

CITY OF NEDERLAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended September 30, 2014

CITY OF NEDERLAND, TEXAS

Comprehensive Annual Financial Report

For the Year Ended September 30, 2014

Prepared by the
Finance Department

INTRODUCTORY SECTION

CITY OF NEDERLAND, TEXAS

Comprehensive Annual Financial Report

September 30, 2014

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To the Honorable Mayor, Members of the City Council,
and Citizens of Nederland

State and local law requires that the City of Nederland annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report was prepared by the Finance Department, in accordance with the City Charter and in compliance with State law, to provide citizens, investors, grantor agencies, and other interested parties with reliable financial information about the City. Accordingly, we hereby respectfully submit the Comprehensive Annual Financial Report of the City of Nederland for the fiscal year ended September 30, 2014.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurances that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by J. R. Edwards & Associates, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2014, were free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of

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the financial section of this report. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A).

This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Incorporated in 1940, the City of Nederland is located in the southeast corner of the state and within Jefferson County. With a current population of 17,547, the City currently occupies a land area of approximately 5.5 square miles. The City is served with a regional airport and has ready rail access to all parts of the country. Although empowered to levy a property tax on both real and personal properties located within its boundaries, the City collects no personal or corporate taxes from residents, nor is a state income tax assessed. The City is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate.

The City operates under a Council-Manager form of government. It is governed by an elected City Council composed of a mayor and four councilmembers, who each serve two year terms and are elected at-large. The City is divided into four council wards; each ward is represented by a councilmember. The City Council is charged with formulating public policy, enacting local legislation, adopting budgets, and appointing the city manager, city attorney, city clerk, director of finance, police chief, and emergency management coordinator. The City Manager is the chief administrative and executive officer of the City, who implements Council directives and policies, manages the City's fiscal affairs, and is responsible for the administration of municipal operations.

The City provides a full range of services including police and fire protection, the construction and maintenance of streets and other infrastructure, general administration, code enforcement, and cultural and recreational activities. Certain utility services are provided through the Water and Sewer Fund and the Solid Waste Fund, which function as departments of the City.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager each year. The City Manager uses these requests as the basis for developing a proposed budget. The City Manager then presents the proposed budget to the City Council for review by no later than August 31st. The City Council is then required to conduct public hearings on the proposed budget and to adopt a final budget. The appropriated budget is prepared by fund (e.g. General), function (e.g. public safety), and department (e.g. police). Department directors may request transfers of appropriations within a department, which are reviewed and approved by the City Manager. Transfer of appropriations between departments, however, requires the approval of the City Council. Budget-to-actual comparisons are provided in this report for the General Fund; this comparison is presented as part of the basic financial statements for the governmental funds.

History

Nederland's heritage is deeply rooted in the Dutch ancestry, which gives the town its name.

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Nederland was officially founded on December 24, 1897 when Dutch settlers with an adventuresome spirit and desire for a better life found this site. The community was developed by the Port Arthur Townsite Company and the Port Arthur Land Company as part of the effort by Arthur E. Stilwell to make his newly built Kansas City, Pittsburg and Gulf Railway profitable. Stilwell, who had received much of his financial backing from Dutch investors, wanted a community for Dutch immigrants in Southeast Texas. The first such settler was George Rienstra; forty others arrived in November 1897.

As other immigrants followed, Nederlanders began establishing truck and dairy farms. Rice farming was especially popular until overproduction, overspeculation, and the depression of 1907 virtually eliminated the rice industry in Nederland. Many of the recent immigrants left the area. Prosperity was restored by the discovery of the Spindletop oilfield on January 10, 1901. The Sun Oil Company established a major terminal just to the north of Nederland and the Texas Company built a plant a mile south of the community. An interurban rail line tied this area with Beaumont and Port Arthur in 1913. Electricity was provided shortly thereafter, and telephone and gas service became available during the mid-1920s. During the same decade, the Humphrey Oil Company and Pure Oil Company (subsequently Union Oil) built a refinery at Smith's Bluff to the east, drawing large numbers of former Louisiana residents to Nederland. The refineries and related petroleum industries have continued to be the mainstays of the City's economy. The town incorporated on April 29, 1940 and the population reached 3,801 in 1950. Nederland grew rapidly as a residential center during the boom years that followed. By 1970, the number of inhabitants had surpassed 16,000. Though the local economy was hurt by the declining demand for petroleum during the 1980s, the number of businesses in the City increased from 136 in 1972-73 to 401 in 1984-85. The population was reported at 16,855 in 1980, 16,192 in 1990, 17,422 in 2000, and 17,547 in 2010.

Factors Affecting Financial Conditions

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Nederland operates.

Local Economy

The City of Nederland, Texas is located in a metropolitan area in Southeast Texas frequently referred to as the "Golden Triangle" and is a component of the Beaumont-Port Arthur MSA, located in the Mid-County area of Jefferson County. The City, its residents, and local businesses continue their recovery efforts from the impact of Hurricane Rita in September 2005, Hurricane Humberto in August 2007, and Hurricane Ike in September 2008. This restoration has been a combination of repairs to return structures to pre-storm conditions and of major renovations and new construction. As a result of this activity, the area was able to grow and experience a major financial boost. Recovery efforts have now slowed, and the economic impact is beginning to show signs of returning to pre-storm conditions. The regional economy is substantially based on petroleum refining and the production and processing of chemicals and petrochemicals. Area refineries are aggressively expanding their refining infrastructure, several Liquefied Natural Gas facilities are operational and/or under development, and significant construction activity remains in progress to support the personnel and corresponding service needs associated with the industrial projects. These improvements, totaling approximately \$20 billion, have provided massive economic stimulus to communities throughout our regional energy corridor, creating a

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direct impact on the housing, retail, and service markets. Recently, the Nederland Independent School District has completed a series of renovations/improvements to its elementary and middle schools and will soon commence similar work at the high school; this work has both an economic and quality life impact for our citizens. City officials and the Nederland Chamber of Commerce continue to aggressively market our community. And the Nederland Economic Development Corporation continues to collaborate with the private sector to provide funding mechanisms that assist in the placement of new businesses in the community.

Over the past several years, ad valorem and sales tax have indicated marginal growth. In the past five years, taxable assessable values have increased by over \$47M or 1.03% annually. During the same period, ad valorem tax revenue has increased by 9.896% or 1.98% annually. However during the past five years, sales tax collections have steadily increase, averaging an increase of 6.316% per year. Looking beyond the past five years, long-term trends in taxable values, ad valorem revenue, and sales tax revenue have resulted in staff conservatively estimating any potential growth. Due to the level of economic growth, the City has previously initiated actions to ensure financial stability while continuing to identify potential improvements for increased operational efficiencies.

In 1994, voters adopted an additional one half of one percent sales and use tax to be used for the promotion and development of new or expanded business enterprises as authorized by Section 4B, Article 5190.6, V.T.C.S. With this additional sales tax revenue, an economic development corporation, also authorized by the Act, was created to promote, assist, and enhance economic and community development activities for the City. In 2007, voters adopted a quarter cent of the City sales tax to be allocated to a Street Improvement Fund by reducing the Section 4B tax to a quarter cent. Funds would be expended on street-related improvement projects. With 78% votes of approval, the street sales tax was re-authorized during the May 2011 election.

The following list identifies the major accomplishments that the City has undertaken to improve the community and its economy.

FY 2013-2014 IN REVIEW

- ✓ Maintained one of the lowest municipal tax rates (\$0.591853 per \$100 assessed taxable value) in Jefferson County and continued to provide a \$15,000 Homestead Tax Exemption for the elderly and the disabled.
- ✓ Completed the Homer E. Nagel Public Safety Complex project—\$3.66M.
- ✓ Approved tax abatement requests from Sunoco, as well as negotiated easement and land use agreements with Sunoco Pipeline and Shell Pipeline, to promote economic development.
- ✓ Completed and/or commenced street improvements to address the City's transportation network in the amount of \$898,870, including the hot mix overlay of Canal Avenue (27th St. to HWY 69 frontage road) and North 14th Street (Helena Ave. to Canal Ave.), concrete raising on various streets, and various street re-surfacing projects with assistance from Jefferson County Precinct 2.
- ✓ Commenced study of Nederland Avenue to evaluate re-surfacing options, drainage, utility issues, and aesthetics and to provide an estimated cost.
- ✓ Completed the Texas General Land Office CDBG Disaster Recovery Grant Round 2.2 projects—generators at the wastewater treatment plant and four lift stations (\$572,891) and traffic signal light upgrades at Nederland Avenue and 14th, 21st, and 27th Streets

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- (\$391,165).
- ✓ Commenced the Texas General Land Office CDBG Disaster Recovery Grant Round 2.2 projects—sewer line replacement (\$1,366,650).
 - ✓ Commenced the 2014 Community Survey to gather public input on City services.
 - ✓ Completed various improvements at Rienstra Park.
 - ✓ Adjusted City Solid Waste Rates to ensure the long-term fiscal stability of solid waste services.
 - ✓ Purchased three Police SUVs, eight Police patrol unit recording camera systems, a Streets concrete saw, an air compressor, a truck for Utility Billing, and two garbage trucks.
 - ✓ Commenced a Waterline Replacement project in the amount of \$700,000.
 - ✓ Approved an amendment to the City’s Wastewater Treatment Plant Operation and Maintenance Agreement between Severn Trent Environmental Services, Inc., which saved the City \$6,562.50 and long-term ensured the City captures potential electricity savings.
 - ✓ Approved amendments to the City’s Investment Policy to reflect legislative changes in the Public Funds Investment Act and approved revisions to the City’s Personnel Policy to adhere to the Patient Protection and Affordability Health Care Act.
 - ✓ Conducted Smoke Testing as part of the City’s participation in the Texas Commission on Environmental Quality’s Sanitary Sewer Overflow Initiative.
 - ✓ Erected a “Welcome to Nederland” sign on Twin City Highway.
 - ✓ Awarded for the 17th year in a row the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada for the City’s comprehensive annual financial report.
 - ✓ Adopted a five-year Capital Improvement Program 2013-2018.
 - ✓ Continued to provide community events including “Trash Bash”, Nederland and Family Nights at the Pool, holiday decorating, Christmas on the Avenue, National Night Out, Art in the Park, and the 4th of July Fireworks Extravaganza.
 - ✓ Commenced a Healthy Lifestyles Initiative to improve City employees’ overall health.
 - ✓ Continued the partnership with Adaptive Sports for Kids, which provides athletic/recreational activities, such as baseball, soccer, basketball, Tae Kwan Do, cheerleading, and flag football, for children and adults with disabilities.
 - ✓ Adopted a Hotel Occupancy Tax budget with the Nederland Chamber of Commerce in accordance with Texas Tax Code Section 351.101.c.

Goals For Fiscal Year 2014-2015

- Maintain the tax rate of \$0.591853 per \$100 assessed taxable value, which remains one of the lowest municipal tax rates in Jefferson County; continue to provide a \$15,000 Homestead Tax Exemption for the elderly and the disabled.
- Continuation of street improvements (\$1,951,000) to improve the transportation network, including the re-surfacing of 18th Street (Canal Ave. to city limits), South 12th Street (Ave B to Ave H), South 9th Street (Ave B to Ave H), and South 21st Street (Nederland Ave. to Ave H), as well as concrete street repair on Avenue H.
- Continue study of Nederland Avenue to evaluate re-surfacing options, utility issues, and aesthetics and to provide an estimated cost.
- Complete the Texas General Land Office CDBG Disaster Recovery Grant Round 2.2 project—sewer line replacement (\$1,366,650).
- Complete a Texas Community Development Block Grant waterline replacement project (\$275,000).

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- Complete the interior/exterior re-paint of the South 5th Street elevated water tower.
- Complete a Waterline Replacement project and other capital improvements to the Water System.
- Complete the 2014 Community Survey to gather public input on City services
- Create a new Police Officer position, an Animal Control clerk position, a Dispatcher position, and a Computer Specialist position.
- Complete repairs to the walking trail and to the sundeck at Doornbos Park, as well as repairs/ improvements to the tennis courts.
- Complete installation of a splash park at the Nederland Swimming Pool, replacement of fencing at the Pool, re-surfacing of the Pool, and construction of Veterans Park adjacent to City Hall.
- Commence installation of a new City shop and minor repairs/improvements at the Public Works Service Center.
- Complete repairs/improvements to the Bob Henson Building utilized by the Inspections Department, Code Enforcement Officer, and Public Works Director.
- Complete repairs to the Nederland Senior Citizen Center.
- Complete the re-design of the City website providing a greater amount of and better organized information, as well as a greater emphasis on financial transparency.
- Enhance payment by credit card in the Utility Billing and Municipal Court departments to include online bill pay options for citizen convenience.
- Adjust City Utility Rates to ensure the long-term fiscal stability of water/wastewater and solid waste services.
- Purchase two Police patrol SUVs, a vehicle for code enforcement, trucks for the Parks, Streets, and Water departments, a trailer for streets, a prisoner passenger van, a Nederland Avenue camera detection system, and a trash truck.
- Adopt a five-year Equipment Replacement Plan.
- Continue to reduce the crime rate.
- Complete an actuarial study in accordance with Governmental Accounting Standards Board Statement 45.
- Continuation of water and sewer line improvements in order to upgrade the City's utility infrastructure, including Community Development Block Grant project 713349.
- Continue the strong relationship with the Nederland Economic Development Corporation and Chamber of Commerce in order to promote commerce and industrial growth.
- Continuation of residential and commercial growth in our City that will impact economic growth and opportunities for our citizenry.

Long-term Financial Planning

Local officials continue to support a strategic and aggressive capital plan for Nederland. Short-term and long-term capital improvement planning is necessary. City staff remains cognizant of the need for long-term fiscal stability. A conservative approach to the budget, including greater efficiency and salary/benefit controls, was required to offset decreases in revenue. While growth will continue in the City and surrounding area, a number of factors, specifically natural disasters and the national economy, may adversely impact Nederland's long-term planning efforts. The City's elected officials and management have traditionally maintained a prudent approach to budgeting, the expenditure of funds, and the collection of revenues. This philosophy will remain in place, in addition to continuing to evaluate further opportunities to more efficiently and effectively manage public funds.

