040,000	313,493	2,353,493
2030	400,000	9,000	409,000
	<u>\$ 15,470,000</u>	<u>\$ 4,269,267</u>	<u>\$ 19,739,267</u>

III. Detailed Notes on All Funds (continued)

F. Long-term debt (continued)

4. Certificates of obligation (continued)

Prior Year Refunding of General Obligation Bonds

The City defeased certain outstanding bonds by place proceeds of new bonds in irrevocable escrow account to provide for all future debt service payments on the old debt. Accordingly, the escrow accounts to provide for all future debt service payments are not included in the City financial statement. As of September 30, 2014 the City had no outstanding defeased debt.

5. Compensated Absences

Primary government

A summary of changes in compensated absences follows:

Beginning balance	\$ 3,991,380
Additions - new entrants and salary increments	1,002,501
Deductions - payments to participants	(585,959)
Ending balance	<u>\$ 4,407,922</u>

Typically, the general fund, water and sewer funds have been used to liquidate the liabilities for compensated absences.

6. Capital leases

Primary government

The City is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the statement of net position. Assets under capital leases totaled \$236,744 at September 30, 2014. The following is a schedule of future minimum lease payments under capital leases:

<u>Year Ending September 30,</u>	
2015	\$ 58,815
2016	58,815
2017	24,580
Minimum lease payments for all capital leases	<u>142,210</u>
Imputed interest	(7,886)
Present value - minimum lease payments	<u>\$ 134,324</u>

III. Detailed Notes on All Funds (continued)

F. Long-term debt (continued)

6. Capital leases (continued)

The following is a summary of capital lease transactions for the year ended September 30, 2014:

Beginning balance	\$ 185,652
Principal retired	(51,328)
Ending balance	<u>\$ 134,324</u>

A lease-purchase agreement dated December 1, 2012, for the acquisition of golf carts is payable from general fund revenues. The payment amounts are \$4,901 monthly beginning March 2013 and ending February 2017. The stated interest rate is 4.792%.

7. Net Pension Obligation

The City's General Fund typically is the only fund to contribute to the Firemen's Relief and Retirement Fund. The City's Net Pension Obligation is \$222,086 at September 30, 2014.

The City general retirement plan for all employees, other than firefighters is with Texas Municipal Retirement System (TMRS), which is mainly funded by the General, Water and Sewer funds. The City has recognized an obligation related to TMRS of \$2,238,522 at September 30, 2014.

IV. Other Information

A. Risk management

General liabilities

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2014, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Employee health care coverage

The City sponsors a modified self-insurance plan to provide health care benefits to employees and their dependents. Transactions related to the plan are accounted in the Health Insurance internal service fund of the City. Partial employee contributions are required for coverage. The City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage. Stop loss coverage was in effect for annual individual claims exceeding \$60,000, and annual aggregate losses exceeding \$1,000,000.

Payments are made to the fund based on estimates of the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses. The claims liability of \$972,801 reported in the fund at September 30, 2014, is based on the requirements of Governmental Accounting Standards Board, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated.

IV. Other Information (continued)

A. Risk Management (continued)

The following is a summary of the changes in the balances of claims liabilities for the year ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Liability, beginning of period	\$ 880,675	\$ 722,288
Current year claims and changes in estimates	4,933,139	4,602,375
Claim payments	<u>(4,841,013)</u>	<u>(4,443,988)</u>
Liability, end of period	<u>\$ 972,801</u>	<u>\$ 880,675</u>

B. Contingent liabilities

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

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government’s counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Claims and Judgments

During the prior year a lawsuit judgment was render against the City. The lawsuit involved 2011 appraised properties values include the taxpayer’s refinery. The taxpayer received a jury verdict and judgment in its favor. The City portion was paid in full for said judgment. The Galveston Central Appraisal District has appeal the judgment and a ruling is expect be issued in early calendar year 2015. It is anticipated that any ruling from the appellate court will be referred to the Texas Supreme Court. Same Taxpayer has also filed suits to challenge the appraised values for the 2012 and 2013 tax years. No trial dates have been set to date.

Subsequent to year-end the City received notice that tax collections from a major taxpayer were calculated in error and refund of \$476,211 was due to the taxpayer.

Economic development agreements

The City’s Economic Development Corporation (EDC) has entered into a performance agreement in 2013 for purpose of economic development. The agreement by the EDC would provide funding to an entity involved, which will be utilized to defray a portion of the costs of infrastructure projects in the new developed area of the City. The maximum (ceiling) expenditure by the EDC would be \$8,500,000, which will come only from EDC’s portion of sales tax revenue and has an expiration date of 10 years following construction completion, which was October 2012. During the fiscal year 2014, the City rebate amount was \$1,313,009 and as of September 30, 2014, the remaining commitment by the EDC was \$5,872,686.

IV. Other Information (continued)

C. Other postemployment benefits

Retired Life Reserve Plan

The City maintains a life insurance plan for the benefit of its retirees. As of January 1, 2012 the number of active participation is 489. The effective date of the plan is January 1, 1993, and the plan year is on a calendar year. Employees are eligible beginning on the January 1 following his/her employment date. The entire cost of the plan is paid by the City; no contributions are required or permitted from employees. Retirement benefits are available at the earliest of the following retirement ages: (i) age 60 with 10 years of credited service; or (ii) any age after 20 years of credited service. The retirement benefit is provided in the form of paid-up group term life insurance with a face amount of \$25,000. Employees who terminate employment prior to reaching retirement age will receive no benefits from the plan. As of the last actuarial valuation (January 1, 2012), the actuarial value of plan assets was \$658,389 and the present value of all projected future benefits was \$2,272,244. The recommended contribution as of that valuation was \$165,482 for plan year 2012, which the City contributed. No actuarial valuations have been performed since January 1, 2012.

D. Employee retirement systems and pension plans

The City does not provide any other postemployment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the City.

The City maintains a single-employer, defined benefit plan that covers all its firefighters, and participates in the statewide Texas Municipal Retirement System, an agent multiple-employer defined benefit public employee pension plan that covers all of the government's employees except firefighters.

Firemen's Relief and Retirement Fund

Plan Description:

The Board of Trustees of the Texas City Firemen's Relief and Retirement Fund is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund and is reported in the accompanying general purpose financial statements as a pension trust fund and a blended component unit. Separate financial reports are not issued by the Texas City Firemen's Relief and Retirement Fund.

Firefighters in the Texas City Fire Department are covered by the Texas City Firemen's Relief and Retirement Fund. The table below summarizes the membership of the fund at December 31, 2012, (the date of the most recent actuarial valuation).

	<u>December 31, 2012</u>
a. Retired members and their beneficiaries	49
b. Disabled members	1
c. Vested terminated members	6
d. Active members:	
i. Vested	17
ii. Nonvested	<u>51</u>
Subtotal	<u>68</u>
e. Total fund membership	<u>124</u>

IV. Other Information (continued)

D. Employee retirement systems and pension plans (continued)

Firemen's Relief and Retirement Fund (continued)

The Texas City Firemen's Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Employees may retire at age 53 (age 50 for those firefighters hired prior to January 1, 2006) with 20 years of service. A partially vested benefit is provided for employees who terminate employment with at least 10 but less than 20 years of service. The Plan effective December 1, 1999 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 3.50% of the 5 Year Average Salary multiplied by years of service prior to January 1, 1996 plus 3.00% of the 5 Year Average Salary multiplied by years of service on or after January 1, 2006 with a maximum of 20 years (for firefighters hired on or after January 1, 1996, 3.00% of the 5 Year Average Salary multiplied by total years of service with a maximum of 20 years) plus \$116.00 per month for each year of service in excess of 20 years. There is no provision for automatic post-retirement benefit increases. In addition, the fund has the authority to provide, and has periodically in the past provided for, ad hoc post-retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy for the firefighters is determined by a majority vote per TLFFRA. TLFFRA provides that the employer must contribute at least the same rate as the firefighters or a minimum of 9%. The current funding commitment as of September 30, 2014 for the firefighters is 16% and by the City of Texas City is 16% of payroll.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the entry age normal actuarial cost method the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method. The costs of administering the plan are financed from the trust. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Significant Investments

There are no significant investments in any one organization that represent 5.00% or more of plan net position.

IV. Other Information (continued)

D. Employee retirement systems and pension plans (continued)

Firemen's Relief and Retirement Fund (continued)

Annual Pension Costs

Employer contributions have been determined as follows:

Actuarial valuation date	<u>12/31/12</u>
Actuarial cost method	Entry Age Normal Fair Market Value of the Fund
Asset valuation method	Open period, level percentage pay
Amortization method	33.6 years
Amortization period	

Significant actuarial assumptions

Inflation rate	3.00%
Investment return	7.75%
Projected salary increases	4.50%
Projected rate of amortization increasing	3.00%

Under the actuarial soundness guidelines of the Texas Pension Review Board scheduled contributions should be sufficient to fully amortize the unfunded actuarial liability over a period of 15 to 25 years (not to exceed 40 years). The expected amortization period for this unfunded liability is 33.6 years based on the 2012 actuarial valuation, compared to 29.1 years under the 2010 actuarial valuation.

Employer annual pension costs (APC), actual contributions, and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the ARC and the contributions actually made.

<u>Three Year Trend Information</u>				
<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Annual</u> <u>Contributions</u> <u>Made</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/2014	\$ 721,824	\$ 723,902	100.3%	\$ 222,086
9/30/2013	770,014	1,567,844	203.6%	224,164
9/30/2012	700,583	676,160	96.5%	1,021,994

The net pension obligation as of September 30, 2014 has been calculated as follows:

Annual required contributions (ARC)	\$ 1,442,286
Firefighter contributions	(723,892)
Interest on net pension obligation	17,373
Adjustment to ARC	<u>(13,943)</u>
Annual pension cost (APC)	721,824
City contributions	<u>(723,902)</u>
Increase in net pension	(2,078)
Net pension obligation, beginning of year	<u>224,164</u>
Net pension obligation, end of year	<u><u>\$ 222,086</u></u>

IV. Other Information (continued)

D. Employee retirement systems and pension plans (continued)

Firemen’s Relief and Retirement Fund (continued)

The funded status of each plan as of the most recent actuarial valuation date is as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll {(b-a)/c}
12/31/12	\$ 14,859,762	\$ 28,063,375	\$ 13,203,613	53.0%	\$ 4,454,223	296.4%
12/31/10	13,557,841	25,296,553	11,738,712	53.6%	3,945,970	297.5%
12/31/08	9,564,760	22,880,068	13,315,308	41.8%	3,516,398	378.7%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Texas Municipal Retirement System

Plan Description:

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

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

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7%	7%
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

IV. Other Information (continued)

D. Employee retirement systems and pension plans (continued)

Texas Municipal Retirement System (continued)

Contributions:

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN cost method was first used in December 31, 2013 valuation; previously the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded actuarial liability 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 (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

The annual pension cost and net pension obligation as of September 30, 2014 are as follows:

Annual required contributions (ARC)	\$	3,452,378
Interest on net pension obligation		155,599
Adjustment to ARC		<u>(139,916)</u>
Annual pension cost (APC)		3,468,061
Contributions made		<u>(3,452,378)</u>
Increase in net pension		15,683
Net pension obligation, beginning of year		<u>2,222,839</u>
Net pension obligation, end of year	\$	<u><u>2,238,522</u></u>

Employer annual pension costs (APC), actual contributions, and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the ARC and the contributions actually made.

Three-Year Trend Information				
Fiscal Year	Annual Pension Cost (APC)	Annual Contributions Made	Percentage of APC Contributed	Net Pension Obligation
Ending 9/30/2014	\$ 3,468,061	\$ 3,452,378	99.5%	\$ 2,238,522
9/30/2013	3,341,258	3,321,737	99.4%	2,222,839
9/30/2012	3,349,704	3,166,802	94.5%	2,203,318

IV. Other Information (continued)

D. Employee retirement systems and pension plans (continued)

Texas Municipal Retirement System (continued)

The required contributions rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013 also follows:

Valuation date	12/31/2011	12/31/2012	12/31/2013
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	26.2 years; closed period	25.3 years; closed period	23.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
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%

Funded Status and Funding Progress:

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

Actuarial valuation date	12/31/2013
Actuarial value of assets (1)	\$ 103,932,133
Actuarial accrued liability (AAL) (2)	129,706,795
Funded ratio (3) = (1) / (2)	80.1%
Unfunded actuarial accrued liability (UAAL) (4) = (2) - (1)	25,774,662
Covered payroll (5)	18,929,217
UAAL as a percentage of covered payroll (6) = (4) / (5)	136.2%

IV. Other Information (continued)

D. Employee retirement systems and pension plans (continued)

Texas Municipal Retirement System (continued)

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 expectation 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, present as Required Supplement Information following the notes to the financial statement, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability of benefits.

E. Deferred Compensation Plan

The City offers its employees the opportunity to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries. The City provides neither administrative services nor investment advice for the plan. Accordingly, no assets or liabilities are reported in the financial statements of the City.