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Development opportunities continue to be pursued by the Nederland Economic Development Corporation with the greatest focus on the Jack Brooks Airport Development. Annexed in 2010, this highway frontage acreage is marketed for retail and commercial development. The Nederland EDC actively works with the City of Nederland and Jefferson County.

Pension and Other Postemployment Benefits

The City provides pension benefits for all full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as determined by the actuary. The City has funded 107.4% of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 25 years as part of the annual required contribution calculated by the actuary.

The City also provides post-retirement health and dental care benefits for certain retirees. Following a two-year study conducted with the help of a retiree insurance committee comprised of city employees, effective July 1, 2012, the City's retiree insurance plan was amended from the "sliding scale benefit" provided since 1996 to a one-time flat rate contribution of no more than \$7,675 to retirees who meet the policy requirements. The funds are deposited into a Health Reimbursement Account to be utilized for qualifying medical expenses. Following the policy adoption, the City annually allocates funds in the budget for potential retiree's HRA. The policy revision and annual expense allocation are necessary to manage the City's GASB 45 liability, to be financially prudent, and to properly assist existing and future City retirees. In addition, the City now annually allocates funds in the budget for possible retiree's accrued leave compensation.

Additional information on the City's pension arrangements and post-employment benefits can be found in Note 8 and Note 10 in the notes to the financial statements.

AWARDS AND ACKNOWLEDGMENTS

Awards

The City of Nederland participates in the Certificate of Achievement for Excellence in Financial Reporting Award program sponsored by the Government Finance Officers Association (GFOA). Receiving this prestigious award is the result of achieving the highest standards in governmental accounting and financial reporting. Fiscal year ended September 30, 2013 marked the seventeenth consecutive year the City received this annual award. A Certificate of Achievement is valid for a period of one year only. We believe that our fiscal year ended September 30, 2014 CAFR continues to meet the program requirements and this document will be submitted to GFOA for consideration.

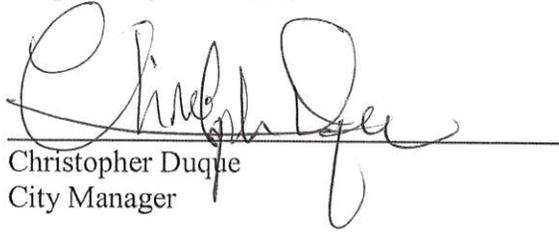
Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the City. We would like to express our appreciation to all employees who assisted and contributed to its preparations. We would also like to thank the City

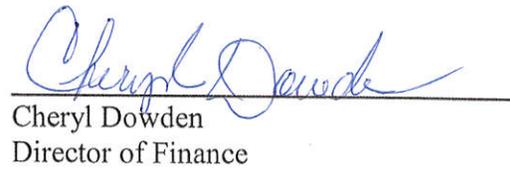
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Council for their interest and support in planning and conducting financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Christopher Duque
City Manager



Cheryl Dowden
Director of Finance

March 23, 2015



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Nederland
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**CITY OF NEDERLAND
NEDERLAND, TEXAS**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

CITY COUNCIL

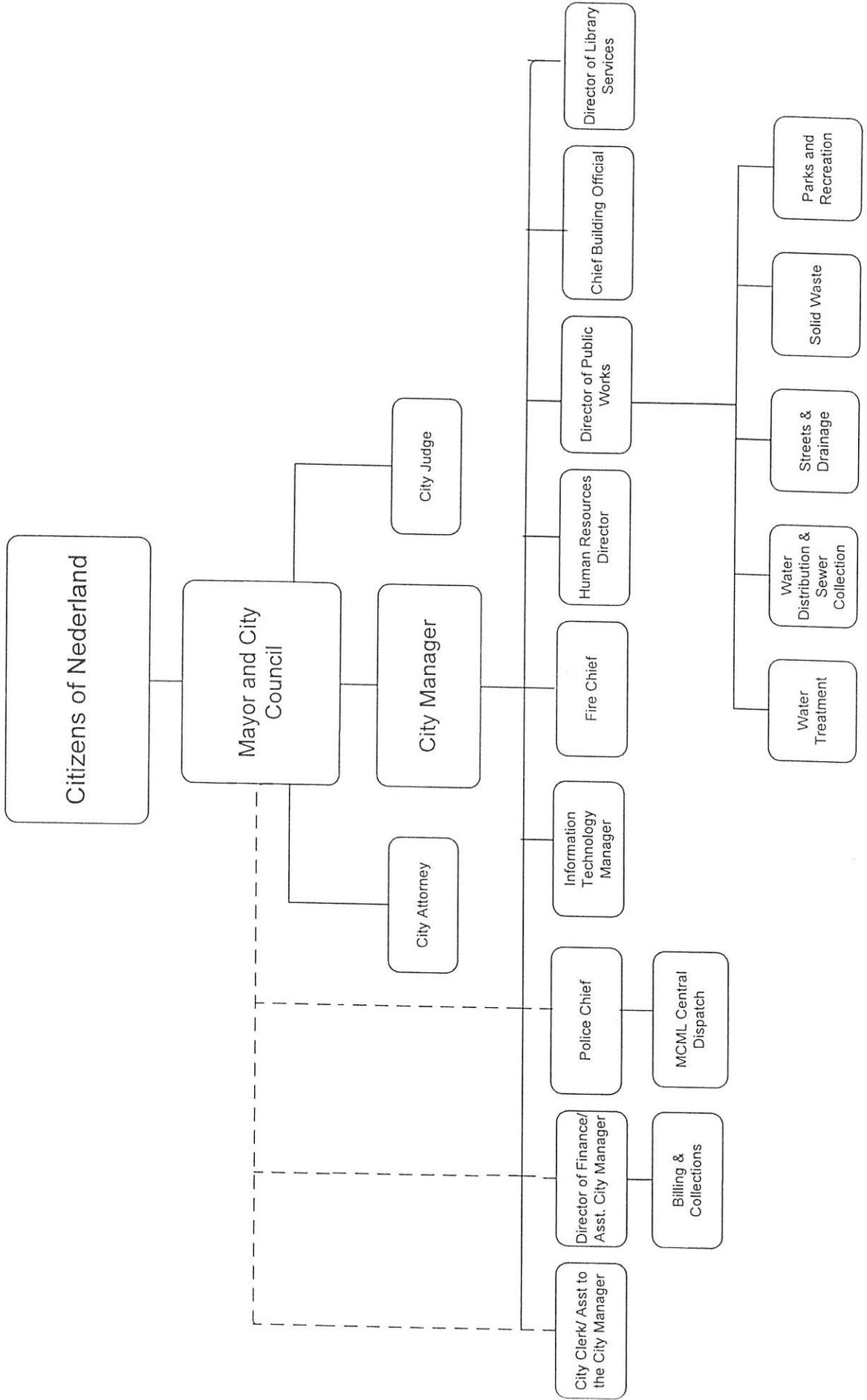
R. A. "Dick" Nugent	Mayor
Talmadge Austin	Councilmember, Ward 1
Billy Neal	Councilmember, Ward 2
Don Albanese	Councilmember, Ward 3, Mayor Pro-Tem
Craig Belaire	Councilmember, Ward 4

CITY MANAGER

Christopher Duque

Cheryl Dowden	Director of Finance/Assistant City Manager
Gay Ferguson	City Clerk
Jesse Branick	City Attorney

City of Nederland Organizational Chart



FINANCIAL SECTION

J.R. Edwards & Associates, LLC

Certified Public Accountants

March 23, 2015

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Nederland, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Nederland, Texas, 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.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13-21 and the schedule of funding progress and analysis of funding progress on pages 57 and 58 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 of Nederland, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 *Governmental Auditing Standards*, we have also issued our report dated March 23, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering District's internal control over financial reporting and compliance.

J.R. Edwards & Associates, LLC

CITY OF NEDERLAND, TEXAS

Management's Discussion and Analysis

As management of the City of Nederland (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with our letter of transmittal at the front of this report and the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City of Nederland (City) exceeded its liabilities at the close of fiscal year 2014 by \$63,454,222 net position.
- The City's total net position increased \$7,083,449 in 2014 largely due to sale of easements and award of operating grants.
- The unrestricted net position of the City's governmental activities is (\$5,404,853) due to the fact that governmental activity funds account for debt issued in construction of business type activity assets. The unrestricted net position of the City's business type activities is \$5,042,025 and may be used to meet the ongoing obligations of the City's water, sewer, and solid waste business-type activities.
- As of September 30, 2014, the City's governmental funds reported a combined ending fund balance of \$16,230,528, which is an decrease of \$585,077. Approximately \$10 million of the fund balance is considered unassigned at September 30, 2014 and is available for use within the City's designation and policies.
- The General Fund reported a fund balance of \$12,662,399 at the end of the current fiscal year. The unassigned fund balance for the General Fund is 10,402,611 or 95.01 percent of total General Fund expenditures (including transfers out.)
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$12,002,611 or approximately 109.65% of total General Fund expenditures (including transfers out.)

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information intended to furnish additional detail to support 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's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of 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, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Overview of the Financial Statements, Continued

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 or charges (business-type activities). The governmental activities of the City include general government, public works, public safety, cultural and recreation, and administration and general. The business-type activities of the City include two enterprise activities, a water and sewer system and a solid waste system.

The government-wide financial statements can be found on pages 22-24 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories, governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the *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 maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Improvement Fund and Debt Service Fund. Data from the other six 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 City of Nederland adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 25-29 of this Report.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and solid waste operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer, and solid waste operations. The water and sewer, and solid waste enterprise funds are considered

Overview of the Financial Statements, Continued

major funds of the City. The basic proprietary fund financial statements can be found on pages 30-32 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 33-56 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 Nederland’s progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 57-58 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 60-71 of this Report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The City’s assets and deferred outflows of resources exceeded liabilities by \$63.4 million at the close of the most recent fiscal year.

The largest portion of the City’s net position (68.84%) reflects its investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City’s net position (7.19%), represents resources that are subject to restrictions as to how they may be used. The remaining balance of \$15,207,172 is unrestricted and may be used to meet the government’s ongoing obligations to its citizens and creditors.

NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$18,057,898	\$18,546,886	\$7,509,691	\$6,816,002	\$25,567,589	\$25,362,888
Capital assets	29,440,152	24,482,635	29,813,324	29,502,539	59,253,476	53,985,174
Total assets	47,498,050	43,029,521	37,323,015	36,318,541	84,821,065	79,348,062
Long-term liabilities outstanding	16,804,551	18,936,060	122,433	114,536	16,926,984	19,050,596
Other liabilities	3,496,851	3,047,7469	943,008	878,931	4,439,859	3,926,700
Total liabilities	20,301,402	21,983,829	1,065,441	993,467	21,366,843	22,977,296
Net position						
Invested in capital assets, net of related debt	29,440,152	24,837,113	29,813,324	29,502,539	43,683,476	37,034,652
Restricted	3,161,349	4,633,213	1,402,225	1,401,389	4,563,574	6,034,602
Unrestricted	(5,404,853)	(8,809,156)	5,042,025	4,421,146	15,207,172	13,655,990
Total net position	\$27,196,648	\$21,400,170	\$36,257,574	\$35,325,074	\$63,454,222	\$56,725,244

Government-wide Financial Analysis, Continued

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

The government's overall net position increased by \$7,083,449 during the current fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Charges for services	434,239	\$583,671	\$5,823,889	\$5,604,706	\$6,258,128	\$6,188,377
Operating grants and contributions	3,458,451	431,584	-	-	3,458,451	431,584
General Revenues						
Property taxes	5,786,607	5,727,560	-	-	5,786,607	5,727,560
Industrial payments	1,784,626	1,819,377	-	-	1,784,626	1,819,377
Sales taxes	3,844,714	3,681,434	-	-	3,844,714	3,681,434
Gross receipts tax	1,219,125	1,164,178	-	-	1,219,125	1,164,178
Interest	19,828	27,164	7,703	8,119	27,531	35,283
Gain on sale of land	678,376	1,125,155	-	-	678,376	1,125,155
Miscellaneous	103,041	81,126	(39,258)	11,876	63,783	93,002
Total revenues	<u>17,329,007</u>	<u>14,641,249</u>	<u>5,792,334</u>	<u>5,624,701</u>	<u>23,121,341</u>	<u>20,265,950</u>
Expenses						
General government	1,022,795	873,884	-	-	1,022,795	873,884
Public safety	5,447,749	4,991,907	-	-	5,447,749	4,991,907
Public works	1,839,892	1,805,477	-	-	1,839,892	1,805,477
Culture and recreation	1,280,927	1,160,750	-	-	1,280,927	1,160,750
Administrative and general	349,660	418,261	-	-	349,660	418,261
Interest on long-term debt	616,072	679,559	-	-	616,072	679,559
Water & sewer	-	-	4,387,935	4,480,355	4,387,935	4,480,355
Solid waste	-	-	1,092,862	1,103,974	1,092,862	1,103,974
Total expenses	<u>10,557,095</u>	<u>9,929,838</u>	<u>5,480,797</u>	<u>5,584,329</u>	<u>16,037,892</u>	<u>15,514,167</u>
Increase (decrease) in net position before transfers	6,771,912	4,711,411	311,537	40,372	7,083,449	4,751,783
Transfers	(620,963)	752,000	620,963	(752,000)	-	-
Increase (decrease) in net position	6,150,949	5,463,411	932,500	(711,628)	7,083,449	4,751,783
Net position-beginning	21,400,170	15,936,759	35,325,074	36,036,702	56,725,244	51,973,461
Prior Period adjustment	(354,471)	-	-	-	(354,471)	-
Net position-ending	<u>\$27,196,648</u>	<u>\$21,400,170</u>	<u>\$36,257,574</u>	<u>\$35,325,074</u>	<u>\$63,454,222</u>	<u>\$56,725,244</u>

Governmental activities: Governmental activities increased the City's net position by \$6,150,949. The increase is due to several factors including greater than anticipated revenues due to a gain on sale of easements. Sales tax revenues have increased over the previous fiscal year due to spending increases because of an improving economy. Gross receipts taxes fluctuate with market values and the resulting increase is attributable to fuel price decreases throughout the fiscal year. In addition, budgeted expenditures were delayed due to weather and personnel changes as well as planned long-term street improvements.