F. Prior Period Adjustment

The City incorporated discretely presented component unit Lago Mar Development Authority in fiscal year 2014. As such the beginning fund balance and net position for Lago Mar Development Authority has been restated. A reconciliation of the prior period ending net fund balance and net position to the current year beginning balance are as follows:

<u>Lago Mar Development Authority</u>	<u>Governmental Fund</u>	<u>Governmental Activities</u>
Beginning fund balance/net position - as originally presented	\$ -	\$ -
Prior period adjustment:		
Correction of error in recording of new Component unit (GASB 61)	<u>36,019</u>	<u>(233,081)</u>
Beginning fund balance/net position - as restated	<u>\$ 36,019</u>	<u>\$ (233,081)</u>

IV. Other Information (continued)

G. Fund Balance Restrictions

Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors are classified as restricted fund balance. A summary of restricted fund balance in the governmental funds at September 30, 2014, follows:

	2010 Series Construction Fund	2013 Series Construction Fund	Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Debt service	\$ -	\$ -	\$ 2,210,235
Public safety:			
Police	-	-	277,313
Fire	-	-	854
Municipal Court Operations	-	-	591,358
Port security	-	-	179,653
Public information	-	-	239,756
	<u> </u>	<u> </u>	<u>1,288,934</u>
Capital projects:			
Streets and drainage	496,802	8,482,218	610,532
Development activities:			
Economic	-	-	1,722,912
Recreation	-	-	3,819,989
	<u> </u>	<u> </u>	<u>5,542,901</u>
Total	<u>\$ 496,802</u>	<u>\$ 8,482,218</u>	<u>\$ 9,652,602</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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SCHEDULE OF FUNDING PROGRESS						
	(1)	(2)	(3) = (1) / (2)	(4) = (2) - (1)	(5)	(6) = (2-1) / (5)
Actuarial Valuation Year	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2004	\$ 37,056,338	\$ 50,010,645	74.1%	\$ 12,954,307	\$ 13,484,279	96.1%
2005	38,446,244	52,019,632	73.9%	13,573,388	14,521,445	93.5%
2006	38,330,758	52,637,614	72.8%	14,306,856	14,992,192	95.4%
2007	37,758,420	61,449,033	61.4%	23,690,613	15,681,164	151.1%
2008	35,709,557	61,918,378	57.7%	26,208,821	16,836,952	155.7%
2009	38,936,510	66,730,973	58.3%	27,794,463	17,934,711	155.0%
2010	87,744,104	106,812,139	82.1%	19,068,035	18,507,329	103.0%
2011	92,699,847	112,251,948	82.6%	19,552,101	18,654,203	104.8%
2012	97,887,365	115,895,040	84.5%	18,007,675	18,327,356	98.3%
2013	103,932,133	129,706,795	80.1%	25,774,662	18,929,217	136.2%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Texas Municipal Retirement System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability and covered payroll approximately adjusts for the effects of inflation aids analysis of the Texas Municipal Retirement System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Public Employee Retirement System.

CITY OF TEXAS CITY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND

Exhibit G-2

SCHEDULE OF FUNDING PROGRESS						
	(1)	(2)	(1)/(2)	(1)-(2)	(3)	(2)-(1)/(3)
Actuarial Valuation Year	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll(1)	UAAL as a Percentage of Covered Payroll
2003 ⁽³⁾	\$ 10,217,647	\$ 15,904,210	64.2%	\$ 5,686,563	\$ 2,526,299	225.1%
2004	11,526,770	18,216,288	63.3%	6,689,518	2,541,173	263.2%
2005 ⁽²⁾						
2006	12,283,069	20,004,305	61.4%	7,721,236	2,592,776	297.8%
2007 ⁽²⁾						
2008	9,564,760	22,880,068	41.8%	13,315,308	3,516,398	378.7%
2009 ⁽²⁾						
2010	13,557,841	25,296,553	53.6%	11,738,712	3,945,970	297.5%
2011 ⁽²⁾						
2012	14,859,762	28,063,375	53.0%	13,203,613	4,454,223	296.4%

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Firemen's Relief & Retirement Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Retirement System. Trends in unfunded actuarial accrued liability and covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability and covered payroll approximately adjusts for the effects of inflation and aids analysis of the Firemen's Relief & Retirement Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Retirement System.

- (1) Based on estimated annualized salaries used in the valuation.
- (2) In accordance with Section 23B of the Texas Local Fire Fighters Retirement Act, the Board of Trustees of the Firemen's Relief and Retirement Fund may employ an actuary no more than once every two years; therefore, no update was performed for the years indicated. The most recent actuarial valuation was as of December 31, 2012.
- (3) Actuarial study completed in 2002

City contribution to the Firemen's Relief and Retirement fund for the past calendar years:

	In thousands		
	2012	2013	2014
City contributions	\$ 676	\$ 1,568	\$ 724
ARC	1,356	1,480	1,442
City % of Contribution	49.9%	105.9%	50.2%

CITY OF TEXAS CITY, TEXAS

Exhibit G-3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGET AND ACTUAL (WITH VARIANCES)

GENERAL FUND

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget - Positive (Negative)
Revenues				
Property taxes	\$ 19,987,590	\$ 19,987,590	\$ 19,782,617	\$ (204,973)
General sales tax	13,200,000	13,200,000	15,716,952	2,516,952
Miscellaneous taxes	4,075,000	4,075,000	4,287,047	212,047
Licenses and permits	422,500	422,500	665,120	242,620
Intergovernmental	1,573,500	123,500	133,432	9,932
Charges for services	4,295,000	4,295,000	4,277,792	(17,208)
Fine and forfeits	1,100,000	1,100,000	2,014,331	914,331
Investment earnings	35,000	35,000	1,113	(33,887)
Miscellaneous revenue	2,146,000	2,207,461	3,140,981	933,520
Total Revenues	46,834,590	45,446,051	50,019,385	4,573,334
Expenditures				
Current:				
General government				
Administration	2,712,998	2,629,543	2,937,118	(307,575)
Legal	267,764	267,764	189,387	78,377
Purchasing	133,035	133,314	124,850	8,464
Planning	408,866	402,766	334,130	68,636
Data processing	551,821	550,771	598,769	(47,998)
Public safety				
Police	10,733,979	10,950,329	11,012,940	(62,611)
Fire	8,278,316	8,369,821	7,994,168	375,653
Inspection	346,225	347,100	332,644	14,456
Municipal court	583,282	608,282	623,793	(15,511)
Emergency management	246,709	246,709	276,900	(30,191)
Public works				
Street & bridge	7,430,439	7,752,502	7,075,178	677,324
Sanitation	3,713,918	3,713,918	3,437,213	276,705
Rainwater pump stations	429,244	443,862	403,712	40,150
Health & welfare				
Health	436,016	404,305	356,294	48,011
Culture and recreation				
Recreation & tourism	5,997,583	5,958,683	5,547,621	411,062
Library	1,203,941	1,206,416	1,169,424	36,992
Bayou golf	1,084,433	1,084,733	1,038,375	46,358
Capital outlay	246,364	470,121	146,978	323,143
Debt service:				
Principal retirement	58,815	63,535	51,328	12,207
Interest and fiscal charges	-	-	7,487	(7,487)
Total Expenditures	44,863,748	45,604,474	43,658,309	1,946,165
Excess (deficiency) of revenues over expenditures	1,970,842	(158,423)	6,361,076	6,519,499
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	40,148	40,148
Transfers out	-	(500,000)	(500,000)	-
Total Other Financing Sources (Uses)	-	(500,000)	(459,852)	40,148
Net change in fund balances	1,970,842	(658,423)	5,901,224	6,559,647
Fund Balances - beginning	14,802,744	14,802,744	14,802,744	-
Fund Balances - ending	\$ 16,773,586	\$ 14,144,321	\$ 20,703,968	\$ 6,559,647

CITY OF TEXAS CITY, TEXAS

Exhibit G-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

SPECIAL REVENUE FUNDS - CDBG DISASTER RECOVERY - GLO

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Positive (Negative)
Revenues				
Intergovernmental	\$ 880,467	\$ 14,327,537	\$ 5,158,382	\$ (9,169,155)
Total Revenues	<u>880,467</u>	<u>14,327,537</u>	<u>5,158,382</u>	<u>(9,169,155)</u>
Expenditures				
Current:				
Capital Outlay	1,760,934	15,643,906	5,158,382	10,485,524
Total Expenditures	<u>1,760,934</u>	<u>15,643,906</u>	<u>5,158,382</u>	<u>10,485,524</u>
Net change in fund balances	(880,467)	(1,316,369)	-	1,316,369
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ (880,467)</u>	<u>\$ (1,316,369)</u>	<u>\$ -</u>	<u>\$ 1,316,369</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF TEXAS CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2014

Exhibit H-1

	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 607,398	\$ 167,518	\$ -	\$ 774,916
Investments	1,250,000	1,050,000	100,000	2,400,000
Taxes receivable, net	-	114,047	-	114,047
Due from other funds	5,480,879	988,507	-	6,469,386
Due from other governments	502,235	-	-	502,235
Other receivables	159,531	-	-	159,531
Total Assets	\$ 8,000,043	\$ 2,320,072	\$ 100,000	\$ 10,420,115
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable	\$ 106,698	\$ -	\$ -	\$ 106,698
Due to other funds	450,978	-	100,000	550,978
Total Liabilities	557,676	-	100,000	657,676
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	-	109,837	-	109,837
Total Deferred Inflows	-	109,837	-	109,837
Fund Balances:				
Restricted:				
Debt service	-	2,210,235	-	2,210,235
Public safety	1,288,934	-	-	1,288,934
Capital projects	610,532	-	-	610,532
Development activities	5,560,280	-	-	5,560,280
Unassigned	(17,379)	-	-	(17,379)
Total Fund Balances	7,442,367	2,210,235	-	9,652,602
Total Liabilities, Deferred Inflows and Fund Balances	\$ 8,000,043	\$ 2,320,072	\$ 100,000	\$ 10,420,115

CITY OF TEXAS CITY, TEXAS

Exhibit H-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	Total Nonmajor Special Revenue Funds	Debt Service Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ -	\$ 2,938,129	\$ -	\$ 2,938,129
Miscellaneous taxes	686,615	-	-	686,615
Intergovernmental	704,027	-	-	704,027
Charges for services	146,566	-	-	146,566
Fine and forfeits	226,499	-	-	226,499
Investment earnings	3,374	2,834	270	6,478
Miscellaneous revenue	589,019	1,444,015	-	2,033,034
Total Revenues	<u>2,356,100</u>	<u>4,384,978</u>	<u>270</u>	<u>6,741,348</u>
Expenditures				
Current:				
General government	49,474	-	-	49,474
Public safety	154,405	-	-	154,405
Public works	33,605	-	-	33,605
Culture and recreation	695,122	-	-	695,122
Economic & physical development	300,636	-	-	300,636
Capital outlay	426,274	-	290,426	716,700
Debt service:				
Principal retirement	-	3,400,000	-	3,400,000
Interest and fiscal charges	-	1,062,390	-	1,062,390
Total Expenditures	<u>1,659,516</u>	<u>4,462,390</u>	<u>290,426</u>	<u>6,412,332</u>
Excess (deficiency) of revenues over expenditures	<u>696,584</u>	<u>(77,412)</u>	<u>(290,156)</u>	<u>329,016</u>
Other Financing Sources (Uses)				
Transfers in	-	-	614,316	614,316
Issuance of long-term debt	-	1,262	-	1,262
Transfers out	-	-	(620,021)	(620,021)
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,262</u>	<u>(5,705)</u>	<u>(4,443)</u>
Net change in fund balances	696,584	(76,150)	(295,861)	324,573
Fund Balances - beginning	<u>6,745,783</u>	<u>2,286,385</u>	<u>295,861</u>	<u>9,328,029</u>
Fund Balances - ending	<u>\$ 7,442,367</u>	<u>\$ 2,210,235</u>	<u>\$ -</u>	<u>\$ 9,652,602</u>

CITY OF TEXAS CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2014

	Hotel/Motel Tax Fund	Municipal Court Building Security Fund	Municipal Court Technology Fund	Drug Confiscation Fund
Assets				
Cash and cash equivalents	\$ 90,488	\$ 112,273	\$ 104,432	\$ 1,501
Investments	1,000,000	250,000	-	-
Due from other funds	542,748	-	-	275,812
Due from other governments	-	-	-	-
Other receivables	131,755	-	-	-
Total Assets	\$ 1,764,991	\$ 362,273	\$ 104,432	\$ 277,313
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 24,700	\$ 660	\$ 3,470	\$ -
Due to other funds	-	-	-	-
Total Liabilities	24,700	660	3,470	-
Fund Balances:				
Restricted:				
Public safety	-	361,613	100,962	277,313
Capital projects	-	-	-	-
Development activities	1,740,291	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	1,740,291	361,613	100,962	277,313
Total Liabilities and Fund Balances	\$ 1,764,991	\$ 362,273	\$ 104,432	\$ 277,313

Water Capital Recovery Fund	Sewer Capital Recovery Fund	BJA Grant Fund	HGAC Grants Fund	Cable Public Educational Government (PEG) Channel Fund	Municipal Court Efficiency Fees Fund
\$ 226	\$ 225	\$ -	\$ -	\$ -	\$ 128,965
-	-	-	-	-	-
310,892	299,189	-	-	216,776	-
-	-	14,224	-	-	-
-	-	-	-	22,980	-
<u>\$ 311,118</u>	<u>\$ 299,414</u>	<u>\$ 14,224</u>	<u>\$ -</u>	<u>\$ 239,756</u>	<u>\$ 128,965</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 182
-	-	14,224	-	-	-
-	-	14,224	-	-	182
-	-	-	-	239,756	128,783
311,118	299,414	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>311,118</u>	<u>299,414</u>	<u>-</u>	<u>-</u>	<u>239,756</u>	<u>128,783</u>
<u>\$ 311,118</u>	<u>\$ 299,414</u>	<u>\$ 14,224</u>	<u>\$ -</u>	<u>\$ 239,756</u>	<u>\$ 128,965</u>