Business type activities. Business-type activities increased the City's net position by \$932,500. The increase is attributable to increased utility rates assessed to cover market fluctuations and costs increases of providing solid waste services.

Financial Analysis of the Government's Funds

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

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

As of September 30, 2014, the City's governmental funds reported combined ending fund balances of \$16.2 million, a decrease of \$585,077 in comparison with the prior year. The decrease is attributable to completion of several construction projects one of which was funded with bonded debt. Approximately \$10 million of this amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted and committed to indicate that it is not available for new spending because it has already been committed to inventories \$2,671 of the prior period, restricted for payment of debt service \$228,616, restricted for Public Safety \$208,535, restricted for Public Works \$657,117, restricted for Culture and Recreation spending of \$101,645 restricted for construction \$365,436, and committed for construction in the amount of \$2,663,897. In addition, \$1,600,000 has been assigned for street improvements.

The General Fund is the chief operating fund of the City. At September 30, 2014, the unassigned fund balance of the General Fund was \$10,402,611 while total fund balance was \$12,662,399. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures (including transfers out). Unassigned fund balance represents 95.02 percent of total general fund expenditures (including transfers out), while total fund balance represents 115.66 percent of that same amount.

Fund balance of the City's General Fund increased by \$1,365,190 during 2014. This increase was primarily due to sale of land easements, industrial contracts which increased due to additional construction, gross receipts tax and sales tax increases due to better than expected economy attributable to industry expansion in the area.

The Debt Service Fund has a total fund balance of \$228,616. The net decrease in fund balance during the fiscal year 2014 in this fund was \$32,411 and was due to less than anticipated ad valorem tax revenues. The Debt Service Fund is funded with property tax revenue at the level necessary to meet debt service requirements.

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

The unrestricted net position at the end of the year amounted to \$3,185,756 for the Water and Sewer Fund. Net position in the Water and Sewer Fund increased from the previous year by \$589,560 primarily due to higher than anticipated revenues and less than anticipated costs of services. Unrestricted net position at the end of the year amounted to \$1,856,269 for the Solid Waste Fund. The net position increase of the Solid Waste Fund was \$342,940 and was attributable to a 12.75% rate increase anticipated to cover fluctuations in market costs and increased costs of equipment. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Original budget compared to final budget. The original budget adopted by the City Council was designed to reduce fund balance by small percentage while sustaining sufficient fund balance per policy. During the year, the City entered into several easement transactions that were unanticipated at the time the original budget was adopted. Because of these unanticipated revenues, the City appropriated funds from these easement sales to fund major street reconstruction while maintaining sufficient fund balance in accordance with policy

During the year there were increases of \$1,133,371 in budgeted revenues and \$771,201 in appropriations between the original and final amended budget. Following are the components of the increases:

	<u>Amount</u>	<u>Purpose</u>
General Fund Revenues	\$ 200,000	Increase in Sales Taxes due to greater than anticipated revenues
	\$ 235,695	Increase In Lieu of Tax contracts due to reduction of abated values
	\$ 19,300	Unanticipated operating grants
	\$ 678,376	Proceeds from sale of land easements
General Fund Expenditures	\$ 50,810	Increase in contractual fees to erect a Welcome Sign
	\$ 57,850	Increase in Public Safety departments for unanticipated insurance and building costs due to completion of a new building
	\$ 60,000	Increase Fire Department's Vehicle and Equipment Repairs due to unanticipated major repairs of aging apparatus
	\$ 30,000	Increase Police and Fire Department's Overtime due to unanticipated costs
	\$ (235,835)	Decreases in various expenditure line items to appropriate for future construction projects
	\$ 808,376	Transfer to construction funds to appropriate for future projects

Sufficient fund balance was available to cover all increases in appropriations.

Actual revenues in the General Fund exceeded budget amounts by \$1,336,896. Property tax revenue accounted for \$293,546, in lieu of tax contracts accounted for \$173,933, sales tax accounted for \$619,714, and gross receipts tax accounted for \$124,441 and small revenue increases in several line items accounted for the remainder. Expenditures as a whole were over budget by \$335,376 mainly due to street improvements approved by City Council for necessary repairs without formal budget amendment. There was sufficient fund balance to cover the excess expenditures.

Capital Asset and Debt Administration

Capital assets. The City’s investment in capital assets for governmental and business-type activities as of September 30, 2014, amounted to \$59,253,476 (net of accumulated depreciation). This investment in capital assets includes land, and other capital assets such as buildings, improvements and equipment. The total increase in capital assets for the current fiscal year was approximately 9.76% and was due to completion of several building projects which were part of the City’s Capital Improvement Plan.

**CAPITAL ASSETS
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and work in process	\$8,249,139	\$5,820,029	-	3,309,756	\$8,249,139	\$9,129,785
Other capital assets	21,191,013	18,662,606	29,813,324	26,192,783	51,004,337	44,855,389
Total	\$29,440,152	\$24,482,635	\$29,813,324	\$29,921,166	\$59,253,476	\$53,985,174

Major capital asset events during the current fiscal year included the following:

- Completion of a new City Hall allowing the existing building to be remodeled for a Public Safety building housing Police, Fire and Emergency Management operations
- Street improvements including concrete repair and hot mix

Additional information on the City’s capital assets can be found in Note 1 on pages 39 and Note 5 on pages 46-47 of this report.

Long-term debt. At September 30, 2014, the City had \$18,090,000 of long-term bonded debt and other liabilities outstanding. This amount comprises bonds backed by the full faith and credit of the City.

GENERAL OBLIGATION BONDS OUTSTANDING

	Governmental Activities		Business- Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General & Certificates of Obligation	\$15,570,000	\$17,305,000	\$ -	\$ -	\$15,570,000	\$17,305,000
Tax & Revenue CO’s	2,520,000	2,600,000	-	-	2,520,000	2,600,000
Total	\$18,090,000	\$19,905,000	\$ -	\$ -	\$18,090,000	\$19,905,000

Total long term bonds and other liabilities outstanding at September 30, 2014 decreased by \$1,815,000 over September 30, 2013. This decrease was primarily due to scheduled payments of bond principal without additional issuance of debt.

The City’s general obligation bond rating by Standard & Poor’s Corporation was affirmed at AA. Additional information regarding the City’s long-term debt can be found in Note 7 on pages 48-50 of this report.

Economic Factors and Next Year’s Budgets and Rates

Under ideal conditions, preparing the proposed budget would not require the consideration of an increase in taxes or fees or the reduction of service levels. In prior years, increases in assessed value and other revenue categories have been sufficient to fund City Council supported programs, including aggressive capital improvements. Although economic conditions have improved, Administration continues to evaluate all aspects of City services and apply the most effective and efficient method of program funding and service delivery.

The City of Nederland's budget for fiscal year 2015 includes a small increase in property tax revenue due to properties added to the tax roll. The tax rate remained the same from fiscal year 2013 at .591853 per \$100 valuation. The City Council adjusted water rates by 11% at the beginning of fiscal year 2014-15 in order to offset the rising cost of labor and equipment utilized to provide these services. On the expenditure side, increases are expected in health insurance premiums and the City is actively taking steps to minimize these increases by providing healthy lifestyle incentives.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Nederland, Finance Department, P. O. Box 967, Nederland, Texas, 77627.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
ASSETS				
Cash and cash equivalents	\$ 11,116,382	\$ 4,575,793	\$ 15,692,175	\$ 3,855,307
Investments	4,515,412	924,536	5,439,948	495,388
Receivables - net of allowances for uncollectibles:				
Taxes	694,445	-	694,445	61,241
Accounts receivable	347,069	573,122	920,191	-
Federal agencies	1,339,481	-	1,339,481	-
Other	14,212	-	14,212	1,500
Internal balances	28,702	-	28,702	-
Due from component unit	262	-	262	-
Inventories	-	123,823	123,823	-
Prepays	1,933	-	1,933	-
Restricted assets:				
Cash and cash equivalents	-	720,361	720,361	-
Investments	-	592,056	592,056	-
Capital assets:				
Land, and work in process	8,249,139	-	8,249,139	517,924
Buildings, property, and equipment, net	21,191,013	29,813,324	51,004,337	-
Total Assets	<u>47,498,050</u>	<u>37,323,015</u>	<u>84,821,065</u>	<u>4,931,360</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	-	-	-	-
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Accounts payable	898,213	43,507	941,720	-
Accrued expenses and other liabilities	231,942	225,092	457,034	-
Due to primary government	-	-	-	261
Other post employment benefits	306,709	-	306,709	-
Other Liabilities	-	1,423	1,423	291
Internal Balances	-	28,702	28,702	-
Liabilities payable from restricted assets	-	592,056	592,056	-
Non-current liabilities:				
Due within one year	2,134,987	52,228	2,187,215	-
Due in more than one year	16,729,551	122,433	16,851,984	-
Total Liabilities	<u>20,301,402</u>	<u>1,065,441</u>	<u>21,366,843</u>	<u>552</u>
NET POSITION				
Net investment in capital assets	29,440,152	29,813,324	43,683,476	517,924
Restricted for:				
Debt service	228,616	144,500	373,116	-
Public safety	208,535	-	208,535	-
Public works	2,257,117	-	2,257,117	-
Culture and recreation	101,645	-	101,645	-
Construction	365,436	1,257,725	1,623,161	-
Unrestricted	(5,404,853)	5,042,025	15,207,172	4,412,884
Total Net Position	<u>\$ 27,196,648</u>	<u>\$ 36,257,574</u>	<u>\$ 63,454,222</u>	<u>\$ 4,930,808</u>

The accompanying notes are an integral part of this financial statement.

CITY OF NEDERLAND, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions / Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government	\$ 1,022,795	\$ -	\$ -
Public safety	5,447,749	193,761	1,649,627
Public works	1,839,892	147,716	1,754,752
Culture and recreation	1,280,927	92,762	54,072
Administrative and general	349,660	-	-
Interest and fees on long-term debt	616,072	-	-
Total governmental activities	10,557,095	434,239	3,458,451
Business-type activities:			
Water and sewer	4,387,935	4,233,087	-
Solid Waste	1,092,862	1,590,802	-
Total business-type activities	5,480,797	5,823,889	-
Total Primary Government	16,037,892	6,258,128	3,458,451
Component Unit:			
Nederland Economic Development Corporation	\$ (472,850)	\$ -	\$ -

Property taxes, penalties and interest
 In lieu of tax contracts
 Sales tax
 Gross receipts tax
 Interest
 Gain on sale of capital assets
 Other miscellaneous
 Total general revenues
 Transfers
 Total general revenues and transfers
 Change in Net Position
 Net Position- Beginning
 Prior period adjustment
 Net Position - Restated
 Net Position - Ending

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit Economic Development Corporation
Governmental Activities	Business-type Activities	Total	
\$ (1,022,795)	\$ -	\$ (1,022,795)	\$ -
(3,604,361)	-	(3,604,361)	-
62,576	-	62,576	-
(1,134,093)	-	(1,134,093)	-
(349,660)	-	(349,660)	-
(616,072)	-	(616,072)	-
<u>(6,664,405)</u>	<u>-</u>	<u>(6,664,405)</u>	<u>-</u>
-	(154,848)	(154,848)	-
-	497,940	497,940	-
<u>-</u>	<u>343,092</u>	<u>343,092</u>	<u>-</u>
<u>(6,664,405)</u>	<u>343,092</u>	<u>(6,321,313)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (472,850)</u>
5,786,607	-	5,786,607	-
1,784,626	-	1,784,626	-
3,844,714	-	3,844,714	768,943
1,219,125	-	1,219,125	-
19,828	7,703	27,531	8,933
678,376	-	678,376	(30,051)
103,041	(39,258)	63,783	2,700
<u>13,436,317</u>	<u>(31,555)</u>	<u>13,404,762</u>	<u>750,525</u>
<u>(620,963)</u>	<u>620,963</u>	<u>-</u>	<u>-</u>
<u>12,815,354</u>	<u>589,408</u>	<u>13,404,762</u>	<u>750,525</u>
6,150,949	932,500	7,083,449	277,675
<u>21,400,170</u>	<u>35,325,074</u>	<u>56,725,244</u>	<u>4,653,133</u>
(354,471)	-	(354,471)	-
<u>21,045,699</u>	<u>35,325,074</u>	<u>56,370,773</u>	<u>4,653,133</u>
<u>\$ 27,196,648</u>	<u>\$ 36,257,574</u>	<u>\$ 63,454,222</u>	<u>\$ 4,930,808</u>

The accompanying notes are an integral part of this financial statement.

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	General	Capital Improvement	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 7,452,354	\$ 3,200,570	\$ 232,556	\$ 230,902	\$ 11,116,382
Investments	4,356,562	-	79,204	79,646	4,515,412
Receivables (net of allowances for doubtful accounts)					
Taxes receivable	545,293	-	149,152	-	694,445
Accounts receivable	161,871	-	1,224	34,337	197,432
Other	14,212	-	-	-	14,212
Due from other governmental agencies	231,017	279,674	-	828,790	1,339,481
Due from other funds	695,074	-	-	-	695,074
Prepaid items	1,933	-	-	-	1,933
TOTAL ASSETS	\$ 13,458,316	\$ 3,480,244	\$ 462,136	\$ 1,173,675	\$ 18,574,371
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 157,801	\$ 450,911	\$ -	\$ 289,501	\$ 898,213
Accrued expenses and other liabilities	172,840	-	-	-	172,840
Due to component unit	-	-	-	-	-
Due to other funds	-	-	92,116	573,994	666,110
Other liabilities	244,986	-	-	-	244,986
TOTAL LIABILITIES	575,627	450,911	92,116	863,495	1,982,149
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property tax	220,290	-	141,404	-	361,694
TOTAL DEFERRED INFLOWS OF RESOURCES	220,290	-	141,404	-	361,694
FUND BALANCES:					
Nonspendable					
Prepaid items	2,671	-	-	-	2,671
Restricted Fund Balance					
Debt service	-	-	228,616	-	228,616
Public safety	-	-	-	208,535	208,535
Public works	657,117	-	-	-	657,117
Culture and recreation	-	-	-	101,645	101,645
Construction	-	365,436	-	-	365,436
Committed Fund Balance					
Capital projects	-	2,663,897	-	-	2,663,897
Assigned	1,600,000				1,600,000
Unassigned Fund Balance	10,402,611	-	-	-	10,402,611
Total fund balances	12,662,399	3,029,333	228,616	310,180	16,230,528
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	\$ 13,458,316	\$ 3,480,244	\$ 462,136	\$ 1,173,675	\$ 18,574,371

The accompanying notes are an integral part of this financial statement.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Governmental fund balance as reported on the balance sheet for governmental funds.	\$ 16,230,528
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,440,152
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(18,985,363)
Recognition of deferred revenue as revenue increases net position.	361,694
Warrants and fines outstanding are not recorded as revenue in the governmental funds because they are not considered measurable and available. However, in the Statement of Net Position, they are considered accounts receivable and recorded.	
Warrants and fines outstanding	<u>149,637</u>
Total net position as reported on the Statement of Net Position for Governmental Activities.	<u><u>\$ 27,196,648</u></u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes, penalties and interest	\$ 3,670,546	\$ -	\$ 2,115,211	\$ -	\$ 5,785,757
In lieu of tax contracts	1,784,628	-	-	-	1,784,628
Sales tax	3,844,714	-	-	-	3,844,714
Other tax	1,118,521	-	-	100,604	1,219,125
Permits, licenses and fees	240,478	-	-	-	240,478
Fines, forfeits and penalties	213,361	-	-	13,210	226,571
Interest	13,283	5,834	341	368	19,826
Grants and Private contributions	133,828	1,511,730	-	1,812,893	3,458,451
Other miscellaneous	81,112	-	-	21,929	103,041
Total revenue	<u>11,100,471</u>	<u>1,517,564</u>	<u>2,115,552</u>	<u>1,949,004</u>	<u>16,682,591</u>
EXPENDITURES:					
Current:					
General government	1,008,005	-	-	-	1,008,005
Public safety	4,908,831	275,008	-	43,969	5,227,808
Public works	2,770,189	-	-	381,789	3,151,978
Culture and recreation	988,783	-	-	159,677	1,148,460
Administrative and general	323,473	-	-	-	323,473
Capital outlay	-	4,030,394	-	-	4,030,394
Debt service:					
Principal retirement	-	-	1,815,000	-	1,815,000
Interest and fiscal charges	-	-	617,638	-	617,638
Fees and issuance costs	-	-	2,325	-	2,325
Total expenditures	<u>9,999,281</u>	<u>4,305,402</u>	<u>2,434,963</u>	<u>585,435</u>	<u>17,325,081</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,101,190</u>	<u>(2,787,838)</u>	<u>(319,411)</u>	<u>1,363,569</u>	<u>(642,490)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	535,000	948,376	287,000	28,702	1,799,078
Transfers out	(948,376)	(70,000)	-	(1,401,665)	(2,420,041)
Sale of general capital assets	678,376	-	-	-	678,376
Total other financing sources and uses	<u>265,000</u>	<u>878,376</u>	<u>287,000</u>	<u>(1,372,963)</u>	<u>57,413</u>
NET CHANGE IN FUND BALANCES	1,366,190	(1,909,462)	(32,411)	(9,394)	(585,077)
FUND BALANCES - BEGINNING	<u>11,296,209</u>	<u>4,938,795</u>	<u>261,027</u>	<u>319,574</u>	<u>16,815,605</u>
FUND BALANCES - ENDING	<u>\$ 12,662,399</u>	<u>\$3,029,333</u>	<u>\$ 228,616</u>	<u>\$ 310,180</u>	<u>\$ 16,230,528</u>

The accompanying notes are an integral part of this financial statement.

**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**

Net change in fund balances - total governmental funds (Exhibit D)		\$ (585,077)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		850
Prior year warrants and fines, net of allowance	\$ (182,447)	
Current year warrants and fines, net of allowance	<u>149,637</u>	(32,810)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital Outlay	\$ 6,044,295	
Depreciation	<u>(1,086,778)</u>	4,957,517
The net effect of various miscellaneous transactions involving disposal of capital assets is to decrease net position.		-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,818,891
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. The adjustment combines the net changes of several		
Capitalization and amortization of bond costs	<u>\$ -</u>	-
Expenses in the Statement of Activities that are not expected to be paid from current financial resources are not reported as expenditures in governmental funds.		
Change in compensated absences balance	\$ 17,765	
Other post employment benefits	<u>(26,187)</u>	<u>(8,422)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 6,150,949</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes, penalties and interest	\$ 3,377,000	\$ 3,377,000	\$ 3,670,546	\$ 293,546
In lieu of tax contracts	1,375,000	1,610,695	1,784,628	173,933
Sales tax	3,025,000	3,225,000	3,844,714	619,714
Other tax	994,080	994,080	1,118,521	124,441
Permits, licenses and fees	175,000	175,000	240,478	65,478
Fines, forfeits and penalties	186,000	186,000	213,361	27,361
Interest	11,000	11,000	13,283	2,283
Grants and private contributions	75,000	94,300	133,828	39,528
Other miscellaneous	90,500	90,500	81,112	(9,388)
Total revenue	<u>9,308,580</u>	<u>9,763,575</u>	<u>11,100,471</u>	<u>1,336,896</u>
EXPENDITURES				
Current:				
City council	18,680	18,680	16,674	2,006
Legal	70,980	71,730	69,312	2,418
City manager	428,570	454,300	420,134	34,166
Finance	263,200	270,530	258,120	12,410
Personnel	198,690	199,590	191,991	7,599
Civil service	4,100	4,100	1,757	2,343
City hall	70,300	86,400	50,018	36,382
Police	3,037,030	3,088,320	3,057,218	31,102
Police-Prisoners	48,380	57,280	56,266	1,014
Emergency management	45,500	45,500	36,596	8,904
Fire	1,449,850	1,546,740	1,494,579	52,161
Fire-Volunteers	15,720	15,720	14,320	1,400
Inspections	206,780	202,550	202,502	48
Code Enforcement	73,000	68,000	47,350	20,650
Public Works Administration	265,840	266,570	231,983	34,587
Street department	1,642,940	1,593,320	2,249,693	(656,373)
City shop	263,530	279,620	288,513	(8,893)
Culture and recreation	570,550	551,690	528,686	23,004
Library	477,800	475,625	460,097	15,528
Other requirements	549,640	367,640	323,472	44,168
Total expenditures	<u>9,701,080</u>	<u>9,663,905</u>	<u>9,999,281</u>	<u>(335,376)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(392,500)</u>	<u>99,670</u>	<u>1,101,190</u>	<u>1,001,520</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	535,000	535,000	535,000	-
Transfers out	(140,000)	(948,376)	(948,376)	-
Sale of general capital assets	-	678,376	678,376	-
Total other financing sources and uses	<u>395,000</u>	<u>265,000</u>	<u>265,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>2,500</u>	<u>364,670</u>	<u>1,366,190</u>	<u>1,001,520</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>11,296,209</u>	<u>11,296,209</u>	<u>11,296,209</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 11,298,709</u>	<u>\$ 11,660,879</u>	<u>\$ 12,662,399</u>	<u>\$ 1,001,520</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Solid Waste	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 3,140,897	\$ 1,434,896	\$ 4,575,793
Investments	414,525	510,011	924,536
Receivables - net of allowances for uncollectibles:			
Accounts receivable	413,493	159,629	573,122
Inventories	123,823	-	123,823
Total Current Assets	<u>4,092,738</u>	<u>2,104,536</u>	<u>6,197,274</u>
Noncurrent Assets			
Restricted assets:			
Cash and cash equivalents	720,361	-	720,361
Investments	592,056	-	592,056
Total capital assets, net of accumulated depreciation	<u>28,888,743</u>	<u>924,581</u>	<u>29,813,324</u>
Total Noncurrent Assets	<u>30,201,160</u>	<u>924,581</u>	<u>31,125,741</u>
Total Assets	<u>\$ 34,293,898</u>	<u>\$ 3,029,117</u>	<u>\$ 37,323,015</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 29,686	\$ 13,821	\$ 43,507
Accrued expenses and other liabilities	31,911	193,181	225,092
Due to other funds	28,702	-	28,702
Compensated absences	42,197	10,031	52,228
Total Current Liabilities	<u>132,496</u>	<u>217,033</u>	<u>349,529</u>
Noncurrent Liabilities			
Payable from restricted assets:			
Refundable customer deposits	592,056	-	592,056
Unclaimed deposits	1,423	-	1,423
Accrued compensated absences	4,802	995	5,797
Other post employment benefits	86,397	30,239	116,636
Total Long-term Liabilities	<u>684,678</u>	<u>31,234</u>	<u>715,912</u>
Total Liabilities	<u>817,174</u>	<u>248,267</u>	<u>1,065,441</u>
NET POSITION			
Net Investment in Capital Assets	28,888,743	924,581	29,813,324
Restricted for Debt Service	144,500	-	144,500
Restricted for Construction	1,257,725	-	1,257,725
Unrestricted	<u>3,185,756</u>	<u>1,856,269</u>	<u>5,042,025</u>
Total Net Position	<u>\$ 33,476,724</u>	<u>\$ 2,780,850</u>	<u>\$ 36,257,574</u>

The accompanying notes are an integral part of this financial statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITIVE - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Solid Waste	Total
Operating Revenues			
Water sales	\$ 1,925,558	\$ -	\$ 1,925,558
Sewer charges	1,873,289	-	1,873,289
Tap and line maintenance fees	266,557	-	266,557
Garbage pickup	-	1,573,745	1,573,745
Penalties and other	167,683	17,057	184,740
Total Operating Revenues	<u>4,233,087</u>	<u>1,590,802</u>	<u>5,823,889</u>
Operating Expenses			
Water treatment	1,170,126	-	1,170,126
Water and wastewater distribution	723,377	-	723,377
Wastewater treatment	670,196	-	670,196
Billing/collections	374,744	-	374,744
Solid waste	-	882,933	882,933
Other operating expenses	37,071	2,187	39,258
Depreciation and amortization	1,449,492	209,929	1,659,421
Total Operating Expenses	<u>4,425,006</u>	<u>1,095,049</u>	<u>5,520,055</u>
Operating Income (Loss)	<u>(191,919)</u>	<u>495,753</u>	<u>303,834</u>
Nonoperating Revenues (Expenses)			
Interest revenue	5,516	2,187	7,703
Total Nonoperating Revenues (Expenses)	<u>5,516</u>	<u>2,187</u>	<u>7,703</u>
Income (Loss) Before Capital Contributions and Transfers	(186,403)	497,940	311,537
Transfers from Other Fund	1,401,665	-	1,401,665
Transfers to Other Fund	<u>(625,702)</u>	<u>(155,000)</u>	<u>(780,702)</u>
Change in Net Position	589,560	342,940	932,500
Total Net Position - Beginning	<u>32,887,164</u>	<u>2,437,910</u>	<u>35,325,074</u>
Total Net Position - Ending	<u>\$ 33,476,724</u>	<u>\$ 2,780,850</u>	<u>\$ 36,257,574</u>

The accompanying notes are an integral part of this financial statement.

CITY OF NEDERLAND, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT H

	Business-type Activities - Enterprise Funds		
	Water and Sewer	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,246,379	\$ 1,599,128	\$ 5,845,507
Payments for goods and services	(1,573,422)	(432,592)	(2,006,014)
Payments to Employees	(1,358,766)	(439,340)	(1,798,106)
Net cash provided (used) by operating activities	<u>1,314,191</u>	<u>727,196</u>	<u>2,041,387</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	1,401,665	-	1,401,665
Transfers to other funds	(625,702)	(155,000)	(780,702)
Net Cash provided by noncapital financing activities	<u>775,963</u>	<u>(155,000)</u>	<u>620,963</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(1,445,420)	(524,786)	(1,970,206)
Net cash provided (used) by financing activities	<u>(1,445,420)</u>	<u>(524,786)</u>	<u>(1,970,206)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	5,516	2,187	7,703
Investing activities	(339)	(171)	(510)
Net cash provided (used) by investing activities	<u>5,177</u>	<u>2,016</u>	<u>7,193</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>649,911</u>	<u>49,426</u>	<u>699,337</u>
CASH AND CASH EQUIVALENTS OCTOBER 1	<u>3,211,347</u>	<u>1,385,470</u>	<u>4,596,817</u>
CASH AND CASH EQUIVALENTS SEPTEMBER 30	<u>\$ 3,861,258</u>	<u>\$ 1,434,896</u>	<u>\$ 5,296,154</u>
CASH AND CASH EQUIVALENTS, OCTOBER 1, CONSIST OF			
Unrestricted cash and Cash Equivalents	\$ 2,541,940	\$ 1,385,470	\$ 3,927,410
Restricted cash	699,407	-	699,407
	<u>\$ 3,241,347</u>	<u>\$ 1,385,470</u>	<u>\$ 4,626,817</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30, CONSIST OF			
Unrestricted cash and Cash Equivalents	\$ 3,140,897	\$ 1,434,896	\$ 4,575,793
Restricted cash	720,361	-	720,361
	<u>\$ 3,861,258</u>	<u>\$ 1,434,896</u>	<u>\$ 5,296,154</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (191,919)	\$ 495,753	\$ 303,834
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	1,449,492	209,929	1,659,421
(Increase) decrease in accounts receivable	13,292	8,326	21,618
(Increase) decrease in inventories	(15,461)	-	(15,461)
Increase (decrease) in payables	(7,393)	(158)	(7,551)
Increase (decrease) in accrued liabilities	(2,813)	13,568	10,755
Increase (decrease) in interfund payables	28,702	-	28,702
Increase (decrease) in compensated absences and OPEB	4,067	(222)	3,845
Increase (decrease) in customer deposits	36,224	-	36,224
	<u>\$ 1,314,191</u>	<u>\$ 727,196</u>	<u>\$ 2,041,387</u>

The accompanying notes are an integral part of this financial statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the City of Nederland, Texas (the “City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following represents the significant accounting policies used by the City.