CITY OF TEXAS CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
September 30, 2014

	Firefighter's Association Grant	Step Op Grant	Community Development Block Grant Fund
Assets			
Cash and cash equivalents	\$ 854	\$ -	\$ -
Investments	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	105,855
Other receivables	-	4,796	-
Total Assets	\$ 854	\$ 4,796	\$ 105,855
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 40,340
Due to other funds	-	4,796	65,515
Total Liabilities	-	4,796	105,855
Fund Balances:			
 Restricted:			
Public safety	854	-	-
Capital projects	-	-	-
Development activities	-	-	-
 Unassigned			
	-	-	-
Total Fund Balances	854	-	-
Total Liabilities and Fund Balances	\$ 854	\$ 4,796	\$ 105,855

Port Security Grant	Valero Contributions	FEMA Disaster Assistance Fund	Texas City Dike Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ 168,434	\$ -	\$ -	\$ 607,398
-	-	-	-	1,250,000
-	-	-	3,835,462	5,480,879
225,426	-	156,730	-	502,235
-	-	-	-	159,531
<u>\$ 225,426</u>	<u>\$ 168,434</u>	<u>\$ 156,730</u>	<u>\$ 3,835,462</u>	<u>\$ 8,000,043</u>
\$ -	\$ -	\$ 21,873	\$ 15,473	\$ 106,698
214,207	-	152,236	-	450,978
<u>214,207</u>	<u>-</u>	<u>174,109</u>	<u>15,473</u>	<u>557,676</u>
11,219	168,434	-	-	1,288,934
-	-	-	-	610,532
-	-	-	3,819,989	5,560,280
-	-	(17,379)	-	(17,379)
<u>11,219</u>	<u>168,434</u>	<u>(17,379)</u>	<u>3,819,989</u>	<u>7,442,367</u>
<u>\$ 225,426</u>	<u>\$ 168,434</u>	<u>\$ 156,730</u>	<u>\$ 3,835,462</u>	<u>\$ 8,000,043</u>

CITY OF TEXAS CITY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2014

	Hotel/Motel Tax Fund	Municipal Court Building Security Fund	Municipal Court Technology Fund	Drug Confiscation Fund
Revenues				
Miscellaneous taxes	\$ 686,615	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fine and forfeits	-	43,365	57,816	114,060
Investment earnings	2,699	675	-	-
Miscellaneous revenue	785	-	-	-
Total Revenues	<u>690,099</u>	<u>44,040</u>	<u>57,816</u>	<u>114,060</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	10,410	44,938	1,503
Public works	-	-	-	-
Culture and recreation	512,222	-	-	-
Economic and community development	-	-	-	-
Capital outlay	<u>8,272</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>520,494</u>	<u>10,410</u>	<u>44,938</u>	<u>1,503</u>
Net change in fund balances	169,605	33,630	12,878	112,557
Fund Balances - beginning	<u>1,570,686</u>	<u>327,983</u>	<u>88,084</u>	<u>164,756</u>
Fund Balances - ending	<u>\$ 1,740,291</u>	<u>\$ 361,613</u>	<u>\$ 100,962</u>	<u>\$ 277,313</u>

Water Capital Recovery Fund	Sewer Capital Recovery Fund	BJA Grant Fund	HGAC Grants Fund	Cable Public Educational Government (PEG) Channel Fund	Municipal Court Efficiency Fees Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	14,224	21,187	-	-
95,438	51,128	-	-	-	-
-	-	-	-	-	11,258
-	-	-	-	-	-
-	-	-	-	94,777	-
<u>95,438</u>	<u>51,128</u>	<u>14,224</u>	<u>21,187</u>	<u>94,777</u>	<u>11,258</u>
-	-	-	-	-	-
-	-	14,224	21,187	-	12,852
-	-	-	-	-	-
-	-	-	-	23,179	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>14,224</u>	<u>21,187</u>	<u>23,179</u>	<u>12,852</u>
95,438	51,128	-	-	71,598	(1,594)
215,680	248,286	-	-	168,158	130,377
<u>\$ 311,118</u>	<u>\$ 299,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,756</u>	<u>\$ 128,783</u>

CITY OF TEXAS CITY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2014

	Firefighter's Association Grant	Step Op Grant	Community Development Block Grant Fund	Port Security Grant
Revenues				
Miscellaneous taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	35,693	300,636	332,287
Charges for services	-	-	-	-
Fine and forfeits	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total Revenues	<u>-</u>	<u>35,693</u>	<u>300,636</u>	<u>332,287</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	13,598	35,693	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic and community development	-	-	300,636	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,068</u>
Total Expenditures	<u>13,598</u>	<u>35,693</u>	<u>300,636</u>	<u>371,068</u>
Net change in fund balances	(13,598)	-	-	(38,781)
Fund Balances - beginning	<u>14,452</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Fund Balances - ending	<u>\$ 854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,219</u>

Valero Contributions	FEMA Disaster Assistance Fund	Texas City Dike Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ 686,615
-	-	-	704,027
-	-	-	146,566
-	-	-	226,499
-	-	-	3,374
-	-	493,457	589,019
-	-	493,457	2,356,100
-	-	49,474	49,474
-	-	-	154,405
-	-	33,605	33,605
-	-	159,721	695,122
-	-	-	300,636
-	-	46,934	426,274
-	-	289,734	1,659,516
-	-	203,723	696,584
168,434	(17,379)	3,616,266	6,745,783
<u>\$ 168,434</u>	<u>\$ (17,379)</u>	<u>\$ 3,819,989</u>	<u>\$ 7,442,367</u>

CITY OF TEXAS CITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
September 30, 2014

Exhibit H-5

	Construction Fund	2005 Series Construction Fund	Total Nonmajor Capital Project Funds
Assets			
Investments	\$ 100,000	\$ -	\$ 100,000
Total Assets	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	100,000	-	100,000
Total liabilities	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Fund balances:			
 Restricted:			
Capital projects	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>

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

Exhibit H-6

	Construction Fund	2005 Series Construction Fund	Total Nonmajor Capital Project Funds
Revenues			
Investment earnings	\$ 270	\$ -	\$ 270
Total Revenues	<u>270</u>	<u>-</u>	<u>270</u>
Expenditures			
Current:			
Capital outlay	<u>71,989</u>	<u>218,437</u>	<u>290,426</u>
Total Expenditures	<u>71,989</u>	<u>218,437</u>	<u>290,426</u>
Excess (deficiency) of revenues over expenditures	<u>(71,719)</u>	<u>(218,437)</u>	<u>(290,156)</u>
Other Financing Sources (Uses)			
Transfers in	-	614,316	614,316
Transfers out	<u>(620,021)</u>	<u>-</u>	<u>(620,021)</u>
Total Other Financing Sources (Uses)	<u>(620,021)</u>	<u>614,316</u>	<u>(5,705)</u>
Net change in fund balances	(691,740)	395,879	(295,861)
Fund Balances - beginning	<u>691,740</u>	<u>(395,879)</u>	<u>295,861</u>
Fund Balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TEXAS CITY, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2014

Exhibit H-7

	Group Insurance Fund	Capital Equipment Replacement Fund	Windstorm Insurance	Total Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 3,169	\$ 3,169
Investments	-	1,000,000	750,000	1,750,000
Other receivable	456,779	-	-	456,779
Total current assets	<u>456,779</u>	<u>1,000,000</u>	<u>753,169</u>	<u>2,209,948</u>
Non-current assets				
Capital assets:				
Equipment and furniture	-	14,030,391	-	14,030,391
Less accumulated depreciation	-	(9,029,289)	-	(9,029,289)
Total capital assets	<u>-</u>	<u>5,001,102</u>	<u>-</u>	<u>5,001,102</u>
Total Assets	<u>456,779</u>	<u>6,001,102</u>	<u>753,169</u>	<u>7,211,050</u>
Liabilities				
Current Liabilities:				
Accounts payable	279,201	11,494	-	290,695
Due to other funds	2,443,349	354,250	-	2,797,599
Claims and judgments, current	972,801	-	-	972,801
Total Liabilities	<u>3,695,351</u>	<u>365,744</u>	<u>-</u>	<u>4,061,095</u>
Net Position				
Investment in capital assets	-	5,001,102	-	5,001,102
Unrestricted	(3,238,572)	634,256	753,169	(1,851,147)
Total Net Position	<u>\$ (3,238,572)</u>	<u>\$ 5,635,358</u>	<u>\$ 753,169</u>	<u>\$ 3,149,955</u>

CITY OF TEXAS CITY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2014

Exhibit H-8

	Group Insurance Fund	Capital Equipment Replacement Fund	Windstorm Insurance	Total Internal Service Funds
Revenues				
Charges for services	\$ 5,264,382	\$ 500,002	\$ -	\$ 5,764,384
Total Revenues	<u>5,264,382</u>	<u>500,002</u>	<u>-</u>	<u>5,764,384</u>
Operating Expenses				
Contractual and professional services	1,397,763	-	-	1,397,763
Insurance claims and expenses	4,933,139	-	-	4,933,139
Depreciation	-	1,102,296	-	1,102,296
Total Operating Expenses	<u>6,330,902</u>	<u>1,102,296</u>	<u>-</u>	<u>7,433,198</u>
Operating income (loss)	<u>(1,066,520)</u>	<u>(602,294)</u>	<u>-</u>	<u>(1,668,814)</u>
Non-Operating Revenues (Expenses)				
Interest and investment revenue	-	3,370	2,024	5,394
Gain/loss on sale of capital assets	-	54,097	-	54,097
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>57,467</u>	<u>2,024</u>	<u>59,491</u>
Change in net position	(1,066,520)	(544,827)	2,024	(1,609,323)
Total Net Position - beginning	<u>(2,172,052)</u>	<u>6,180,185</u>	<u>751,145</u>	<u>4,759,278</u>
Total Net Position - ending	<u>\$ (3,238,572)</u>	<u>\$ 5,635,358</u>	<u>\$ 753,169</u>	<u>\$ 3,149,955</u>

CITY OF TEXAS CITY, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2014

Exhibit H-9

	Group Insurance Fund	Capital Equipment Replacement Fund	Windstorm Insurance	Total Internal Service Funds
Cash flows from operating activities				
Cash received from customers and users	\$ 5,149,810	\$ 500,002	\$ -	\$ 5,649,812
Cash paid to suppliers	(1,492,885)	(18,184)	-	(1,511,069)
Cash paid from claims	(4,841,013)	-	-	(4,841,013)
Net cash provided (used) by operating activities	(1,184,088)	481,818	-	(702,270)
Cash flows from noncapital financing activities				
Advances from (repayments to) other funds	1,184,088	(849,959)	-	334,129
Net cash provided (used) by noncapital financing activities	1,184,088	(849,959)	-	334,129
Cash flows from capital and related financing activities				
Proceeds from sales of capital assets	-	54,097	-	54,097
Acquisition and construction of capital assets	-	(689,326)	-	(689,326)
Net cash provided (used) by capital and related financing activities	-	(635,229)	-	(635,229)
Cash flows from investing activities				
Purchase of investments	-	1,000,000	-	1,000,000
Interest and dividends received	-	3,370	2,024	5,394
Net cash provided (used) by investing activities	-	1,003,370	2,024	1,005,394
Net increase (decrease) in cash and cash equivalents	-	-	2,024	2,024
Cash and cash equivalents, beginning	-	-	1,145	1,145
Cash and cash equivalents, ending	\$ -	\$ -	\$ 3,169	\$ 3,169
Cash and cash equivalents	\$ -	\$ -	\$ 3,169	3,169
Cash and cash equivalents, ending	\$ -	\$ -	\$ 3,169	\$ 3,169
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (1,066,520)	\$ (602,294)	\$ -	\$ (1,668,814)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	-	1,102,296	-	1,102,296
(Increase) decrease in receivables	(114,572)	-	-	(114,572)
Increase (decrease) in accounts payable	(95,122)	(18,184)	-	(113,306)
Increase (decrease) in accrued claims payable	92,126	-	-	92,126
Total adjustments	(117,568)	1,084,112	-	966,544
Net cash provided by operating activities	\$ (1,184,088)	\$ 481,818	\$ -	\$ (702,270)

CITY OF TEXAS CITY, TEXAS*Exhibit H-10***STATEMENT OF CHANGES IN ASSETS AND LIABILITIES****AGENCY FUNDS***For the Year Ended September 30, 2014*

	<u>09/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>09/30/14</u>
Assets				
Cash and cash equivalents	\$ 345,364	\$ 633,002	\$ 928,420	\$ 49,946
Other investments	100,000	-	-	100,000
Due from others	-	211,641	-	211,641
Miscellaneous	-	15,390	-	15,390
Total assets	<u>\$ 445,364</u>	<u>\$ 860,033</u>	<u>\$ 928,420</u>	<u>\$ 376,977</u>
Liabilities				
Refunds payable and others	\$ 445,364	\$ 860,033	\$ 928,420	\$ 376,977
Total liabilities	<u>\$ 445,364</u>	<u>\$ 860,033</u>	<u>\$ 928,420</u>	<u>\$ 376,977</u>

CITY OF TEXAS CITY, TEXAS

Exhibit H-11

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGET AND ACTUAL (WITH VARIANCES)

DEBT SERVICE FUND

For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	
Revenues				
Property taxes	\$ 2,961,959	\$ 2,961,959	\$ 2,938,129	\$ (23,830)
Investment earnings	6,000	6,000	2,834	(3,166)
Miscellaneous revenue	1,444,015	1,444,015	1,444,015	-
Total Revenues	<u>4,411,974</u>	<u>4,411,974</u>	<u>4,384,978</u>	<u>(26,996)</u>
Expenditures				
Principal retirement	3,400,000	3,400,000	3,400,000	-
Interest and fiscal charges	1,158,501	1,158,501	1,062,390	96,111
Total Expenditures	<u>4,558,501</u>	<u>4,558,501</u>	<u>4,462,390</u>	<u>96,111</u>
Excess (deficiency) of revenues over expenditures	<u>(146,527)</u>	<u>(146,527)</u>	<u>(77,412)</u>	<u>69,115</u>
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	1,262	1,262
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,262</u>	<u>1,262</u>
Net change in fund balances	(146,527)	(146,527)	(76,150)	70,377
Fund Balances - beginning	<u>2,286,385</u>	<u>2,286,385</u>	<u>2,286,385</u>	<u>-</u>
Fund Balances - ending	<u>\$ 2,139,858</u>	<u>\$ 2,139,858</u>	<u>\$ 2,210,235</u>	<u>\$ 70,377</u>

CITY OF TEXAS CITY, TEXAS

Exhibit H-12

SPECIAL REVENUE FUNDS - HOTEL/MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
General Sales Tax	\$ 505,000	\$ 525,000	\$ 686,615	\$ 161,615
Investment earnings	2,500	2,500	2,699	199
Miscellaneous	-	1,200	785	(415)
Total Revenues	507,500	528,700	690,099	161,399
Expenditures				
Current:				
Culture and recreation	658,365	680,448	512,222	168,226
Capital Outlay	91,000	45,500	8,272	37,228
Total Expenditures	749,365	725,948	520,494	205,454
Net change in fund balances	(241,865)	(197,248)	169,605	366,853
Fund balances - beginning	1,570,686	1,570,686	1,570,686	-
Fund balances - ending	\$ 1,328,821	\$ 1,373,438	\$ 1,740,291	\$ 366,853

CITY OF TEXAS CITY, TEXAS

Exhibit H-13

SPECIAL REVENUE FUNDS - MUNICIPAL COURT BUILDING SECURITY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Positive (Negative)
Revenues				
Fees and fines	\$ 30,000	\$ 30,000	\$ 43,365	\$ 13,365
Investment earnings	600	600	675	75
Total Revenues	30,600	30,600	44,040	13,440
Expenditures				
Current:				
Public Safety	20,600	29,100	10,410	18,690
Total Expenditures	20,600	29,100	10,410	18,690
Net change in fund balances	10,000	1,500	33,630	32,130
Fund balances - beginning	327,983	327,983	327,983	-
Fund balances - ending	\$ 337,983	\$ 329,483	\$ 361,613	\$ 32,130

CITY OF TEXAS CITY, TEXAS

Exhibit H-14

SPECIAL REVENUE FUNDS - MUNICIPAL COURT TECHNOLOGY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget Positive (Negative)
Revenues				
Fees and fines	\$ 40,000	\$ 40,000	\$ 57,816	\$ 17,816
Investment earnings	50	50	-	(50)
Total Revenues	40,050	40,050	57,816	17,766
Expenditures				
Current:				
Public Safety	54,000	56,500	44,938	11,562
Total Expenditures	54,000	56,500	44,938	11,562
Net change in fund balances	(13,950)	(16,450)	12,878	29,328
Fund balances - beginning	88,084	88,084	88,084	-
Fund balances - ending	\$ 74,134	\$ 71,634	\$ 100,962	\$ 29,328

CITY OF TEXAS CITY, TEXAS

Exhibit H-15

SPECIAL REVENUE FUNDS - DRUG CONFISCATION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Fees and fines	\$ 1,500	\$ 1,500	\$ 114,060	\$ 112,560
Total Revenues	1,500	1,500	114,060	112,560
Expenditures				
Current:				
Public Safety	3,150	3,150	1,503	1,647
Total Expenditures	3,150	3,150	1,503	1,647
Net change in fund balances	(1,650)	(1,650)	112,557	114,207
Fund balances - beginning	164,756	164,756	164,756	-
Fund balances - ending	\$ 163,106	\$ 163,106	\$ 277,313	\$ 114,207

CITY OF TEXAS CITY, TEXAS

Exhibit H-16

SPECIAL REVENUE FUNDS - WATER CAPITAL RECOVERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Positive (Negative)
Revenues				
Charges for services	\$ -	\$ -	\$ 95,438	\$ 95,438
Investment earnings	10	10	-	(10)
Total Revenues	<u>10</u>	<u>10</u>	<u>95,438</u>	<u>95,428</u>
Expenditures				
Current:	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	10	10	95,438	95,428
Fund balances - beginning	<u>215,680</u>	<u>215,680</u>	<u>215,680</u>	<u>-</u>
Fund balances - ending	<u>\$ 215,690</u>	<u>\$ 215,690</u>	<u>\$ 311,118</u>	<u>\$ 95,428</u>

CITY OF TEXAS CITY, TEXAS

Exhibit H-17

SPECIAL REVENUE FUNDS - SEWER CAPITAL RECOVERY FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Charges for services	\$ -	\$ -	\$ 51,128	\$ 51,128
Investment earnings	110	110	-	(110)
Total Revenues	110	110	51,128	51,018
Expenditures				
Current	-	-	-	-
Total Expenditures	-	-	-	-
Net change in fund balances	110	110	51,128	51,018
Fund balances - beginning	248,286	248,286	248,286	-
Fund balances - ending	\$ 248,396	\$ 248,396	\$ 299,414	\$ 51,018

CITY OF TEXAS CITY, TEXAS

Exhibit H-18

SPECIAL REVENUE FUNDS - BJA GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 14,224	\$ 14,224	\$ 14,224	\$ -
Total Revenues	14,224	14,224	14,224	-
Expenditures				
Current:				
Public Safety	14,224	14,224	14,224	-
Total Expenditures	14,224	14,224	14,224	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

CITY OF TEXAS CITY, TEXAS
SPECIAL REVENUE FUNDS - HGAC GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

Exhibit H-19

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Positive (Negative)
Revenues				
Intergovernmental	\$ 15,000	\$ 15,000	\$ 21,187	\$ 6,187
Total Revenues	15,000	15,000	21,187	6,187
Expenditures				
Current:				
Public Safety	15,000	15,000	21,187	(6,187)
Total Expenditures	15,000	15,000	21,187	(6,187)
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -	\$ -

CITY OF TEXAS CITY, TEXAS

Exhibit H-20

SPECIAL REVENUE FUNDS - CABLE PUBLIC EDUCATIONAL GOVERNMENT (PEG) CHANNEL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Positive (Negative)
Revenues				
Miscellaneous	\$ 97,184	\$ 97,184	\$ 94,777	\$ (2,407)
Total Revenues	97,184	97,184	94,777	(2,407)
Expenditures				
Current:				
Culture and recreation	15,000	15,000	23,179	(8,179)
Total Expenditures	15,000	15,000	23,179	(8,179)
Net change in fund balances	82,184	82,184	71,598	(10,586)
Fund balances - beginning	168,158	168,158	168,158	-
Fund balances - ending	\$ 250,342	\$ 250,342	\$ 239,756	\$ (10,586)

CITY OF TEXAS CITY, TEXAS

Exhibit H-21

SPECIAL REVENUE FUNDS - MUNICIPAL COURT EFFICIENCY FEES FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Fees and fines	\$ 12,500	\$ 12,500	\$ 11,258	\$ (1,242)
Total Revenues	<u>12,500</u>	<u>12,500</u>	<u>11,258</u>	<u>(1,242)</u>
Expenditures				
Current:				
Public Safety	3,950	13,950	12,852	1,098
Capital Outlay	5,800	5,800	-	5,800
Total Expenditures	<u>9,750</u>	<u>19,750</u>	<u>12,852</u>	<u>6,898</u>
Net change in fund balances	2,750	(7,250)	(1,594)	5,656
Fund balances - beginning	<u>130,377</u>	<u>130,377</u>	<u>130,377</u>	<u>-</u>
Fund balances - ending	<u>\$ 133,127</u>	<u>\$ 123,127</u>	<u>\$ 128,783</u>	<u>\$ 5,656</u>

CITY OF TEXAS CITY, TEXAS

Exhibit H-22

SPECIAL REVENUE FUNDS - FIREFIGHTER'S ASSOCIATION GRANT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Miscellaneous	\$ 10,300	\$ 10,300	\$ -	\$ (10,300)
Total Revenues	10,300	10,300	-	(10,300)
Expenditures				
Current:				
Public Safety	10,300	10,300	13,598	(3,298)
Total Expenditures	10,300	10,300	13,598	(3,298)
Net change in fund balances	-	-	(13,598)	(13,598)
Fund balances - beginning	14,452	14,452	14,452	-
Fund balances - ending	\$ 14,452	\$ 14,452	\$ 854	\$ (13,598)

CITY OF TEXAS CITY, TEXAS

Exhibit H-23

SPECIAL REVENUE FUNDS - STEP OP GRANT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Positive (Negative)
Revenues				
Intergovernmental	\$ 69,514	\$ 69,514	\$ 35,693	\$ (33,821)
Total Revenues	<u>69,514</u>	<u>69,514</u>	<u>35,693</u>	<u>(33,821)</u>
Expenditures				
Current:				
Public Safety	69,514	69,514	35,693	33,821
Total Expenditures	<u>69,514</u>	<u>69,514</u>	<u>35,693</u>	<u>33,821</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF TEXAS CITY, TEXAS

Exhibit H-24

SPECIAL REVENUE FUNDS - COMMUNITY DEVELOPMENT BLOCK GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ 351,904	\$ 351,904	\$ 300,636	\$ (51,268)
Total Revenues	351,904	351,904	300,636	(51,268)
Expenditures				
Current:				
Economic and community development	380,286	398,842	300,636	98,206
Capital Outlay	20,000	20,000	-	20,000
Total Expenditures	400,286	418,842	300,636	118,206
				-
Net change in fund balances	(48,382)	(66,938)	-	(66,938)
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ (48,382)	\$ (66,938)	\$ -	\$ (66,938)

CITY OF TEXAS CITY, TEXAS

Exhibit H-25

SPECIAL REVENUE FUNDS - PORT SECURITY GRANT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ 332,287	\$ 332,287
Total Revenues	-	-	332,287	332,287
Expenditures				
Current:				
Capital Outlay	-	52,665	371,068	(318,403)
Total Expenditures	-	52,665	371,068	(318,403)
Net change in fund balances	-	(52,665)	(38,781)	13,884
Fund balances - beginning	50,000	50,000	50,000	-
Fund balances - ending	\$ 50,000	\$ (2,665)	\$ 11,219	\$ 13,884

CITY OF TEXAS CITY, TEXAS
SPECIAL REVENUE FUNDS - VALERO CONTRIBUTIONS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

Exhibit H-26

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Positive (Negative)
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current:	-	-	-	-
Total Expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	168,434	168,434	168,434	-
Fund balances - ending	\$ 168,434	\$ 168,434	\$ 168,434	\$ -

CITY OF TEXAS CITY, TEXAS

Exhibit H-27

SPECIAL REVENUE FUNDS - FEMA DISASTER ASSISTANCE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current:				
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balances - beginning	(17,379)	(17,379)	(17,379)	-
Fund balances - ending	\$ (17,379)	\$ (17,379)	\$ (17,379)	\$ -

CITY OF TEXAS CITY, TEXAS
SPECIAL REVENUE FUNDS - TEXAS CITY DIKE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

Exhibit H-28

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget Positive (Negative)
Revenues				
Miscellaneous	\$ 400,000	\$ 400,000	\$ 493,457	\$ 93,457
Total Revenues	400,000	400,000	493,457	93,457
Expenditures				
Current:				
General government	84,750	84,750	49,474	35,276
Public works	-	-	33,605	(33,605)
Culture and recreation	133,000	133,055	159,721	(26,666)
Capital Outlay	150,000	150,140	46,934	103,206
Total Expenditures	367,750	367,945	289,734	78,211
Net change in fund balances	32,250	32,055	203,723	171,668
Fund balances - beginning	3,616,266	3,616,266	3,616,266	-
Fund balances - ending	\$ 3,648,516	\$ 3,648,321	\$ 3,819,989	\$ 171,668

CITY OF TEXAS CITY, TEXAS
CAPITAL PROJECTS FUNDS - CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

Exhibit H-29

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget Positive (Negative)
Revenues				
Investment earnings	\$ 250	\$ 250	\$ 270	\$ 20
Miscellaneous	1,000	1,000	-	(1,000)
Total Revenues	<u>1,250</u>	<u>1,250</u>	<u>270</u>	<u>(980)</u>
Expenditures				
Current:				
Capital Outlay	172,072	295,720	71,989	223,731
Total Expenditures	<u>172,072</u>	<u>295,720</u>	<u>71,989</u>	<u>223,731</u>
Excess (deficiency) of revenues over expenditures	<u>(170,822)</u>	<u>(294,470)</u>	<u>(71,719)</u>	<u>222,751</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(620,021)	(620,021)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(620,021)</u>	<u>(620,021)</u>
Net change in fund balances	(170,822)	(294,470)	(691,740)	(397,270)
Fund balances - beginning	<u>691,740</u>	<u>691,740</u>	<u>691,740</u>	<u>-</u>
Fund balances - ending	<u>\$ 520,918</u>	<u>\$ 397,270</u>	<u>\$ -</u>	<u>\$ (397,270)</u>