A. Reporting Entity

The City of Nederland, Texas was incorporated in 1940, and was chartered as a Home Rule City in March, 1955. The City operates under a council-manager form of government and provides the following services as authorized by its charter: Public Safety-Police and Fire, Streets, Water and Sewer, Sanitation; Culture-Recreation, Public Improvements, and General Administrative Services.

As required by generally accepted accounting principles, the financial statements present the City of Nederland, Texas and its component unit. The discretely presented component unit is reported in a separate column of the financial statement after a total column for the primary government, to emphasize that it is legally separate from the primary government.

B. Discretely Presented Component Unit

The Nederland Economic Development Corporation (NEDC) was created under Section 4B of the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated Article 5190.6, as amended. The NEDC is governed by a board of directors appointed by the City Council. The NEDC is organized exclusively for the purpose of benefiting and accomplishing public purposes of the City of Nederland, Texas by promoting, assisting, and enhancing economic and community development activities for the City.

The NEDC is funded by one-quarter of one percent City sales and use tax. The City performs all accounting functions for the NEDC. The City tax provided to the Corporation during the year ended September 30, 2014 totaled \$768,943. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The notes to the financial statements include disclosures pertaining to the City as the primary government and also the EDC as a component unit. Separately issued financial statements for the EDC are not available.

C. Related Organizations

The City’s elected officials are also responsible for appointing the members of the various boards and commissions established by City Charter and/or state statutes but the City’s accountability for these boards and commissions does not extend beyond making the appointments. The City Council appoints board members of the following: Nederland Economic Development Corporation, Zoning Board of Appeals, Planning and Zoning Commission, Construction Board of Adjustments and Appeals, Parks Advisory Board, Animal shelter advisory committee and the Civil Service Commission. Positions on these boards are appointed in certain instances in entirety, partially, or with City Council members.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Joint Venture

Mid-County Dispatch

The City of Nederland and two neighboring cities, Groves and Port Neches, have a contractual agreement to pool resources and share the costs, risks, and rewards of providing a central radio dispatching service for the participating cities in compliance with the “Interlocal Cooperation Act”. Each of the participating cities has an ongoing financial interest in, and responsibility for the Mid-County Dispatch. Funds shall be provided by each City based on their population. Based on the agreement, there is no explicit, measurable equity interest for any of entities in the joint ventures resources. During the year ended September 30, 2014 the City contributed \$388,452 to the joint venture. Fund balance of the joint venture at September 30, 2014 was \$308,707. Separately issued financial statements are not available for this joint venture.

E. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from 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 structure or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds, 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.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available to finance expenditures of the fiscal period. Revenues are considered available when they are collectible within the

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

current period or soon enough thereafter to be pay liabilities of the current period. For this purpose, the government considers revenues 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, claims and judgments, are recorded only when the payment is due.

Property taxes, franchise taxes, sales taxes, industrial payments, 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 government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for the purchase of capital assets, including infrastructure acquisitions and construction from general government resources.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the water and sewer utility of the City. This fund operates the water treatment and distribution functions, along with the wastewater collection and treatment and the related revenue collection activity.

The *solid waste fund* accounts for the City's operation of garbage collection and green waste disposal services.

Additionally, the City reports the following fund types:

The *special revenue funds* account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary funds distinguish operating revenue and expense from non-operating 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 revenue of the water fund, of the solid waste fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenue and expenses.

G. Budgetary Data

The following procedures are utilized in establishing the budgetary data reflected in the basic financial statements:

- a. By August 31st, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1 (except the capital projects funds, which adopt project length budgets). The operating budget includes proposed expenditures and the means of financing them. Funds with legally adopted annual budgets are listed as follows: General fund, Police Narcotics fund, Library fund, Court Technology fund, Hotel/Motel Occupancy Tax fund, Fire Department fund, Capital Improvement fund, Debt Service fund, Water and Sewer fund, and Solid Waste fund.
- b. A Public hearing is conducted, after proper official journal notification, to obtain taxpayer comments.
- c. Prior to September 30th, the budget is legally enacted through passage of an ordinance.
- d. The City Manager is authorized to transfer budgeted amounts within departments within any fund. Revisions that alter the total expenditures of any department and fund must be approved by the City Council.
- e. Budget appropriations lapse at year-end and are re-established in the succeeding year.
- f. Budgets for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

H. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30th, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

I. Cash and Investments

Cash includes amounts in demand and time deposit accounts. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Securities traded on a national or international exchange, if any, are valued at the last reported sales price or current exchange rates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Cash and Investments, Continued

For the purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. All certificates of deposits and investments in other securities and instruments are considered to be investments.

Investments

State statutes authorize the city to invest in obligations of the U.S. Treasury, the State of Texas, those unconditionally guaranteed by the United States of America or the State of Texas, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent, as well as Certificates of Deposit, fully collateralized direct repurchase agreements purchased through a primary government securities dealer or a bank domiciled in Texas and joint pools of political subdivisions in the State of Texas, such as TexPool which is described in more detail below.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the city adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools states that governmental entities should make certain disclosures concerning their investments, including disclosures about any investments in local government investment pools.

Specifically, the statement directs a governmental entity to disclose "for any investment in an external investment pool that are not SEC-registered, a brief description of any regulatory oversight for the pool and whether the fair-value of the position in the pool is the same value as the value of the pool shares". To facilitate compliance with this disclosure requirement, the following description of TexPool is provided.

The City invests in TexPool, which is a public funds investment pool. The pool was organized in conformity with the Interlocal Cooperation Act and the Public Funds Investment Act of the Texas Government Code. The Comptroller of Public Accounts maintains oversight of the services provided to TexPool by Chase Bank of Texas, N.A. and First Southwest Asset Management, Inc., with additional oversight by the TexPool Advisory Board.

Public funds investment pools ("Pools") in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the Act), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Cash and Investments, Continued

Investments, Continued

no lower than AAA or AAAM or an equivalent rating by at least on nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within on half of one percent of the value of its shares.

The City's investment in TexPool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2a7 of the Investment Company Act of 1940. A 2a7-like pool is one which is not registered with the SEC as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

J. Property Taxes Receivable

Property appraisal within the City is the responsibility of the Jefferson County Appraisal District (Appraisal District). The Appraisal District is required under the Property Tax Code to appraise all property within the County on the basis of 100% of its market value. The value of real property within the Appraisal District must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and legal action. Under the Property Tax Code legislation, the City establishes tax rates for property within the City's corporate limits. However, if the new tax rate exceeds the effective tax rate after certain adjustments for the previous year by more than eight percent (8%), qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent (8%) above the effective tax rate.

The City's property taxes are levied annually in October on the basis of the Appraisal District's assessed values as of January 1 of that calendar year. Taxes are applicable to the fiscal year in which they are levied. They become delinquent, with an enforceable lien on property, on February 1 of the subsequent calendar year. The City has contracted with the Jefferson County Tax Assessor-Collector to bill and collect its taxes.

In the governmental fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

K. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated revenues from the Water and Sewer fund are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due to/from other funds” on the balance sheet.

M. Inventories and Prepaid Items

Inventories are valued at cost using the first in/first out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The reserve for the inventory is equal to the amount of inventory to indicate that a portion of the fund balance is not available for future expenditure. Inventories in the Enterprise Fund consist of repair materials, spare parts and water meters, and water treatment and wastewater treatment chemicals. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

N. Restricted Assets

Certain proceeds of general obligation and revenue bonds, as well as 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. Restricted assets also include interest accrued on unexpended bond proceeds and cash received for customer utility deposits.

O. Capital Assets

Capital assets which include property, plant, equipment and infrastructure assets (e.g. streets and waterlines, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more 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 City reports major general infrastructure for assets acquired beginning in 1980.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 25
Improvements other than buildings	5 - 20
Equipment	5 - 7
Infrastructure	20 - 50

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Long-term Obligations

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

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

Q. Fund Equity

Beginning with fiscal year 2014, the City of Nederland, Texas implemented GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable Fund Balance – includes the portion of net resources that cannot be spent because of their form or because they must remain in-tact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet.

Restricted Fund Balance – includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.

Committed Fund Balance – includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by a formal action of the City Council, commitments may be changed or lifted only by the Council taking the same formal action that originally imposed the constraint. The formal action must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements. The amount subject to the constraint may be determined in the subsequent period (i.e. the Council may approve the calculation or formula for determining the amount to be committed). The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

Assigned Fund Balance- includes the portion of net resources for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. The City Council by resolution has authorized the City Manager as the City Official responsible for the assignment of fund balance to a specific purpose. Assignments generally only exist temporarily. Additional action does not normally have to be taken for the removal of an assignment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unassigned fund balance – includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund can includes all amounts not contained in other classifications.

Beginning fund balances for the City’s governmental funds have been restated to reflect the above classifications.

Order of Expenditure of Funds - When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

Minimum Unassigned Fund Balance - The City’s goal is to achieve and maintain an unassigned fund balance in the general fund equal to 50% of expenditures. The City considers a balance of less than 25% to be cause for concern, barring unusual or deliberate circumstances. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

Replenishment of Minimum Fund Balance Reserves - If unassigned fund balance unintentionally falls below 25% or if it is anticipated that at the completion of any fiscal year the projected unassigned fund balance will be less than the minimum requirement, the City Manager shall prepare and submit a plan to restore the minimum required level as soon as economic conditions allow. The plan shall detail the steps necessary for the replenishment of fund balance as well as an estimated timeline for achieving such. These steps may include, but are not limited to, identifying new, nonrecurring, or alternative sources of revenue; increasing existing revenues, charges and/or fees; use of year end surpluses; and/or enacting cost saving measures such as holding capital purchases, reducing departmental operating budgets, freezing vacant positions, and/or reducing the workforce. The replenishment of fund balance to the minimum level shall be accomplished within a three-year period. If restoration of the reserve cannot be accomplished within such a period without severe hardship to the City, then the Council shall establish an extended time line for attaining the minimum balance.

Appropriation of Unassigned Fund Balance - Appropriation from the minimum unassigned fund balance shall require the approval of the Council and shall be utilized only for one-time expenditures, such as capital purchases, and not for ongoing expenditures unless a viable revenue plan designed to sustain the expenditure is simultaneously adopted. The Council may appropriate unassigned fund balances for emergency purposes, as deemed necessary, even if such use decreases the fund balance below the established minimum.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

R. Deferred Outflows/Inflows of Resources, Continued

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

S. Net Position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to reported as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

T. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

U. Compensated absences

The City’s employees earn vacation and sick leave, all of which may either be taken or accumulated, up to certain amounts, until paid upon voluntary termination or retirement. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

V. Interfund Transactions

Interfund transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the city are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund are recorded as expenditures or expenses (as appropriate) in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. These transfers are reported in the “Other Financing Sources (Uses)” section in the Statement of Revenues, Expenditures, and Changes in Fund Balances (governmental funds) and in the “Transfers” section in the Statement of Revenues, Expenses, and Changes in Fund Net Assets (proprietary fund).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

W. Grants from Other Governmental Agencies

Federal and State governmental agencies represent an important source of supplementary funding to finance activities beneficial to the community. These funds, primarily in the form of grants, are recorded in the General, Special Revenue and Enterprise Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant. The grants normally specify the purpose for which the funds may be used and are subject to audit by the granting agency or its representative.

X. Date of Management’s Review

In preparing the financial statements, the City has evaluated events and transactions for potential recognition for disclosure through March 23, 2015, the date that the financial statements were available to be issued.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

Explanation of Reclassification Required on the Government-Wide Statement of Net Position

When governmental activities report debt that financed the acquisition of capital assets that business-type activities report, that debt is not considered to be capital-related debt of the governmental activities. Such debt should not be part of the calculation of net assets invested in capital assets, net of related debt within that reporting unit. However, when the total reporting entity is presented as the reporting unit, the debt is related to the capital assets within that reporting unit. Thus reconciliation is necessary as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Reclassifications</u>	<u>Total</u>
Invested in capital assets, net of related debt	29,440,152	\$ 29,813,324	\$ (15,570,000)	\$ 43,683,476
Restricted for:				
Debt Service	228,616	144,500	-	373,116
Public Safety	208,535	-	-	208,535
Public Works	2,257,117	-	-	2,257,117
Culture and Recreation	101,645	-	-	101,645
Capital Projects	365,436	1,257,725	-	1,623,161
Unrestricted	(5,404,853)	5,042,025	15,570,000	15,207,172
Total Net Assets	<u>\$ 27,196,648</u>	<u>\$ 36,257,574</u>	<u>\$ -</u>	<u>\$ 63,454,222</u>

NOTE 3: CASH AND INVESTMENTS

Cash Deposits

At year-end, the City’s carrying amount of deposits (including NEDC) was \$20,267,844 and the bank balance was \$20,793,554. Of the bank balance, 250,000 was covered by federal depository insurance. The remaining bank balance was collateralized by securities held by the City or by the City’s agent in name of the City.

Investments – The City has a written investment policy regarding the investment of its funds. The investments of the City are in compliance with the investment policy, the City Charter, the Public Funds Investment Act (Chapter 2256 of the Government Code, as amended) and all other state and local statutes governing the investment of public funds. The City is authorized to invest in U.S. government obligations and its agencies or instrumentalities, collateralized certificates of deposit, fully collateralized repurchase agreements, no load money market mutual funds and approved government investment pools.

As of September 30, 2014, the City of Nederland (including NEDC) had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
TexPool	\$6,022,002	N/A
Certificates of Deposit	505,390	6 months - 1 Year

Investment rate risk: In accordance with the investment policy, the city manages exposure to declines in fair value by avoiding an over-concentration of assets in specific instruments other than U.S. Treasury Securities and Insured or Collateralized Certificates of Deposits.