CITY OF TEXAS CITY, TEXAS

Exhibit H-30

CAPITAL PROJECTS FUNDS - 2005 SERIES CONSTRUCTION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	GAAP Basis	Positive (Negative)
Revenues				
Intergovernmental	\$ 3,468,600	\$ 3,468,600	\$ -	\$ (3,468,600)
Investment earnings	-	-	-	-
Total Revenues	3,468,600	3,468,600	-	(3,468,600)
Expenditures				
Capital Outlay	3,468,600	3,869,955	218,437	3,651,518
Total Expenditures	3,468,600	3,869,955	218,437	3,651,518
Excess (deficiency) of revenues over expenditures	-	(401,355)	(218,437)	182,918
Other Financing Sources (Uses)				
Transfers in	-	-	614,316	614,316
Total Other Financing Sources (Uses)	-	-	614,316	614,316
Net change in fund balances	-	(401,355)	395,879	797,234
Fund balances - beginning	(395,879)	(395,879)	(395,879)	-
Fund balances - ending	\$ (395,879)	\$ (797,234)	\$ -	\$ 797,234

CITY OF TEXAS CITY, TEXAS
CAPITAL PROJECTS FUNDS - 2010 SERIES CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

Exhibit H-31

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 4,049	\$ 4,049
Total Revenues	-	-	4,049	4,049
Expenditures				
Capital Outlay	1,081,284	3,140,322	2,170,625	969,697
Total Expenditures	1,081,284	3,140,322	2,170,625	969,697
Excess (deficiency) of revenues over expenditures	(1,081,284)	(3,140,322)	(2,166,576)	973,746
Other Financing Sources (Uses)				
Transfers in	-	500,000	505,705	5,705
Total Other Financing Sources (Uses)	-	500,000	505,705	5,705
Net change in fund balances	(1,081,284)	(2,640,322)	(1,660,871)	979,451
Fund balances - beginning	2,157,673	2,157,673	2,157,673	-
Fund balances - ending	\$ 1,076,389	\$ (482,649)	\$ 496,802	\$ 979,451

CITY OF TEXAS CITY, TEXAS
CAPITAL PROJECTS FUND - 2013 SERIES CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended September 30, 2014

Exhibit H-32

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP Basis	Final Budget
				Positive
				(Negative)
Revenues				
Investment earnings	\$ -	\$ -	\$ 22,727	\$ 22,727
Total revenues	-	-	22,727	22,727
Expenditures				
Debt Service:				
Interest and other charges	-	-	58,738	(58,738)
Capital Outlay	-	9,901,262	1,524,752	8,376,510
Total Expenditures	-	9,901,262	1,583,490	8,317,772
Excess (deficiency) of revenues over expenditures	-	(9,901,262)	(1,560,763)	8,340,499
Other Financing Sources (Uses)				
Proceeds from long-term debt, net	-	-	9,958,738	9,958,738
Total other financing sources (Uses)	-	-	9,958,738	9,958,738
Net change in fund balances	-	(9,901,262)	8,397,975	18,299,237
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ (9,901,262)	\$ 8,397,975	\$ 18,299,237

CITY OF TEXAS CITY, TEXAS

COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS

DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2014

	Texas City Economic Development Corp.	Public Facilities Development Fund	Texas City Industrial Development Corp.
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 9,811
Investments	5,775,000	400,000	150,000
Due from other governments	786,240	-	-
Other receivables	-	-	-
Total Assets	<u>\$ 6,561,240</u>	<u>\$ 400,000</u>	<u>\$ 159,811</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 201,329	\$ -	\$ -
Due to primary government	3,285,689	13,837	-
Accrued wages payable	3,728	-	-
Total Liabilities	<u>3,490,746</u>	<u>13,837</u>	<u>-</u>
Fund Balances:			
Restricted:			
Culture and recreation	-	-	-
Economic & community development	3,070,494	386,163	159,811
Total Fund Balances	<u>3,070,494</u>	<u>386,163</u>	<u>159,811</u>
Total Liabilities and Fund Balances	<u>\$ 6,561,240</u>	<u>\$ 400,000</u>	<u>\$ 159,811</u>

Exhibit I-1

Texas City Harbour Foreign Trade Zone	Texas City Cultural Arts Foundation	Texas City Historical Preservation Corp.	Lago Mar Development Authority	Total Component Units
\$ -	\$ 166,615	\$ 150,503	\$ 68,030	\$ 394,959
300,000	150,000	-	-	6,775,000
-	-	-	-	786,240
75,000	-	-	-	75,000
<u>\$ 375,000</u>	<u>\$ 316,615</u>	<u>\$ 150,503</u>	<u>\$ 68,030</u>	<u>\$ 8,031,199</u>
\$ -	\$ 125	\$ 7,032	\$ 9,456	\$ 217,942
270,638	-	-	-	3,570,164
3,089	-	-	-	6,817
<u>273,727</u>	<u>125</u>	<u>7,032</u>	<u>9,456</u>	<u>3,794,923</u>
-	316,490	-	-	316,490
101,273	-	143,471	58,574	3,919,786
<u>101,273</u>	<u>316,490</u>	<u>143,471</u>	<u>58,574</u>	<u>4,236,276</u>
<u>\$ 375,000</u>	<u>\$ 316,615</u>	<u>\$ 150,503</u>	<u>\$ 68,030</u>	<u>\$ 8,031,199</u>

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CITY OF TEXAS CITY, TEXAS
RECONCILIATION OF THE COMPONENT UNITS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2014

Exhibit I-2

Total fund balances, component units \$ 4,236,276

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 5,490,779

Some liabilities (such as notes payable, capital lease contracts payable, and due to developer bonds payable) are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. \$ (269,100)

Net position of component units in the Statement of Net Position \$ 9,457,955

CITY OF TEXAS CITY, TEXAS

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

GOVERNMENTAL FUNDS

DISCRETELY PRESENTED COMPONENT UNITS

For the Year Ended September 30, 2014

	Texas City Economic Development Corp.	Public Facilities Development Fund	Texas City Industrial Development Corp.
Revenues			
Property tax	\$ -	\$ -	\$ -
General sales tax	5,238,984	-	-
Investment earnings	15,740	1,080	404
Miscellaneous revenue	248,758	240,998	-
Total Revenues	<u>5,503,482</u>	<u>242,078</u>	<u>404</u>
Expenditures			
Current:			
General government	-	241,409	-
Culture and recreation	-	-	-
Economic and community development	1,709,358	-	-
Intergovernmental	1,444,015	-	-
Capital outlay	199,322	-	-
Total Expenditures	<u>3,352,695</u>	<u>241,409</u>	<u>-</u>
Net change in fund balances	2,150,787	669	404
Fund balances - beginning	919,707	385,494	159,407
Prior period adjustment	-	-	-
Fund balances - ending	<u>\$ 3,070,494</u>	<u>\$ 386,163</u>	<u>\$ 159,811</u>

Texas City Harbour Foreign Trade Zone	Texas City Cultural Arts Foundation	Texas City Historical Preservation Corp.	Lago Mar Development Authority	Total Component Units
\$ -	\$ -	\$ -	\$ 1,187,699	\$ 1,187,699
-	-	-	-	5,238,984
809	405	-	232	18,670
145,145	126,243	135,282	-	896,426
<u>145,954</u>	<u>126,648</u>	<u>135,282</u>	<u>1,187,931</u>	<u>7,341,779</u>
-	-	-	-	241,409
-	32,369	99,245	-	131,614
130,687	-	-	1,165,376	3,005,421
-	-	-	-	1,444,015
-	-	37,250	-	236,572
<u>130,687</u>	<u>32,369</u>	<u>136,495</u>	<u>1,165,376</u>	<u>5,059,031</u>
15,267	94,279	(1,213)	22,555	2,282,748
86,006	222,211	144,684	-	1,917,509
-	-	-	36,019	36,019
<u>\$ 101,273</u>	<u>\$ 316,490</u>	<u>\$ 143,471</u>	<u>\$ 58,574</u>	<u>\$ 4,236,276</u>

CITY OF TEXAS CITY, TEXAS

Exhibit I-4

**RECONCILIATION OF THE COMPONENT UNITS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014**

Net Change in Fund Balances, Component Units \$ 2,282,748

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay	236,572
Depreciation expense	(32,604)

Capital assets contributed to other governmental units are not presented in the fund financial statements but are expenses in the Statement of Activities. (376,723)

Changes in Net Position of Component Units \$ 2,109,993

Statistical Section

This part of the City of Texas City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

Contents Pages

Financial Trends (Tables 1-4)..... 130-139

These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.

Revenue Capacity (Tables 5-9)..... 140-149

These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.

Debt Capacity (Tables 10-13) 150-153

These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.

Demographic and Economic Information (Table 14)..... 155

This schedule offers demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.

Operating Information (Tables 15-18)..... 156-165

These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF TEXAS CITY, TEXAS**NET POSITION BY COMPONENT***Last Ten Fiscal Years**(Accrual Basis of Accounting)*

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities				
Net investment in capital assets	\$ 100,536,097	\$ 96,182,195	\$ 81,884,410	\$ 75,915,472
Restricted	9,628,081	9,063,707	8,278,742	2,442,702
Unrestricted	7,576,524	3,081,857	9,860,191	19,221,070
Total governmental activities net assets	<u>\$ 117,740,702</u>	<u>\$ 108,327,759</u>	<u>\$ 100,023,343</u>	<u>\$ 97,579,244</u>
Business-type activities				
Net investment in capital assets	\$ 54,238,023	\$ 53,362,281	\$ 49,611,961	\$ 51,254,121
Unrestricted	(15,519)	3,086,393	5,654,432	5,378,583
Total business-type activities net assets	<u>\$ 54,222,504</u>	<u>\$ 56,448,674</u>	<u>\$ 55,266,393</u>	<u>\$ 56,632,704</u>
Primary government				
Net investment in capital assets	\$ 154,774,120	\$ 149,544,476	\$ 131,496,371	\$ 127,169,593
Restricted	9,628,081	9,063,707	8,278,742	2,442,702
Unrestricted	7,560,705	6,168,250	15,514,623	24,599,653
Total Primary government net positions	<u>\$ 171,962,906</u>	<u>\$ 164,776,433</u>	<u>\$ 155,289,736</u>	<u>\$ 154,211,948</u>

Table 1

2010	2009	2008	2007	2006	2005
\$ 52,131,606	\$ 44,292,065	\$ 34,689,237	\$ 10,958,429	\$ (11,083,630)	\$ (18,361,297)
3,619,284	4,030,695	9,434,763	3,928,223	13,156,747	14,331,743
22,885,116	27,289,913	23,304,527	21,080,789	11,132,587	4,564,826
<u>\$ 78,636,006</u>	<u>\$ 75,612,673</u>	<u>\$ 67,428,527</u>	<u>\$ 35,967,441</u>	<u>\$ 13,205,704</u>	<u>\$ 535,272</u>
\$ 52,412,643	\$ 48,951,766	\$ 47,363,524	\$ 43,273,938	\$ 40,254,565	\$ 34,338,033
5,131,993	2,194,514	3,653,154	7,572,587	9,026,593	12,902,255
<u>\$ 57,544,636</u>	<u>\$ 51,146,280</u>	<u>\$ 51,016,678</u>	<u>\$ 50,846,525</u>	<u>\$ 49,281,158</u>	<u>\$ 47,240,288</u>
\$ 104,544,249	\$ 93,243,831	\$ 82,052,761	\$ 54,232,367	\$ 29,170,935	\$ 15,976,736
3,619,284	4,030,695	9,434,763	3,928,223	13,156,747	14,331,743
28,017,109	29,484,427	26,957,681	28,653,376	20,159,180	17,467,081
<u>\$ 136,180,642</u>	<u>\$ 126,758,953</u>	<u>\$ 118,445,205</u>	<u>\$ 86,813,966</u>	<u>\$ 62,486,862</u>	<u>\$ 47,775,560</u>

CITY OF TEXAS CITY, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenses				
Governmental activities:				
General government	\$ 4,400,919	\$ 4,974,188	\$ 4,338,885	\$ 4,606,523
Public safety	22,044,744	21,321,835	22,535,648	21,869,053
Public works	13,190,376	12,515,277	12,299,845	12,227,267
Health and Welfare	379,188	395,411	342,342	464,991
Culture and recreation	10,078,098	10,429,829	9,473,922	9,876,934
Economic and Community development	300,733	556,024	523,960	466,611
Interest on long-term debt	1,138,917	1,006,711	1,242,047	1,374,111
Total government activities expenses	<u>51,532,975</u>	<u>51,199,275</u>	<u>50,756,649</u>	<u>50,885,490</u>
Business-type activities:				
Water and sewer	16,973,082	15,145,423	15,409,028	15,683,891
Total primary government expenses	<u>\$ 68,506,057</u>	<u>\$ 66,344,698</u>	<u>\$ 66,165,677</u>	<u>\$ 66,569,381</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ -	\$ -	\$ 4,493	\$ 63,889
Public safety	4,107,224	3,097,645	3,320,861	2,708,182
Public works	2,255,542	2,328,864	1,704,689	1,618,030
Health and Welfare	77,272	63,390	78,755	92,721
Culture and recreation	1,984,085	2,281,660	2,021,971	2,157,512
Operating grants and contributions:				
General government	-	-	-	-
Public safety	486,823	3,674,163	878,535	890,065
Public works	5,158,382	222,820	-	3,763,611
Health and Welfare	-	-	-	-
Culture and recreation	-	-	-	14,410
Economic and Community development	300,636	633,401	2,078,065	3,586,076
Capital grants and contributions:				
Public works	-	-	-	-
Culture and recreation	156,119	-	-	-
Total governmental activities program revenues	<u>14,526,083</u>	<u>12,301,943</u>	<u>10,087,369</u>	<u>14,894,496</u>
Business-type activities:				
Charges for services	6,578,452	6,530,907	6,622,950	6,333,708
Capital grants and contributions	4,383,774	4,360,205	4,295,787	4,454,917
Total business-type activities program revenues	<u>10,962,226</u>	<u>10,891,112</u>	<u>10,918,737</u>	<u>10,788,625</u>
Total primary government program revenues	<u>\$ 25,488,309</u>	<u>\$ 23,193,055</u>	<u>\$ 21,006,106</u>	<u>\$ 25,683,121</u>
Net (Expense)/Revenue				
Governmental activities	\$ (37,006,892)	\$ (38,897,332)	\$ (40,669,280)	\$ (35,990,994)
Business-type activities	(6,010,856)	(4,254,311)	(4,490,291)	(4,895,266)
Total primary government net expense	<u>\$ (43,017,748)</u>	<u>\$ (43,151,643)</u>	<u>\$ (45,159,571)</u>	<u>\$ (40,886,260)</u>