Credit risk. It is the policy of the City to limit its investment in commercial paper and corporate bonds to those having received a top rating of “A” or its equivalent from a nationally recognized investment rating firm. Standard & Poor’s rated TexPool AAA as of September 30, 2014.

Concentration of credit risk. The City’s investment policy does not allow for an investment in TexPool that is in excess of sixty percent of the City’s total investments and demand deposits.

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. Both the City and the NEDC, a discretely presented component unit, require that all deposits and investments be secured by pledged collateral. In order to anticipate market changes and provide a level of security for all funds, the collateralization level is required to be 100% of the market value of the principal and interest, less an amount insured by the FDIC or FSLIC. Additionally, the collateral pledged shall be held by the Federal Reserve Bank or an institution not affiliated with the firm pledging the collateral.

Local government Investment Pools are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (PFIA), Chapter 2236 of the Texas Government Code. In addition to other provisions of the PFIA designed to promote liquidity and safety of principle, the (PFIA) requires Pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least on nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. In addition, the Texas State of Comptroller of Public Accounts exercises oversight responsibility over TexPool.

NOTE 3: CASH AND INVESTMENTS, Continued

The City's investments in a 2a7-like pool are reported at share value. A 2a7-like pool is one that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

NOTE 4: RECEIVABLES

In the fund financial statements, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as unavailable revenues in the year of levy. Such unavailable revenues are recognized as revenue in the fiscal year in which they become available.

The balance of property taxes receivable and property tax assessments included in unavailable revenues as of September 30, 2014 are as follows:

	General Fund	Debt Service	Total
Property Taxes Receivable	\$ 281,513	\$ 179,701	\$ 461,214
Less: Allowance for Doubtful Accounts	(47,857)	(30,549)	(78,406)
Net Property Taxes Receivable	<u>\$ 233,656</u>	<u>\$ 149,152</u>	<u>\$ 382,808</u>
Unavailable Property Taxes	<u>\$ 220,290</u>	<u>\$ 141,404</u>	<u>\$ 361,694</u>

Other Receivables as of September 30, 2014 for the City are as follows:

	General Fund	Capital Improvement	Debt Service	Other Funds	Total
Taxes - Other	\$ 311,637	\$ -	\$ -	\$ -	\$ 311,637
Accounts	161,871	-	1,224	34,337	197,432
Other	14,212	-	-	-	14,212
Due From Other					
Governments	231,017	279,674	-	828,790	1,339,481
Gross Receivables	<u>718,737</u>	<u>279,674</u>	<u>1,224</u>	<u>863,127</u>	<u>1,862,762</u>
Less: Allowance for					
Uncollectibles	-	-	-	-	-
Net Total Receivables	<u>\$ 718,737</u>	<u>\$ 279,674</u>	<u>\$ 1,224</u>	<u>\$ 863,127</u>	<u>\$ 1,862,762</u>

NOTE 5: CAPITAL ASSETS

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

Governmental Activities	Beginning	Current Year		Ending
	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Land	\$ 3,888,561	\$ -	\$ -	\$ 3,888,561
Construction in progress	1,931,468	3,837,437	(1,408,327)	4,360,578
Total capital assets not being depreciated:	5,820,029	3,837,437	(1,408,327)	8,249,139
Capital assets being depreciated:				
Buildings	6,572,733	1,421,092	-	7,993,825
Machinery and equipment	4,524,341	237,212	(134,716)	4,626,837
Infrastructure	28,750,977	1,956,881	-	30,707,858
Total capital assets being depreciated:	39,848,051	3,615,185	(134,716)	43,328,520
Less accumulated depreciation:				
Buildings	(5,464,748)	(118,806)	-	(5,583,554)
Machinery and equipment	(3,239,394)	(377,978)	134,716	(3,482,656)
Infrastructure	(12,481,303)	(589,994)	-	(13,071,297)
Total accumulated depreciation	(21,185,445)	(1,086,778)	134,716	(22,137,507)
Total capital assets being depreciated, net	18,662,606	2,528,407	-	21,191,013
Governmental activities capital assets, net	\$ 24,482,635	\$ 6,365,844	\$ (1,408,327)	\$ 29,440,152

Depreciation expense of the governmental activities was charged to functions/programs as follows:

General Government	\$ 45,319
Public Safety	231,841
Public Works	644,796
Culture & Recreation	164,822
Total Depreciation Expense - Governmental Activities	\$ 1,086,778

NOTE 5: CAPITAL ASSETS, Continued

Business-type Activities	Beginning	Current Year		Ending
	Balance	Increases	Decreases	Balance
Capital assets not being depreciated:				
Construction in progress	\$ 3,309,756	\$ 1,401,665	\$ -	\$ 4,711,421
Total capital assets not being depreciated	<u>3,309,756</u>	<u>1,401,665</u>	<u>-</u>	<u>4,711,421</u>
Capital assets being depreciated				
Buildings	21,450,340	-	-	21,450,340
Improvements other than buildings	25,111,737	-	-	25,111,737
Machinery and equipment	<u>2,817,307</u>	<u>568,541</u>	<u>(18,419)</u>	<u>3,367,429</u>
Total capital assets being depreciated:	<u>49,379,384</u>	<u>568,541</u>	<u>(18,419)</u>	<u>49,929,506</u>
Less accumulated depreciation:				
Buildings	(7,331,477)	(471,621)	-	(7,803,098)
Improvements other than buildings	(13,898,723)	(911,930)	-	(14,810,653)
Machinery and equipment	<u>(1,956,401)</u>	<u>(275,870)</u>	<u>18,419</u>	<u>(2,213,852)</u>
Total accumulated depreciation	<u>(23,186,601)</u>	<u>(1,659,421)</u>	<u>18,419</u>	<u>(24,827,603)</u>
Total capital assets being depreciated, net	<u>26,192,783</u>	<u>(1,090,880)</u>	<u>-</u>	<u>25,101,903</u>
Business-type activities capital assets, net	<u>\$ 29,502,539</u>	<u>\$ 310,785</u>	<u>\$ -</u>	<u>\$ 29,813,324</u>

Construction Commitments

The primary governmental has active construction projects as of September 30, 2014. At year end, the City's major commitments with contractors are as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Spent thru 9/30/2014</u>	<u>Remaining Commitment</u>
Public Safety Complex	\$ 3,671,713	\$ 3,607,889	\$ 63,824
Concrete Street Rehab	\$ 678,870	\$ 168,536	\$ 510,334
Wastewater Collection Rehab	\$ 1,366,650	\$ 803,517	\$ 563,133

NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 92,116
General	Special Revenue	573,994
General	Economic Development	262
General	Water and Sewer	<u>28,702</u>
		<u>\$ 695,074</u>

NOTE 6: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, Continued

The outstanding balances between funds resulted mainly from a time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Certain transfers occur among funds to allocate appropriate costs related to the operations of the funds as follows:

	Transfers in					Total
	General	Capital Improvement	Special Revenue	Water & Sewer	Debt Service	
Transfers out						
General Fund	\$ -	\$ 948,376	\$ -	\$ -	\$ -	\$ 948,376
Special Revenue	-	-	-	1,401,665	-	1,401,665
Capital Projects	70,000	-	-	-	-	70,000
Water & Sewer	310,000	-	28,702	-	287,000	625,702
Solid Waste	155,000	-	-	-	-	155,000
Total	\$ 535,000	\$ 948,376	\$ 28,702	\$ 1,401,665	\$ 287,000	\$ 3,200,743

Transfers are used to (1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due; (2) move unrestricted water and sewer revenues and solid waste revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs; (3) to move monies into the appropriate capital projects fund; and (4) transfer capital assets between departments.

NOTE 7: LONG TERM DEBT

The City issues general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the government.

General obligation bonds and certificates of obligation payable at September 30, 2014, are summarized as follows:

Date of Issue	Original Issue	Final Maturity	Annual Installments	% Rate	Outstanding Balance
2008	4,500,000	2023	\$125,000 to \$675,000	4.25% - 4.5%	200,000
2010	9,855,000	2019	\$1,010,000 to \$1,200,000	2.0%-4.0%	5,690,000
2011	4,500,000	2031	\$150,000 to \$320,000	1.85%-3.85%	4,025,000
2012	2,750,000	2020	\$295,000 to \$600,000	1.00%-1.45%	2,160,000
2013	3,520,000	2023	\$25,000 to \$665,000	2.00%-3.50%	3,495,000
2013	2,600,000	2020	\$80,000 to \$185,000	3.75%-4.50%	2,520,000
					\$ 18,090,000

NOTE 7: LONG TERM DEBT, Continued

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

Year Ending September 30,	Principal	Interest	Total
2015	1,890,000	709,230	2,599,230
2016	1,925,000	511,780	2,436,780
2017	1,985,000	457,919	2,442,919
2018	2,055,000	401,319	2,456,319
2019	1,975,000	335,207	2,310,207
2019-2013	4,850,000	1,031,028	5,881,028
2013-2028	2,085,000	504,273	2,589,273
2029-2033	1,325,000	114,988	1,439,988
Total	<u>\$ 18,090,000</u>	<u>\$ 4,065,744</u>	<u>\$ 22,155,744</u>

Changes in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
General obligations bonds	\$ 19,905,000	\$ -	\$ 1,815,000	\$ 18,090,000	\$ 1,890,000
Less: Deferred amounts					
On refunding	(253,000)	-	(28,181)	(224,819)	-
Add: Premium on bonds	770,640	-	60,465	710,175	-
Compensated absences	275,119	414,798	400,735	289,182	244,987
OPEB liability	280,522	79,356	53,169	306,709	-
Governmental activities Long-Term Liabilities	<u>\$ 20,978,281</u>	<u>\$ 494,154</u>	<u>\$ 2,301,188</u>	<u>\$ 19,171,247</u>	<u>\$ 2,134,987</u>
Business-type activities:					
Compensated absences	\$ 62,616	\$ 112,301	\$ 116,892	\$ 58,025	\$ 52,228
OPEB liability	108,201	28,649	20,214	116,636	-
Business-type activity Long-Term Liabilities	<u>\$ 170,817</u>	<u>\$ 140,950</u>	<u>\$ 137,106</u>	<u>\$ 174,661</u>	<u>\$ 52,228</u>

Compensated absences represent amounts related to employee services already rendered and will be paid out of expendable available resources by December 31, 2014. For governmental activities, compensated absences and other long term liabilities are generally liquidated by the general fund. For business-type activities, compensated absences and other long term liabilities are generally liquidated by the water and sewer and solid waste fund.

NOTE 7: LONG TERM DEBT, Continued

Arbitrage Rebate Liability

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The City had no arbitrage liability as of September 30, 2014.

NOTE 8: OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2013-2014, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

The City continues to carry commercial insurance for the risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

B. Contingent Liabilities

Amounts received or receivable from grantor 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 which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any to be immaterial.

C. Texas Municipal Retirement System (TMRS)

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

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

NOTE 8: OTHER INFORMATION, CONTINUED

C. Texas Municipal Retirement System (TMRS), Continued

The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City of Nederland 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	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	0% of CPI	0% of CPI
Supplement death benefit		
For active employees	No	No
For retirees	No	No

Contributions. Under the state law governing TMRS, the City's contribution rate is annually determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarially 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 contributed to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and the net pension obligation are as follows:

Annual Required Contribution (ARC)	\$ 514,311
Interest on Net Pension Obligation	-
Adjustment to the ARC	-
Annual Pension Cost (APC)	514,311
Contributions Made	514,311
Increase in net pension obligation	-
Net Pension Obligation, beginning of year	-
Net Pension Obligation, end of year	-

NOTE 8: OTHER INFORMATION, CONTINUED

C. Texas Municipal Retirement System (TMRS), Continued

Fiscal Year Ended	Annual Pension Cost (ARC)	Actual Contribution Made	Percentage Contributed	Net Pension Obligation
September 30, 2012	\$ 657,184	\$ 657,184	100%	\$ -
September 30, 2013	\$ 528,638	\$ 528,638	100%	\$ -
September 30, 2014	\$ 514,311	\$ 514,311	100%	\$ -

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

Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.0 years; closed period	25.0 years; closed period	25.0 years; closed period
Amortizaion Period for new Gains/Losses	25 years	25 years	25 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 Cost-of-Living Adjustments	3.0%	3.0%	3.0%
	0.0%	0.0%	0.0%

NOTE 8: OTHER INFORMATION, CONTINUED

C. Texas Municipal Retirement System (TMRS), Continued

The funded status as of December 31, 2013, under the most recent actuarial valuation is presented along with the previous two years valuations:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/11	44,408,596	41,629,733	106.7%	(2,778,863)	6,006,517	-46.3%
12/31/12	46,807,335	43,574,998	107.4%	(3,232,337)	6,308,345	-51.2%
12/31/13	48,753,733	47,087,424	103.5%	(1,666,309)	6,418,451	-26.0%

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

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

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

NOTE 9: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City’s plan was amended effective December 14, 1998 to provide that all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries.

The City has delegated administrative and investment responsibilities to a third party administrator, ICMA Retirement Corporation, and as such, the plan assets do not meet the requirements for inclusion in the City’s financial statements at September 30, 2014.

NOTE 10: POST-EMPLOYMENT HEALTH CARE BENEFITS

The City provided health care benefits for employees who retire from the City and who are eligible to receive benefits from a City sponsored retirement program (Texas Municipal Retirement System). Benefit provisions are approved by Council. As of September 30, 2014 the City had twelve retirees participating in this plan. The City recognizes the cost of providing health care benefits to retired employees in the amount of \$24,985 for fiscal year 2014.

NOTE 10: POST-EMPLOYEMENT HEALTH CARE BENEFITS, Continued

Pursuant to approval by the City Council, the policy for eligibility to participate in retiree health and dental insurance plans require a retiree to be age 58 to receive the benefit and must have a minimum of 20 years of service of which 20 years must be with the City of Nederland; for the TMRS retirement option of “10 years of service, at least 60 years of age” and “TMRS Disability” a retiree must have a minimum of 7.5 years of service with the City of Nederland. A retiree would become ineligible for the benefit if they gained full-time employment with an employer that offers medical insurance. A retiree would be ineligible to participate in the City’s retirement insurance plan if there was a disruption in their enrollment or failure to pay their monthly premiums on time.