Table 2
Page 1 of 2

2010	2009	2008	2007	2006	2005
\$ 4,688,827	\$ 4,447,843	\$ 4,107,677	\$ 3,859,318	\$ 3,627,245	\$ 3,188,650
20,603,917	20,161,565	17,851,054	16,816,698	15,194,357	13,526,579
17,024,045	13,752,279	12,720,391	10,731,889	8,760,691	8,148,502
483,714	419,679	412,947	356,590	304,240	234,948
9,058,715	9,383,309	8,397,967	7,029,468	6,227,018	6,239,907
566,512	2,886,196	392,411	447,176	412,396	497,273
1,347,698	1,621,260	1,759,787	2,005,970	2,169,494	1,951,917
<u>53,773,428</u>	<u>52,672,131</u>	<u>45,642,234</u>	<u>41,247,109</u>	<u>36,695,441</u>	<u>33,787,776</u>
<u>13,161,709</u>	<u>11,014,584</u>	<u>10,520,350</u>	<u>9,569,788</u>	<u>8,986,753</u>	<u>8,794,933</u>
<u>\$ 66,935,137</u>	<u>\$ 63,686,715</u>	<u>\$ 56,162,584</u>	<u>\$ 50,816,897</u>	<u>\$ 45,682,194</u>	<u>\$ 42,582,709</u>
\$ 74,728	\$ 85,674	\$ 166,944	\$ 335,883	\$ 275,170	\$ 170,165
2,940,376	3,272,158	3,034,504	2,491,565	2,426,236	1,682,670
1,750,379	1,756,879	1,667,176	1,805,041	2,036,767	1,845,747
71,406	51,822	64,659	70,010	63,858	64,437
1,736,706	1,929,446	1,808,124	1,496,266	1,241,842	1,096,747
-	-	-	-	-	-
5,004,650	3,122,257	1,797,002	156,707	753,727	571,205
1,898,758	30,395	-	820,287	3,721,075	5,720
-	-	-	-	-	-
18,702	13,713	13,748	6,520	12,408	107,631
747,065	473,830	987,148	449,146	424,449	596,943
-	-	-	-	-	-
-	-	-	-	-	85,922
<u>14,242,770</u>	<u>10,736,174</u>	<u>9,539,305</u>	<u>7,631,425</u>	<u>10,955,532</u>	<u>6,227,187</u>
9,661,005	10,140,759	9,665,416	9,770,766	9,810,299	9,377,002
	100,542			619,014	949,602
<u>9,661,005</u>	<u>10,241,301</u>	<u>9,665,416</u>	<u>9,770,766</u>	<u>10,429,313</u>	<u>10,326,604</u>
<u>\$ 23,903,775</u>	<u>\$ 20,977,475</u>	<u>\$ 19,204,721</u>	<u>\$ 17,402,191</u>	<u>\$ 21,384,845</u>	<u>\$ 16,553,791</u>
\$ (39,530,658)	\$ (41,935,957)	\$ (36,102,929)	\$ (33,615,684)	\$ (25,739,909)	\$ (27,560,589)
<u>(3,500,704)</u>	<u>(773,283)</u>	<u>(854,934)</u>	<u>200,978</u>	<u>1,442,560</u>	<u>1,531,671</u>
<u>\$ (43,031,362)</u>	<u>\$ (42,709,240)</u>	<u>\$ (36,957,863)</u>	<u>\$ (33,414,706)</u>	<u>\$ (24,297,349)</u>	<u>\$ (26,028,918)</u>

CITY OF TEXAS CITY, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual Basis of Accounting)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Revenues				
Governmental activities:				
Taxes:				
Property taxes	\$ 22,193,055	\$ 22,025,766	\$ 21,085,101	\$ 20,510,620
Other taxes	20,785,391	18,451,164	16,993,022	17,894,933
Unrestricted investment earnings	39,761	22,614	48,251	81,134
Miscellaneous	4,781,731	3,162,863	3,197,341	3,176,570
Special item-gain(loss) on sale of assets	-	-	-	79,441
Transfers	(1,380,103)	-	-	-
Capital Contributions	-	3,876,470	1,789,664	14,654,498
Total governmental activities	<u>46,419,835</u>	<u>47,538,877</u>	<u>43,113,379</u>	<u>56,397,196</u>
Business-type activities:				
Unrestricted investment earnings	19,365	19,923	85,641	58,277
Miscellaneous	2,384,918	5,623,739	3,038,339	3,881,900
Special item-gain(loss) on sale of assets	-	-	-	2,500
Transfers	1,380,103	-	-	-
Total business-type activities	<u>3,784,386</u>	<u>5,643,662</u>	<u>3,123,980</u>	<u>3,942,677</u>
Total primary government	<u>\$ 50,204,221</u>	<u>\$ 53,182,539</u>	<u>\$ 46,237,359</u>	<u>\$ 60,339,873</u>
Changes in Net Position				
Governmental activities	\$ 9,412,943	\$ 8,641,545	\$ 2,444,099	\$ 20,406,202
Business-type activities	(2,226,470)	1,389,351	(1,366,311)	(952,589)
Total primary government	<u>\$ 7,186,473</u>	<u>\$ 10,030,896</u>	<u>\$ 1,077,788</u>	<u>\$ 19,453,613</u>

Table 2
Page 2 of 2

2010	2009	2008	2007	2006	2005
\$ 22,210,827	\$ 21,649,489	\$ 23,647,215	\$ 24,025,477	\$ 19,621,721	\$ 18,314,072
17,599,265	23,296,425	19,165,441	17,313,632	15,803,119	12,543,704
126,447	558,677	1,200,353	1,553,926	866,921	234,153
3,117,452	4,610,133	2,515,691	2,863,767	2,166,095	2,044,254
-	5,377	27,030	-	71,493	24,871
(500,000)	-	-	(12,576)	500,000	-
-	-	21,418,510	-	(619,015)	(949,602)
<u>42,553,991</u>	<u>50,120,101</u>	<u>67,974,240</u>	<u>45,744,226</u>	<u>38,410,334</u>	<u>32,211,452</u>
33,255	92,074	227,168	359,805	257,220	209,238
2,662,810	809,634	797,916	837,259	841,091	845,921
	1,177				(81,203)
500,000	-	-	12,576	(500,000)	-
<u>3,196,065</u>	<u>902,885</u>	<u>1,025,084</u>	<u>1,209,640</u>	<u>598,311</u>	<u>973,956</u>
<u>\$ 45,750,056</u>	<u>\$ 51,022,986</u>	<u>\$ 68,999,324</u>	<u>\$ 46,953,866</u>	<u>\$ 39,008,645</u>	<u>\$ 33,185,408</u>
\$ 3,023,333	\$ 8,184,144	\$ 31,871,311	\$ 12,128,542	\$ 12,670,425	\$ 4,650,863
(304,639)	129,602	170,150	1,410,618	2,040,871	2,505,627
<u>\$ 2,718,694</u>	<u>\$ 8,313,746</u>	<u>\$ 32,041,461</u>	<u>\$ 13,539,160</u>	<u>\$ 14,711,296</u>	<u>\$ 7,156,490</u>

CITY OF TEXAS CITY, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011 **</u>
General fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	837,594	678,713	745,138	678,837
Prepaid items	71,975	75,957	5,495	425,434
Assigned:				
Public works	1,000,000	1,000,000	1,000,000	6,000,000
Self insurance	-	-	-	1,400,000
Pension	-	-	-	1,000,000
Unassigned	18,794,399	13,048,074	12,072,648	13,498,692
Total General Fund	<u>20,703,968</u>	<u>14,802,744</u>	<u>13,823,281</u>	<u>23,002,963</u>
All Other Governmental Funds				
Reserved:				
Debt Service	-	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Restricted:				
Debt Service	2,210,235	2,286,385	2,316,959	2,170,023
Public safety	1,288,934	1,112,244	670,988	644,518
Capital projects	9,589,552	3,313,379	7,210,669	5,379,174
Development activities	5,560,280	5,186,952	6,649,057	4,670,870
Unassigned	(17,379)	(413,258)	(14,942)	(14,942)
Total Other Governmental Funds	<u>18,631,622</u>	<u>11,485,702</u>	<u>16,832,731</u>	<u>12,849,643</u>
Total Fund Balances of Governmental Funds	<u>\$ 39,335,590</u>	<u>\$ 26,288,446</u>	<u>\$ 30,656,012</u>	<u>\$ 35,852,606</u>

** Implementation of GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

Table 3

2010	2009	2008	2007	2006	2005
\$ 2,468,668	\$ 3,202,374	\$ 6,266,730	\$ 1,637,640	\$ 2,031,449	\$ 2,628,204
24,653,005	23,111,551	17,104,026	18,600,690	10,881,335	7,806,539
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>27,121,673</u>	<u>26,313,925</u>	<u>23,370,756</u>	<u>20,238,330</u>	<u>12,912,784</u>	<u>10,434,743</u>
1,839,108	1,501,410	1,388,194	1,332,168	1,101,839	1,181,783
1,850,843	2,370,316	2,549,227	2,054,627	1,948,335	1,651,695
2,288,753	2,201,297	4,866,327	10,082,504	9,763,611	12,812,250
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,978,704</u>	<u>6,073,023</u>	<u>8,803,748</u>	<u>13,469,299</u>	<u>12,813,785</u>	<u>15,645,728</u>
<u>\$ 33,100,377</u>	<u>\$ 32,386,948</u>	<u>\$ 32,174,504</u>	<u>\$ 33,707,629</u>	<u>\$ 25,726,569</u>	<u>\$ 26,080,471</u>

CITY OF TEXAS CITY, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues				
Property taxes	\$22,720,746	\$22,141,627	\$20,698,758	\$20,622,989
Sales and miscellaneous taxes	20,690,614	18,330,946	16,987,354	17,894,933
Licenses and permits	665,120	465,635	464,818	266,949
Intergovernmental	5,995,841	4,530,384	2,945,600	8,243,162
Charges for services	4,424,358	4,847,191	4,328,752	4,164,701
Fines and forfeitures	2,240,830	1,603,232	1,341,731	1,318,702
Investment earnings	34,367	18,416	44,712	81,134
Other	5,174,015	4,137,428	3,749,858	4,117,198
Total revenues	<u>61,945,891</u>	<u>56,074,859</u>	<u>50,561,583</u>	<u>56,709,768</u>
Expenditures				
General government	4,233,728	4,807,143 (1)	4,216,526	4,351,272
Public safety	20,394,850	20,653,987	20,995,854	19,903,598
Public works	10,949,708	10,616,538	10,807,602	13,810,648
Health and welfare	356,294	365,995	326,320	431,203
Culture and recreation	8,450,542	8,692,639	8,033,154	8,284,523
Economic and community development	300,636	557,413	521,988	466,611
Capital outlay	9,717,437	10,170,008	4,096,926	1,864,296
Debt service:				
Principal	3,451,328	3,774,024	3,689,369	3,546,467
Interest and other charges	1,128,615	1,041,032	1,181,667	1,485,981
Total expenditures	<u>58,983,138</u>	<u>60,678,779</u>	<u>53,869,406</u>	<u>54,144,599</u>
Excess of revenues over (under) expenditures	2,962,753	(4,603,920)	(3,307,823)	2,565,169
Other Financing Sources (Uses)				
Transfers in	1,120,021	151,491	6,541,935	3,389,789
Transfers out	(1,120,021)	(151,491)	(8,691,935)	(3,389,789)
Issuance of bonds	9,960,000	7,570,000	-	5,270,000
Loans/capital leases	-	211,990	-	79,441
Other	40,148	(7,545,636)	261,229	(5,162,381)
Total other financing sources (uses)	<u>10,000,148</u>	<u>236,354</u>	<u>(1,888,771)</u>	<u>187,060</u>
Special Item				
Proceeds from sale of fixed assets	-	-	-	-
Net change in fund balances	<u>\$ 12,962,901</u>	<u>\$ (4,367,566)</u>	<u>\$ (5,196,594)</u>	<u>\$ 2,752,229</u>
Debt service as a percentage of noncapital expenditures	9.3%	9.5%	9.8%	9.6%

(1) One-time payment for tax refund.