- Employees who retire after July 1, 2012 would receive a one-time flat rate contribution of \$7,675 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc. The age requirement is not applicable
- Employees who retire after July 1, 2015 would receive a one-time flat rate contribution of \$7,900 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
- Retirees who retired between January 1, 1997 and July 1, 2012 would receive:
 - i. For those retirees who have remained eligible but have yet to receive the SSB subsidy, they would receive a one-time flat rate contribution of \$7,675 that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
 - ii. For those retirees who have already begun to receive the SSB subsidy, they would receive a one-time flat rate contribution equivalent to \$7,675 minus the calculated SSB subsidy the retiree has already received (i.e. retiree is age 62 and City’s subsidy equaled \$2,000, then the retiree would receive a contribution of \$5,765) that would be deposited in an employer-controlled Health Reimbursement Account to be utilized for qualifying medical expenses including health insurance premiums, co-pays, prescriptions, etc.
 - iii. The age requirement of 58 years old does not apply to these groups of retirees.
 - iv. Retirees who have not remained eligible for the previous “Sliding Scale Benefit” would not receive any additional benefit

Once a retiree reaches age 65, he/she is no longer eligible to participate in the Health Insurance Plan and coverage is terminated.

The City’s annual other post employment (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City’s annual OPEB cost for the fiscal year ending September 30, 2014 is as follows:

NOTE 10: POST-EMPLOYMENT HEALTH CARE BENEFITS, Continued

Annual OPEB Cost

	<u>09/30/13</u>	<u>09/30/14</u>
Annual required contribution	\$ 195,405	\$ 119,294
Interest on OPEB obligation	16,417	19,657
Adjustment to ARC	<u>(15,210)</u>	<u>(18,212)</u>
Annual OPEB cost (expense)	\$ 196,612	\$ 120,739
Net estimated employer contributions	<u>(124,619)</u>	<u>(82,369)</u>
Increase in net OPEB obligation	\$ 71,993	\$ 38,370
Net OPEB obligation - beginning of year	<u>364,820</u>	<u>436,813</u>
Net OPEB obligation - end of year	\$ 436,813	\$ 475,183
Less portion related to Mid-County Dispatch	<u>\$ (48,090)</u>	<u>\$ (51,838)</u>
Net OPEB obligation - City portion End of Year	<u>\$ 388,723</u>	<u>\$ 423,345</u>

The City's annual OPEB cost (including Mid-County Dispatch), the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014 and the preceding fiscal year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
September 30, 2012	\$ 190,683	\$ 119,001	62.4%	\$ 364,820
September 30, 2013	\$ 196,612	\$ 124,619	63.4%	\$ 436,813
September 30, 2014	\$ 120,739	\$ 82,369	68.2%	\$ 475,183

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2013 is as follows:

Actuarial Valuation Date as of	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Actuarial Accrued Liability (AAL)	UAAL to Annual Covered Payroll (b-a)/d
12/31/2007	\$ -	\$ 2,637,927	\$ 2,637,927	0%	\$ 5,119,674	51.5%
12/31/2010	\$ -	\$ 2,534,131	\$ 2,534,131	0%	\$ 5,812,366	43.6%
12/31/2013	\$ -	\$ 1,498,021	\$ 1,498,021	0%	\$ 6,418,451	23.3%

NOTE 10: POST-EMPLOYEMENT HEALTH CARE BENEFITS, Continued

Funding status and funding progress

Under the reporting parameters, the City’s retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,498,021 at December 31, 2013. As of the most recent valuation, the ration of the unfunded actuarial accrued liability to annual covered payroll is 23.3%.

Actuarial methods and assumptions

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the City’s employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation Rate	3.0% per annum
Investmetn rate of return	4.5%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of payroll
Amortization period	30-year open period
Salary Growth Rate and inflation	3.0% per annum
Medical trend	Initial rate of 7.25% declining to an ultimate rate of 4.5% after 11 years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 11: PRIOR PERIOD ADJUSTMENT

In accordance with GASB statement No. 65, a prior period adjustment in the amount of \$354,478 was made to restate beginning net position on the government wide statement of activities.

REQUIRED SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

FUNDING PROGRAMS FOR EMPLOYEE RETIREMENT SYSTEMS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

TEXAS MUNICIPAL RETIREMENT SYSTEM

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Percentage Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	Unfunded as a Percentage of Covered Payroll
12/31/06	22,018,184	27,515,127	80.0%	5,496,943	4,942,603	111.2%
12/31/07	21,294,267	25,448,859	83.7%	4,154,592	5,119,674	81.1%
12/31/08	23,440,520	27,619,476	84.9%	4,178,956	5,790,932	72.2%
12/31/09	23,845,576	27,816,244	85.7%	3,970,668	5,631,043	70.5%
12/31/10	41,984,798	40,130,199	104.6%	(1,854,599)	5,812,366	-31.9%
12/31/11	44,408,596	41,629,733	106.7%	(2,778,863)	6,006,517	-46.3%
12/31/12	46,807,335	43,574,998	107.4%	(3,232,337)	6,308,345	-51.2%
12/31/13	48,753,733	47,087,424	103.5%	(1,666,309)	6,418,451	-26.0%

REQUIRED SUPPLEMENTARY INFORMATION

FUNDING PROGRAMS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)

FOR THE YEAR ENDED SEPTEMBER 30, 2014

RETIREE HEALTH INSURANCE PROGRAM

ANALYSIS OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded</u>	<u>Unfunded AAL (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>Ratio of UAAL to Annual Covered Payroll (b-a)/d</u>
12/31/07	-	\$ 2,637,927	0.0%	\$ 2,637,927	\$ 5,119,674	51.5%
12/31/08		NOT CALCULATED				
12/31/09		NOT CALCULATED				
12/31/10	-	\$ 2,534,131	0.0%	\$ 2,534,131	\$ 5,812,366	43.6%
12/31/11		NOT CALCULATED				
12/31/12		NOT CALCULATED				
12/31/13	-	\$ 1,498,021	0.0%	\$ 1,498,021	\$ 6,418,451	43.6%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trust, or major capital projects that are for specific purposes. Included in this heading are the following individual funds:

Police Narcotics Fund – This fund was established to account for funds awarded to the City by the Courts from money and property seized during operations of the Jefferson County Narcotics Task Force.

Library Fund – This fund was established to account for revenues, including donations and grants, to fund special projects, purchase equipment, books and supplies not ordinarily provided for in the library's operating budget.

Court Technology Fund – This fund accounts for fines allocated to finance the purchase of technological enhancements for the municipal court.

Hotel/Motel Tax Fund – This fund accounts for revenue from hotel and motel occupancy tax. The funds generated by this tax are restricted by State law for disbursements to support convention and meeting facility construction, operation and maintenance, tourism, historical preservation and promotion of the arts.

Fire Department Fund – This fund was established to account for revenues, including donations and grants, to fund special projects, purchase equipment and supplies not ordinarily provided for in the fire department's operating budget.

Community Development Block Grant Fund – These funds were established to account for revenues and expenditures in accordance with the Community Development Block Grant Disaster Recovery Program.

	Special Revenue							Total Other Governmental Funds
	Police Narcotics Fund	Library Fund	Court Technology Fund	Hotel/ Motel Occupancy Tax Fund	Fire Department Fund	CDBG Grant Fund	CDBG Grant Fund	
ASSETS								
Cash and cash equivalents	\$ 112,688	\$42,846	\$ 6,204	\$ 26,837	\$ 42,327	\$ -	\$ -	\$ 230,902
Investments	47,316	32,330	-	-	-	-	-	79,646
Accounts receivable	-	-	-	28,497	-	5,840	-	34,337
Grant receivables	-	-	-	-	-	827,578	1,212	828,790
Total Assets	<u>\$ 160,004</u>	<u>\$75,176</u>	<u>\$ 6,204</u>	<u>\$ 55,334</u>	<u>\$ 42,327</u>	<u>\$ 833,418</u>	<u>\$ 1,212</u>	<u>\$ 1,173,675</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ 28,865	\$ -	\$ 260,636	\$ -	\$ 289,501
Due to other funds	-	-	-	-	-	572,782	1,212	573,994
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,865</u>	<u>-</u>	<u>833,418</u>	<u>1,212</u>	<u>863,495</u>
Restricted Fund Balances:								
Public safety	160,004	-	6,204	-	42,327	-	-	208,535
Culture and recreation	-	75,176	-	26,469	-	-	-	101,645
Total fund balances	<u>160,004</u>	<u>75,176</u>	<u>6,204</u>	<u>26,469</u>	<u>42,327</u>	<u>-</u>	<u>-</u>	<u>310,180</u>
Total Liabilities and Fund Balances	<u>\$ 160,004</u>	<u>\$75,176</u>	<u>\$ 6,204</u>	<u>\$ 55,334</u>	<u>\$ 42,327</u>	<u>\$ 833,418</u>	<u>\$ 1,212</u>	<u>\$ 1,173,675</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue							Total Other Governmental Funds
	Police Narcotics Fund	Library Fund	Court Technology Fund	Hotel/ Motel Occupancy Tax Fund	Fire Department Fund	CDBG Grant Fund	CDBG Grant Fund	
REVENUES								
Other taxes	\$ -	\$ -	\$ -	\$ 100,604	\$ -	\$ -	\$ -	\$ 100,604
Grants and private contributions	-	54,072	-	-	4,069	1,753,540	1,212	1,812,893
Interest	178	89	8	36	57	-	-	368
Forfeitures	13,210	-	-	-	-	-	-	13,210
Miscellaneous Income	7,364	8,100	6,465	-	-	-	-	21,929
Total revenue	<u>20,752</u>	<u>62,261</u>	<u>6,473</u>	<u>100,640</u>	<u>4,126</u>	<u>1,753,540</u>	<u>1,212</u>	<u>1,949,004</u>
EXPENDITURES								
Current:								
Public safety	32,499	-	4,939	-	6,531	-	-	43,969
Culture and recreation	-	64,327	-	95,350	-	-	-	159,677
Public works	-	-	-	-	-	379,206	2,583	381,789
Total expenditures	<u>32,499</u>	<u>64,327</u>	<u>4,939</u>	<u>95,350</u>	<u>6,531</u>	<u>379,206</u>	<u>2,583</u>	<u>585,435</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES								
	<u>(11,747)</u>	<u>(2,066)</u>	<u>1,534</u>	<u>5,290</u>	<u>(2,405)</u>	<u>1,374,334</u>	<u>(1,371)</u>	<u>1,363,569</u>
OTHER FINANCING SOURCES (USES)								
Transfers In	-	-	-	-	-	-	28,702	28,702
Transfers Out	-	-	-	-	-	(1,374,334)	(27,331)	(1,401,665)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,374,334)</u>	<u>1,371</u>	<u>(1,372,963)</u>
NET CHANGE IN FUND BALANCES								
	<u>(11,747)</u>	<u>(2,066)</u>	<u>1,534</u>	<u>5,290</u>	<u>(2,405)</u>	<u>-</u>	<u>-</u>	<u>(9,394)</u>
FUND BALANCES - BEGINNING								
	<u>171,751</u>	<u>77,242</u>	<u>4,670</u>	<u>21,179</u>	<u>44,732</u>	<u>-</u>	<u>-</u>	<u>319,574</u>
FUND BALANCES - ENDING								
	<u>\$ 160,004</u>	<u>\$ 75,176</u>	<u>\$ 6,204</u>	<u>\$ 26,469</u>	<u>\$ 42,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 310,180</u>

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Property taxes, penalties and interest	\$ 2,148,640	\$ 2,148,640	\$ 2,115,211	\$ (33,429)
Interest	-	-	341	341
Total revenue	<u>2,148,640</u>	<u>2,148,640</u>	<u>2,115,552</u>	<u>(33,088)</u>
EXPENDITURES				
Debt service:				
Principal retirement	1,815,000	1,815,000	1,815,000	-
Interest and fiscal charges	617,640	617,640	617,638	2
Fees	3,000	3,000	2,325	675
Total expenditures	<u>2,435,640</u>	<u>2,435,640</u>	<u>2,434,963</u>	<u>677</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(287,000)</u>	<u>(287,000)</u>	<u>(319,411)</u>	<u>(32,411)</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	-	-	-
Premium on bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	287,000	287,000	287,000	-
Total other financing sources and uses	<u>287,000</u>	<u>287,000</u>	<u>287,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	-	-	(32,411)	(32,411)
FUND BALANCES - BEGINNING				
	<u>308,653</u>	<u>308,653</u>	<u>261,027</u>	<u>(47,626)</u>
FUND BALANCES - ENDING				
	<u>\$ 308,653</u>	<u>\$ 308,653</u>	<u>\$ 228,616</u>	<u>\$ (80,037)</u>

POLICE NARCOTICS FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 178	\$ 178
Forfeitures	29,600	29,600	13,210	(16,390)
Miscellaneous	-	-	7,364	7,364
Total revenue	<u>29,600</u>	<u>29,600</u>	<u>20,752</u>	<u>(8,848)</u>
EXPENDITURES				
Public safety	<u>29,600</u>	<u>29,600</u>	<u>32,499</u>	<u>(2,899)</u>
Total expenditures	<u>29,600</u>	<u>29,600</u>	<u>32,499</u>	<u>(2,899)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>(11,747)</u>	<u>(11,747)</u>
NET CHANGE IN FUND BALANCES				
	<u>-</u>	<u>-</u>	<u>(11,747)</u>	<u>(11,747)</u>
FUND BALANCES - BEGINNING				
	<u>169,574</u>	<u>169,574</u>	<u>171,751</u>	<u>2,177</u>
FUND BALANCES - ENDING				
	<u>\$ 169,574</u>	<u>\$ 169,574</u>	<u>\$ 160,004</u>	<u>\$ (9,570)</u>