Table 4

2010	2009	2008	2007	2006	2005
\$22,376,812	\$25,062,719	\$23,171,476	\$23,007,376	\$19,836,290	\$16,928,610
17,599,265	20,731,758	19,165,440	17,313,632	15,803,119	12,543,704
240,200	529,474	383,418	346,848	285,664	390,490
5,729,417	3,562,630	2,866,329	612,373	1,190,583	1,258,705
4,335,262	4,558,738	4,322,138	3,947,679	4,145,333	2,935,930
1,408,382	1,404,672	1,229,123	1,030,502	1,043,181	1,057,054
126,447	558,677	1,200,367	1,553,927	866,919	234,153
5,353,539	4,577,957	3,253,988	4,557,551	6,456,867	2,371,200
57,169,324	60,986,625	55,592,279	52,369,888	49,627,956	37,719,846
4,604,890	4,379,669	4,069,243	3,784,584	3,602,514	3,131,569
19,235,985	19,092,224	17,508,465	16,230,726	15,392,454	13,236,374
15,828,240	12,893,294	11,963,772	9,563,332	8,668,399	7,756,140
472,963	412,246	409,787	346,468	301,208	223,268
8,170,898	8,633,504	7,757,054	6,553,439	5,925,069	5,884,907
566,512	2,886,196	392,952	449,146	413,362	497,273
7,607,468	7,503,897	9,656,897	1,276,999	9,794,773	5,154,442
3,758,227	3,482,880	3,514,837	3,999,979	3,920,472	3,074,198
1,539,953	1,664,940	1,720,075	2,019,155	2,192,357	1,895,576
61,785,136	60,948,850	56,993,082	44,223,828	50,210,608	40,853,747
(4,615,812)	37,775	(1,400,803)	8,146,060	(582,652)	(3,133,901)
75,000	249,561	1,181,325	623,197	870,000	55,374
(1,325,000)	(499,562)	(1,181,325)	(788,197)	(713,000)	(55,374)
14,020,000	-	9,705,000	-	-	9,890,700
24,754	208,124	-	-	-	136,620
(7,465,513)	216,546	(9,837,319)	-	-	-
5,329,241	174,669	(132,319)	(165,000)	157,000	10,027,320
-	-	-	-	71,493	24,871
\$ 713,429	\$ 212,444	\$ (1,533,122)	\$ 7,981,060	\$ (354,159)	\$ 6,918,290
9.8%	9.6%	11.1%	14.0%	15.1%	13.9%

CITY OF TEXAS CITY, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Real Property					
Fiscal Year	Tax Year	Residential	Commercial	Personal Property	Less Tax Exempt Real Property
2014	2013	\$ 1,106,761,030	\$ 3,184,615,653	\$ 1,836,794,795	\$ 340,702,084
2013	2012	1,112,492,446	3,680,193,020	1,735,850,780	339,304,393
2012	2011	1,134,735,043	3,573,198,467	1,593,011,833	332,308,262
2011	2010	1,153,916,166	3,518,437,396	1,511,465,045	330,518,465
2010	2009	1,140,859,911	4,094,199,542	1,182,983,052	287,281,525
2009	2008	1,200,706,221	4,027,444,720	1,747,063,778	299,242,979
2008	2007	1,169,186,378	3,852,309,555	1,337,634,808	247,348,389
2007	2006	1,102,416,098	3,423,074,520	1,291,233,720	249,046,708
2006	2005	1,017,166,616	2,548,252,930	1,196,108,506	241,647,668
2005	2004	927,376,314	1,466,847,912	770,457,545	252,427,038

The estimated actual taxable value equals the total taxable assessed value.
 All properties are assessed at 100% of actual taxable value.

Source: City of Texas City Tax Assessor-Collector

Table 5

Less Other Exemptions and Abatements	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Value as a Percent of Actual Taxable
\$ 1,373,384,030	\$ 4,754,787,448	\$ 0.453	\$ 4,754,787,448	100%
1,568,155,970	4,960,380,276	0.425	4,960,380,276	100%
1,575,819,984	4,725,125,359	0.425	4,725,125,359	100%
1,509,214,021	4,674,604,586	0.425	4,674,604,586	100%
1,313,907,232	5,104,135,273	0.425	5,104,135,273	100%
1,326,610,613	5,648,604,106	0.425	5,648,604,106	100%
730,023,600	5,629,107,141	0.436	5,629,107,141	100%
990,291,125	4,826,433,213	0.456	4,826,433,213	100%
468,363,981	4,293,164,071	0.456	4,293,164,071	100%
400,198,859	2,764,482,912	0.456	2,764,482,912	100%

CITY OF TEXAS CITY, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates			Galveston County	Texas City Independent School District
	M & O Rate	I & S Rate	Total Direct		
2014	\$ 0.394645	\$ 0.058355	\$ 0.453000	\$ 0.589800	\$ 1.290900
2013	0.361800	0.063200	0.425000	0.608770	1.269200
2012	0.352727	0.072273	0.425000	0.621800	1.295300
2011	0.342294	0.082706	0.425000	0.628750	1.288600
2010	0.342294	0.082706	0.425000	0.618600	1.216000
2009	0.350238	0.074762	0.425000	0.570000	1.184931
2008	0.358040	0.077570	0.435610	0.580000	1.112750
2007	0.368579	0.087661	0.456240	0.598750	1.448354
2006	0.358066	0.098174	0.456240	0.628750	1.587100
2005	0.377940	0.078300	0.456240	0.638750	1.613000

Source: Galveston County and Galveston County Central Appraisal District

Note: The city's basic property tax rate may be increased only by a majority vote of the city's residents. Rates for debt service are set based on each year's requirements.

^a Overlapping rates are those of local and county governments that apply to property owners within the City of Texas City. Not all overlapping rates apply to all Texas City property owners; for example, although the county property tax rates apply to all.

Table 6

Overlapping		Rates ^a	
La Marque Independent School District	Dickinson Independent School District	College of the Mainland	Galveston County Drainage District No. 2
\$ 1.220000	\$ 1.540000	\$ 0.221210	\$ 0.063021
1.220000	1.540000	0.225970	0.063021
1.240000	1.540000	0.232020	0.063021
1.240000	1.540000	0.233890	0.063021
1.240000	1.504000	0.221640	0.063021
1.240000	1.500000	0.221640	0.063021
1.240000	1.430000	0.227380	0.057360
1.570000	1.724000	0.233450	0.055740
1.740000	1.751000	0.243020	0.055200
1.743000	1.738000	0.245250	0.058800

CITY OF TEXAS CITY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	% of Levy	
2014	\$ 22,574,003	\$ 22,384,153	99.16%	\$ -
2013	22,017,033	21,817,450	99.09%	83,421
2012	20,984,236	20,775,591	99.01%	123,409
2011	20,242,161	20,006,955	98.84%	167,638
2010	22,308,236	22,145,753	99.27%	94,653
2009	24,421,413	24,078,789	98.60%	283,975
2008	23,443,313	22,457,033	95.79%	936,425
2007	22,622,593	21,737,823	96.09%	835,866
2006	19,693,614	19,404,611	98.53%	247,629
2005	17,898,106	16,527,501	92.34%	1,323,270

Source: City of Texas City Tax Assessor-Collector

Table 7

Total Collections to Date			Amount
Amount	%	of Levy	Outstanding
\$ 22,384,153	99.16%		\$ 189,850
21,900,871	99.47%		116,162
20,899,000	99.59%		85,236
20,174,593	99.67%		67,568
22,240,406	99.70%		67,830
24,362,764	99.76%		58,649
23,393,458	99.79%		49,855
22,573,689	99.78%		48,904
19,652,240	99.79%		41,374
17,850,771	99.74%		47,335

CITY OF TEXAS CITY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Taxpayer	2014		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Blanchard Refining Co LLC	\$ 1,277,843,590	1	27%
Valero Refining-Texas LP	589,502,230	2	12%
Union Carbide Corp	246,179,605	3	5%
Marathon Petroleum Company LLC	230,845,820	4	5%
BP Amoco Chemical Co	183,917,670	5	4%
Praxair, Inc.	152,564,595	6	3%
South Houston Green Powe, LP	94,699,310	7	2%
Valero Marketing & Supply Co	88,644,560	8	2%
Galveston Outlets LLC	82,475,804	9	2%
ISP Technologies Inc	72,815,015	10	2%
BP Products (NA) Inc	-		0%
Dow Chemical Corporation	-		0%
Marathon Ashland Petroleum	-		0%
Sterling Chemicals Inc	-		0%
Texas City Cogeneration L.P.	-		0%
Transtexas Gas Corporation	-		0%
Total	\$ 3,019,488,199		64%

Source: Galveston County Appraisal District

Table 8

2005		
Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
\$ -		0%
214,081,570	3	8%
-		0%
-		0%
166,791,356	4	6%
47,046,070	8	2%
-		0%
-		0%
-		0%
44,213,910	10	2%
593,693,788	1	21%
429,288,380	2	16%
58,046,900	7	2%
197,662,650	5	7%
81,129,900	6	3%
46,510,510	9	2%
<u>\$ 1,878,465,034</u>		<u>68%</u>

CITY OF TEXAS CITY, TEXAS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

	2014 ^a	2013	2012	2011
Construction	\$ 11,318	\$ 10,039	\$ 12,108	\$ 18,711
Manufacturing	12,396	7,795	6,663	13,307
Wholesale Trade	7,269	5,318	4,791	8,373
Retail Trade	132,023	132,673	87,988	175,730
Transportation/Warehousing	243	123	87	6,996
Information	2,096	1,927	2,029	4,228
Finance/Insurance	623	604	617	1,201
Real Estate/Rental/Leasing	12,773	10,844	9,479	18,340
Professional/Scientific/Technical Services	1,293	1,338	1,401	2,743
Management of Companies/Enterprises	-	-	-	-
Admin/Support/Waste Mgmt/Remediation	3,168	2,186	1,601	2,834
Health Care/Social Assistance	707	849	988	1,964
Arts/Entertainment/Recreation	423	323	315	574
Accommodation/Food Services	29,648	27,910	25,956	48,684
Other Services (except Public Administration)	2,743	2,762	2,732	5,479
Other	-	-	-	-
Total	\$ 216,723	\$ 204,691	\$ 156,755	\$309,164
City direct sales tax rate ^b	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>

Source: State Comptroller's Office.

^a 2014 taxable sales thru 2nd quarter of 2014.

^b The City direct sales tax rate includes the City only and not the City of Texas City Economic Development Corp. (4A).

Table 9

2010	2009	2008	2007	2006	2005
\$ 21,076	\$ 18,651	\$ 22,313	\$ 22,800	\$ 14,117	\$ 7,006
11,489	15,294	23,324	26,898	23,228	16,988
12,884	10,107	12,793	13,765	12,423	14,905
169,460	206,837	212,410	202,599	193,352	191,783
4,569	5,251	1,062	454	809	468
4,305	4,541	4,234	4,256	6,834	14,311
1,199	1,197	684	637	973	944
13,796	18,933	21,800	21,235	21,105	17,661
2,625	2,775	2,192	2,455	2,035	1,625
-	-	172	-	-	8,244
2,949	2,547	2,288	2,107	3,161	3,233
1,628	3,071	1,844	1,097	1,862	1,737
734	542	289	595	890	385
46,430	50,319	51,819	48,788	45,344	41,330
5,922	6,691	6,391	6,128	6,126	5,630
-	-	-	-	-	1
<u>\$ 299,066</u>	<u>\$ 346,756</u>	<u>\$ 363,615</u>	<u>\$ 353,814</u>	<u>\$ 332,259</u>	<u>\$ 326,250</u>
<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>	<u>1.50%</u>

CITY OF TEXAS CITY, TEXAS

Table 10

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ^a	Per Capita
	General Obligation Bonds	Certificates of Obligation Bonds	Capital Lease Obligations	Revenue Bonds				
2014	\$ 20,178	\$ 15,470	\$ 134	\$ 7,063	\$ 42,845	4%	\$ 930	
2013	23,427	5,765	186	8,092	37,470	4%	820	
2012	26,275	6,015	26	12,080	44,396	4%	970	
2011	29,455	6,260	89	14,586	50,390	5%	1,117	
2010	32,495	6,500	150	15,484	54,629	6%	1,211	
2009	31,520	4,545	191	7,185	43,441	5%	970	
2008	33,650	5,715	167	7,525	47,057	6%	1,063	
2007	29,810	12,400	350	7,749	50,309	7%	1,116	
2006	31,755	13,480	653	8,053	53,941	7%	1,219	
2005	33,560	14,505	1,060	8,346	57,471	8%	1,320	

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^a Population data can be found in demographic and economic statistics

CITY OF TEXAS CITY, TEXAS

Table 11

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Fiscal Year	Tax Year	General Obligation Bonds	Less Debt Service Funds	Net Bonded Debt	Net Bonded Debt to Assessed Value	Percentage of Personal Income ^a	Per Capita ^a
2014	2013	\$ 35,648	\$ 2,210	\$ 33,438	1%	3%	\$ 726
2013	2012	29,192	2,286	26,906	1%	3%	589
2012	2011	32,290	2,317	29,973	1%	3%	655
2011	2010	35,715	2,170	33,545	1%	4%	744
2010	2009	38,995	1,839	37,156	1%	4%	824
2009	2008	36,065	1,501	34,564	1%	4%	772
2008	2007	39,365	1,388	37,977	1%	5%	858
2007	2006	42,210	1,332	40,878	1%	5%	907
2006	2005	45,235	1,102	44,133	1%	6%	998
2005	2004	48,065	1,182	46,883	2%	6%	1,077

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

^a Population data can be found in demographic and economic statistics table.

CITY OF TEXAS CITY, TEXAS

Table 12

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2014

(dollars in thousands, except per capita)

Taxing Jurisdiction	Gross Debt^a	Overlapping	
		Percentage	Amount
College of the Mainland	\$ -	68.82%	\$ -
Dickinson Independent School District	284,962	17.89%	50,980
Galveston County	307,441	42.18%	129,679
La Marque Independent School District	24,966	72.76%	18,165
Texas City Independent School District	114,180	100.00%	114,180
Total Overlapping Debt			313,004
City Direct Debt	\$ 35,782	100.00%	35,782
Total Direct and Overlapping Debt			<u>\$ 348,786</u>
Population			45,763
Per Capita Debt-Direct and Overlapping Debt			<u>\$ 7,622</u>

Sources: Individual jurisdictions and/or Texas Municipal Reports.

a. Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Texas City, Texas. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for paying the debt of each overlapping government.

PLEDGED REVENUE COVERAGE

Last Ten Fiscal Years

Water & Sewer Revenue Bonds

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2014	\$ 13,308,844	\$10,756,596	\$ 2,552,248	\$ 974,725	\$ 278,728	\$1,253,453	2
2013	16,408,968	9,517,532	6,891,436	4,473,258	353,412	4,826,670	1
2012	13,840,262	10,177,748	3,662,514	1,504,851	582,896	2,087,747	2
2011	10,745,669	10,512,212	233,457	1,898,638	480,043	2,378,681	0
2010	10,490,254	8,546,937	1,943,317	1,381,171	522,716	1,903,887	1
2009	10,941,575	7,907,990	3,033,585	340,000	373,220	713,220	4
2008	10,299,065	7,679,238	2,619,827	325,000	388,170	713,170	4
2007	10,608,025	6,959,312	3,648,713	310,000	402,120	712,120	5
2006	10,651,390	6,767,480	3,883,910	300,000	415,470	715,470	5
2005	10,222,923	6,930,994	3,291,929	285,000	428,010	713,010	5

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

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CITY OF TEXAS CITY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Table 14

Fiscal Year	Population (A)	Personal Income (in \$000's)	Per Capita Personal Income (A)	Median Age (A)	Education level in Years of Schooling (B)	School Enrollment (C)	Unemployment Rate (D)
2014	46,081	\$ 1,019,358	\$ 22,121	37.1	13.6	6,763	6.5%
2013	45,671	1,016,591	22,259	35.9	13.6	5,944	8.0%
2012	45,763	1,033,329	22,580	35.9	13.6	5,936	9.6%
2011	45,099	954,114	21,156	36.5	13.6	5,824	9.3%
2010	45,099	970,215	21,513	35.0	13.6	5,860	9.3%
2009	44,765	963,029	21,513	35.0	13.6	6,051	8.5%
2008	44,287	755,403	17,057	35.5	13.6	5,965	6.1%
2007	45,070	768,759	17,057	35.5	13.6	5,824	6.7%
2006	44,237	754,551	17,057	35.5	13.6	5,965	6.1%
2005	43,535	742,576	17,057	35.5	13.6	5,860	7.0%

(A) U.S. Census Bureau

(B) U.S. Census Bureau-population 25 years of age and over

(C) Texas Education Agency

(D) Bureau of Labor Statistics

CITY OF TEXAS CITY, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2014		
	Employees	Rank	Percentage of Total City Employment
Marathon Galvesto Bay Refinery (formerly BP)	2,000	1	8%
INEOS Nova	1,150	2	5%
Texas City Independent School District	879	3	4%
Mainland Medical Center	725	4	3%
Valero Refining-Texas LP	500	5	2%
BP Chemical	360	6	1%
Dow (formerly Union Carbide Corporation)	335	7	1%
Marathon Petroleum Company	282	8	1%
College of the Mainland	280	9	1%
Ashland (formerly International Specialty Products)	175	10	1%
Eastman Chemical (formerly Sterling Chemicals)	-		0%
Sam's Club	-		0%
Total	6,686		27%

Source: Texas City-La Marque Chamber of Commerce

Table 15

2005		
Employees	Rank	Percentage of Total City Employment
2,300	1	12%
-		0%
879	2	4%
750	3	4%
500	4	3%
450	5	2%
-		0%
335	6	2%
275	8	1%
280	7	1%
170	9	1%
156	10	1%
6,095		31%

CITY OF TEXAS CITY, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Full-time Equivalent Employees as of Sept 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Function/Program				
Governmental Activities:				
General Government	31	22	32	32
Public Safety	205	200	212	219
Public Works	97	95	96	104
Community Services	6	4	6	7
Parks and Recreation	111	115	126	202
Business Type Activities:				
Water & Sewer	48	45	44	45
Component Unit:				
Economic Development	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total	<u><u>500</u></u>	<u><u>483</u></u>	<u><u>518</u></u>	<u><u>611</u></u>

Source: City Budget

Table 16

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
29	38	39	38	37	36
218	211	211	204	188	184
98	104	104	105	105	105
7	7	7	7	7	7
215	215	214	217	219	219
45	45	45	45	45	45
<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
<u>614</u>	<u>622</u>	<u>622</u>	<u>618</u>	<u>603</u>	<u>598</u>

CITY OF TEXAS CITY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year Ending 9/30			
	2014	2013	2012	2011
General Government				
Finance:				
Number of accounts payable checks processed	9,152	8,862	8,521	9,221
Number of payroll checks processed	2,258	2,316	2,577	3,146
Number of budget amendments	19	22	31	17
Number of budget transfers	18	26	19	14
Public Safety				
Police:				
Number of police calls resulting in dispatch	38,629	60,300	112,970	89,391
Number of offense reports filed	11,615	10,859	10,951	10,733
Number of citation issued	24,953	17,096	16,626	15,514
Total police arrests made (adult)	5,540	4,800	4,252	3,775
Total police arrests made (juvenile)	110	16	144	165
Dispatched calls per patrol officer	757	n/a	n/a	531
Motor vehicle accidents	1,662	2,104	1,545	1,442
Number of burglaries	664	711	353	353
Number of motor vehicle thefts	118	87	63	66
Average response time in minutes	4	4	6	7
Fire:				
Total number fire responses-residential	2	60	39	49
Total number fire responses-other	32	166	107	190
Fires investigated	7	15	1	15
Total annual inspections	2,289	1,487	1,805	1,337
Average response time in minutes	6	5	6	6
Calls for service	913	7,062	5,274	6,815
Patients treated	4,706	4,868	4,134	4,430
Municipal Court:				
Total traffic violations filed	21,943	14,467	13,932	13,328
Total state law violations filed	2,063	1,760	1,154	1,729
Total city ordinance violations filed	947	998	821	1,112
Total parking violations filed	41	25	29	23
Public Works				
Fleet Maintenance:				
Vehicle maintenance service requests	292	303	1,000	1,042
Vehicle maintenance repair requests	550	726	700	714
Other public works:				
Tons of Residential refuse	21,310	21,310	22,619	21,958
Tons of commercial refuse	20,700	20,700	21,852	7,962
Work orders completed	986	983	1,100	705
Number of recycling participants	22,831	22,831	15,131	17,014

Table 17
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Fiscal Year Ending 9/30					
2010	2009	2008	2007	2006	2005
11,348	11,467	14,513	13,778	12,968	12,489
3,462	3,922	4,612	4,453	5,131	5,830
7	26	22	14	12	10
8	6	26	37	25	23
76,982	83,581	84,562	69,217	72,862	73,449
11,540	12,016	12,395	12,341	12,874	12,731
15,143	18,602	17,992	n/a	n/a	n/a
4,211	4,891	4,733	3,967	4,158	4,145
230	180	203	129	146	126
n/a	n/a	n/a	845	899	907
1,678	2,051	1,907	1,912	2,188	1,657
411	485	555	526	767	859
101	119	125	165	176	218
6.23	6.56	5.48	n/a	n/a	n/a
34	47	76	157	157	211
959	411	404	543	1,005	870
12	3	8	21	14	16
1,145	284	209	386	607	661
4.15	6.56	6.63	5.83	n/a	n/a
6,884	5,723	4,696	4,454	5,004	n/a
4,591	4,612	3,972	4,691	4,832	n/a
12,939	15,376	18,494	10,823	9,052	11,697
2,071	2,320	766	2,306	2,288	2,202
1,118	1,645	1,789	1,042	879	1,093
38	64	16	43	104	157
537	632	535	760	721	670
713	886	836	1,394	1,167	901
30,875	30,601	32,333	31,310	29,256	36,966
16,451	15,517	17,899	16,687	15,699	17,367
1,324	1,262	1,450	1,351	1,232	1,641
38,838	41,039	39,611	37,513	37,189	40,873

CITY OF TEXAS CITY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year Ending 9/30			
	2014	2013	2012	2011
Parks and Recreation				
All Parks and recreation:				
Total number of attendance at events	249,913	2,500,000	2,500,000	2,500,000
Number of recreation classes offered	44	60	60	60
Community Services				
Building Inspections:				
Total building permits issued-residential (new)	739	718	559	465
Total building permits issued-non-residential (new)	264	372	522	524
Community Development:				
Total code violation cases	750	986	1,700	1,756
Total housing rehabilitation	7	12	16	7
Total first time homebuyers	4	5	15	8
Total demolition of condemned structures	19	34	23	27
Total rat bait distributed (in pounds)	623	288	500	534
Total mowed vacant lots	750	700	800	813
Water and Sewer				
Distribution and Collection:				
Total water work orders	2,125	2,300	1,500	1,557
Total sewer work orders	1,400	889	1,200	1,263
Water Production:				
Water produced - wells (well only in millions)	79	14	9	9
Combined gallons of water produced (well and surface in millions)	2,059	2,030	2,160	2,154
Billing & Collections:				
Annual meter reads	170,000	169,765	170,000	167,569
Wastewater Treatment:				
Wastewater treated (in millions of gallons)	1.3	2.0	2.0	2.0

Sources: Various city departments.

Table 17
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Fiscal Year Ending 9/30					
2010	2009	2008	2007	2006	2005
2,500,000	2,518,404	773,556	813,793	772,490	629,693
60	60	57	57	50	38
648	1,831	1,313	173	196	355
383	559	477	8	8	4
1,173	743	593	1,097	n/a	n/a
15	7	16	19	5	15
8	11	9	12	9	6
45	39	33	11	17	37
434	537	580	725	n/a	n/a
528	562	112	153	216	n/a
1,557	1,060	1,766	1,845	n/a	n/a
1,263	681	1,506	1,601	n/a	n/a
9	13.6	4.8	4.8	11.9	3.2
2,154	2,307	2,104	2,104	2,101	2,100
167,569	168,570	169,750	166,860	165,096	163,332
2.0	1.7	2.9	2.9	2.1	2.2

CITY OF TEXAS CITY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2014	2013	2012	2011
Public Safety				
Police:				
Police stations	1	1	1	1
Police vehicles	112	112	112	112
Fire stations:				
Fire stations	3	3	3	3
Fire vehicles	30	30	30	30
Public Works				
Other public works:				
Streets (miles) ^a	297	297	297	297
Highways (miles) ^a	n/a	n/a	n/a	n/a
Streetlights	3,628	3,628	3,628	3,628
Traffic signals	47	51	51	51
Recycling Center	1	1	1	1
Parks and Recreation				
Parks and recreation:				
Acreage	125	125	125	125
Parks	42	42	42	42
Pools	2	2	2	2
Fitness Center	1	1	1	1
Natatorium	1	1	1	1
Rental Facilities	6	6	6	6
Pavilions & Shelters	4	4	4	4
Shooting Range	1	1	1	1
Museums	1	1	1	1
Fountains (Decorative)	9	9	9	9
Statues (Bronze)	50	50	50	50
Golf Course	1	1	1	1
Library	1	1	1	1
Gymnasiums	3	3	3	3
Water and Sewer				
Water Production:				
Water wells	11	11	11	11
Pressure reducing stations	14	14	14	14
Ground storage tanks	8	8	8	8
Elevated towers	5	5	5	5
Waste water:				
Treatment Plants	1	1	1	1
Lift Stations	36	36	36	36
Distribution and Collection:				
Water mains (miles)	249	249	249	249
Sanitary sewers (miles)	207	207	207	207

Sources: Various city departments.

^a Inside city limits

Table 18

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1	1	1	1	1	1
112	112	112	112	112	112
3	3	3	3	3	3
30	30	30	30	30	30
297	297	297	297	297	297
n/a	n/a	n/a	n/a	n/a	n/a
3,628	3,628	3,628	3,628	3,628	3,628
51	51	51	51	51	51
1	1	1	1	1	1
125	125	125	125	125	125
42	42	42	42	42	42
2	3	4	4	4	4
1	1	1	1	1	1
1	1	1	1	n/a	n/a
6	6	6	6	6	6
4	4	4	4	4	4
1	1	1	1	1	1
1	1	1	1	1	1
9	9	9	9	9	9
50	50	50	50	50	50
1	1	1	1	1	1
1	1	1	1	1	1
3	3	3	3	3	3
11	11	11	11	11	11
14	14	14	14	14	14
8	8	8	8	8	8
5	5	5	5	5	5
1	1	1	1	1	1
36	36	36	36	36	36
249	249	249	249	249	249
207	207	207	207	207	207