LIBRARY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Grants and private contributions	\$ 64,800	\$ 64,800	\$ 54,072	\$ (10,728)
Interest	150	150	89	(61)
Miscellaneous	21,350	21,350	8,100	(13,250)
Total revenue	<u>86,300</u>	<u>86,300</u>	<u>62,261</u>	<u>(24,039)</u>
EXPENDITURES				
Culture and recreation	<u>119,000</u>	<u>119,000</u>	<u>64,327</u>	<u>54,673</u>
Total expenditures	<u>119,000</u>	<u>119,000</u>	<u>64,327</u>	<u>54,673</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(32,700)</u>	<u>(32,700)</u>	<u>(2,066)</u>	<u>30,634</u>
NET CHANGE IN FUND BALANCES				
	(32,700)	(32,700)	(2,066)	30,634
FUND BALANCES - BEGINNING				
	<u>65,085</u>	<u>65,085</u>	<u>77,242</u>	<u>12,157</u>
FUND BALANCES - ENDING				
	<u>\$ 32,385</u>	<u>\$ 32,385</u>	<u>\$ 75,176</u>	<u>\$ 42,791</u>

COURT TECHNOLOGY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Interest	\$ -	\$ -	\$ 8	\$ 8
Court technology revenue	5,200	5,200	6,465	1,265
Total revenue	<u>5,200</u>	<u>5,200</u>	<u>6,473</u>	<u>1,273</u>
EXPENDITURES				
Public safety	<u>5,200</u>	<u>5,200</u>	<u>4,939</u>	<u>261</u>
Total expenditures	<u>5,200</u>	<u>5,200</u>	<u>4,939</u>	<u>261</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>1,534</u>	<u>1,534</u>
NET CHANGE IN FUND BALANCES				
	<u>-</u>	<u>-</u>	<u>1,534</u>	<u>1,534</u>
FUND BALANCES - BEGINNING				
	<u>1,955</u>	<u>1,955</u>	<u>4,670</u>	<u>2,715</u>
FUND BALANCES - ENDING				
	<u>\$ 1,955</u>	<u>\$ 1,955</u>	<u>\$ 6,204</u>	<u>\$ 4,249</u>

HOTEL/MOTEL OCCUPANCY TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Other taxes	\$ 62,000	\$ 62,000	\$ 100,604	\$ 38,604
Interest	-	-	36	36
Total revenue	<u>62,000</u>	<u>62,000</u>	<u>100,640</u>	<u>38,640</u>
EXPENDITURES				
Culture and recreation	<u>63,000</u>	<u>63,000</u>	<u>95,350</u>	<u>(32,350)</u>
Total expenditures	<u>63,000</u>	<u>63,000</u>	<u>95,350</u>	<u>(32,350)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(1,000)</u>	<u>(1,000)</u>	<u>5,290</u>	<u>6,290</u>
NET CHANGE IN FUND BALANCES				
	(1,000)	(1,000)	5,290	6,290
FUND BALANCES - BEGINNING				
	<u>17,364</u>	<u>17,364</u>	<u>21,179</u>	<u>3,815</u>
FUND BALANCES - ENDING				
	<u>\$ 16,364</u>	<u>\$ 16,364</u>	<u>\$ 26,469</u>	<u>\$ 10,105</u>

FIRE DEPARTMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Orginal Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Grants and private contributions	\$ 24,000	\$ 24,000	\$ 4,069	\$ (19,931)
Interest	-	-	57	
Miscellaneous revenue	-	-	-	-
Total revenue	<u>24,000</u>	<u>24,000</u>	<u>4,126</u>	<u>(19,874)</u>
EXPENDITURES				
Public safety	<u>36,400</u>	<u>36,400</u>	<u>6,531</u>	<u>29,869</u>
Total expenditures	<u>36,400</u>	<u>36,400</u>	<u>6,531</u>	<u>29,869</u>
NET CHANGE IN FUND BALANCES	(12,400)	(12,400)	(2,405)	9,995
FUND BALANCES - BEGINNING	<u>35,333</u>	<u>35,333</u>	<u>44,732</u>	<u>9,399</u>
FUND BALANCES - ENDING	<u>\$ 22,933</u>	<u>\$ 22,933</u>	<u>\$ 42,327</u>	<u>\$ 19,394</u>

COMMUNITY DEVELOPMENT BLOCK GRANT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Original Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Federal grant revenue	\$ 2,682,017	\$ 2,682,017	\$ 1,753,540	\$ (928,477)
Total revenue	<u>2,682,017</u>	<u>2,682,017</u>	<u>1,753,540</u>	<u>(928,477)</u>
EXPENDITURES				
Public works	2,682,573	2,682,573	379,206	2,303,367
Total expenditures	<u>2,682,573</u>	<u>2,682,573</u>	<u>379,206</u>	<u>2,303,367</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(556)</u>	<u>(556)</u>	<u>1,374,334</u>	<u>1,374,890</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(1,374,334)	(1,374,334)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(1,374,334)</u>	<u>(1,374,334)</u>
NET CHANGE IN FUND BALANCES				
	(556)	(556)	-	556
FUND BALANCES - BEGINNING				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING				
	<u>\$ (556)</u>	<u>\$ (556)</u>	<u>\$ -</u>	<u>\$ 556</u>

COMMUNITY DEVELOPMENT BLOCK GRANT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Orginal Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Federal grant revenue	\$ -	\$ -	\$ 1,212	\$ 1,212
Total revenue	<u>-</u>	<u>-</u>	<u>1,212</u>	<u>1,212</u>
EXPENDITURES				
Capital outlay	-	-	2,583	(2,583)
Total expenditures	<u>-</u>	<u>-</u>	<u>2,583</u>	<u>(2,583)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>(1,371)</u>	<u>(1,371)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,702	28,702
Transfers out	-	-	(27,331)	(27,331)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>1,371</u>	<u>1,371</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>

COMPONENT UNIT

COMPONENT UNIT
 NEDERLAND ECONOMIC DEVELOPMENT CORPORATION
 BALANCE SHEET
 SEPTEMBER 30, 2014

	<u>General</u>	<u>Total Funds</u>
ASSETS:		
Cash and cash equivalents	\$ 3,855,307	\$ 3,855,307
Investments	495,388	495,388
Receivables (net of allowances for doubtful accounts)		
Taxes receivable	61,241	61,241
Other	<u>1,500</u>	<u>1,500</u>
TOTAL ASSETS	<u>\$ 4,413,436</u>	<u>\$ 4,413,436</u>
LIABILITIES AND FUND BALANCES:		
LIABILITIES:		
Due to primary government	\$ 261	\$ 261
Accrued expenses and other liabilities	<u>291</u>	<u>291</u>
TOTAL LIABILITIES	<u>552</u>	<u>552</u>
FUND BALANCES:		
Unassigned Fund Balance	<u>4,412,884</u>	<u>4,412,884</u>
Total fund balances	<u>4,412,884</u>	<u>4,412,884</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 4,413,436</u>	
 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in these funds.		 <u>517,924</u>
		<u>\$ 4,930,808</u>

COMPONENT UNIT

NEDERLAND ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>General</u>	<u>Total Funds</u>
REVENUES		
Sales tax	768,943	768,943
Interest	8,933	8,933
Other miscellaneous	2,700	2,700
Total revenue	<u>780,576</u>	<u>780,576</u>
EXPENDITURES:		
Current:		
Economic development	472,850	472,850
Total expenditures	<u>472,850</u>	<u>472,850</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>307,726</u>	<u>307,726</u>
OTHER FINANCING SOURCES (USES)		
Sale of land	50,722	50,722
Purchase of land	-	-
Total other financing sources and uses	<u>50,722</u>	<u>50,722</u>
NET CHANGE IN FUND BALANCES	358,448	358,448
FUND BALANCES - BEGINNING	<u>4,054,436</u>	
FUND BALANCES - ENDING	<u>\$ 4,412,884</u>	
The change in capital assets are reflected in the current financial resources of governmental funds, however has no effect on net assets.		(80,773)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, however has no effect on net assets.		<u>-</u>
CHANGE IN NET ASSETS		<u>\$ 277,675</u>

COMPONENT UNIT

NEDERLAND ECONOMIC DEVELOPMENT CORPORATION

GENERAL OPERATING FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Orginal Budget	Final Budget	Actual Amounts	Variance Positive (Negative)
REVENUES				
Sales tax	\$ 677,565	\$ 677,565	\$ 768,943	\$ 91,378
Interest	5,000	5,000	8,933	3,933
Miscellaneous	1,200	1,200	2,700	1,500
Total revenue	<u>683,765</u>	<u>683,765</u>	<u>780,576</u>	<u>96,811</u>
EXPENDITURES				
Current:				
Economic development	683,765	683,765	472,850	210,915
Total expenditures	<u>683,765</u>	<u>683,765</u>	<u>472,850</u>	<u>210,915</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>307,726</u>	<u>307,726</u>
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	-	-	50,722	50,722
Purchase of general capital assets	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>50,722</u>	<u>50,722</u>
NET CHANGE IN FUND BALANCES	-	-	358,448	358,448
FUND BALANCES AT BEGINNING OF YEAR	<u>4,054,436</u>	<u>4,054,436</u>	<u>4,054,436</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 4,054,436</u>	<u>\$ 4,054,436</u>	<u>\$ 4,412,884</u>	<u>\$ 358,448</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Nederland, Texas' 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	Page
Financial Trends	73-82
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	83-86
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	87-93
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	94-95
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	96-101
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 the activities it performs.	

CITY OF NEDERLAND, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities				
Invested in capital assets, net of related debt	\$ 9,826,617	\$20,722,686	\$20,335,426	\$19,922,807
Restricted	149,744	357,097	476,598	3,376,182
Unrestricted	<u>(15,738,862)</u>	<u>(12,714,121)</u>	<u>(10,818,321)</u>	<u>(16,035,419)</u>
Total governmental activities net position	<u>\$ (5,762,501)</u>	<u>\$ 8,365,662</u>	<u>\$ 9,993,703</u>	<u>\$ 7,263,570</u>
Business-type Activities				
Invested in capital assets, net of related debt	\$ 29,178,615	\$28,661,994	\$28,306,854	\$27,548,912
Restricted	728,992	416,907	150,955	4,677,882
Unrestricted	<u>2,116,636</u>	<u>2,780,434</u>	<u>2,516,589</u>	<u>2,518,191</u>
Total business-type activities net position	<u>\$ 32,024,243</u>	<u>\$31,859,335</u>	<u>\$30,974,398</u>	<u>\$34,744,985</u>
Primary Government				
Invested in capital assets, net of related debt	\$ 39,005,232	\$49,384,680	\$48,642,280	\$47,471,719
Restricted	878,736	774,004	627,553	8,054,064
Unrestricted	<u>(13,622,226)</u>	<u>(9,933,687)</u>	<u>(8,301,732)</u>	<u>(13,517,228)</u>
Total primary government net position	<u>\$ 26,261,742</u>	<u>\$40,224,997</u>	<u>\$40,968,101</u>	<u>\$42,008,555</u>

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$20,580,788	\$23,117,338	\$23,209,685	\$23,127,039	\$24,837,113	\$ 29,440,152
2,839,102	1,555,269	1,878,576	2,405,754	4,633,213	3,161,349
<u>(13,426,738)</u>	<u>(11,350,064)</u>	<u>(13,390,826)</u>	<u>(9,596,034)</u>	<u>(8,070,156)</u>	<u>(5,404,853)</u>
<u>\$ 9,993,152</u>	<u>\$13,322,543</u>	<u>\$11,697,435</u>	<u>\$15,936,759</u>	<u>\$21,400,170</u>	<u>\$ 27,196,648</u>
\$27,042,159	\$27,275,625	\$28,155,931	\$29,921,166	\$29,502,539	\$ 29,813,324
4,098,350	2,949,052	5,259,401	2,324,808	1,401,389	1,402,225
<u>2,978,574</u>	<u>2,891,977</u>	<u>3,436,248</u>	<u>3,790,728</u>	<u>4,421,146</u>	<u>5,042,025</u>
<u>\$34,119,083</u>	<u>\$33,116,654</u>	<u>\$36,851,580</u>	<u>\$36,036,702</u>	<u>\$35,325,074</u>	<u>\$ 36,257,574</u>
\$47,622,947	\$32,672,963	\$30,785,616	\$34,208,205	\$37,034,652	\$ 43,683,476
6,937,452	4,504,321	7,394,803	4,730,562	6,034,602	4,563,574
<u>(10,448,164)</u>	<u>9,261,913</u>	<u>10,368,596</u>	<u>13,034,694</u>	<u>13,655,990</u>	<u>15,207,172</u>
<u>\$44,112,235</u>	<u>\$46,439,197</u>	<u>\$48,549,015</u>	<u>\$51,973,461</u>	<u>\$56,725,244</u>	<u>\$ 63,454,222</u>

CITY OF NEDERLAND, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS (1)

(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
General government	\$ 1,000,138	\$ 1,017,303	\$ 1,127,311	\$ 974,048
Public safety	4,052,612	4,209,461	4,413,585	4,706,590
Public works	1,465,853	1,748,796	1,814,987	1,854,510
Culture and recreation	765,294	952,248	1,032,854	916,500
Administrative and general	127,749	199,434	149,048	836,226
Interest on long-term debt	847,017	838,482	790,941	755,903
Total governmental activities	<u>8,258,663</u>	<u>8,965,724</u>	<u>9,328,726</u>	<u>10,043,777</u>
Business-type activities				
Water and sewer	3,760,887	3,917,220	4,258,833	4,455,575
Solid Waste	986,948	1,180,200	1,049,490	1,499,256
Total business-type activities	<u>4,747,835</u>	<u>5,097,420</u>	<u>5,308,323</u>	<u>5,954,831</u>
Total Primary Government Expenses	<u>\$ 13,006,498</u>	<u>\$ 14,063,144</u>	<u>\$ 14,637,049</u>	<u>\$ 15,998,608</u>
Program Revenues				
Governmental activities:				
Charges for services:				
Public safety	\$ 176,561	\$ 384,731	\$ 285,255	\$ 122,117
Public works	130,430	125,468	116,174	123,557
Culture and recreation	50,711	19,122	44,448	64,620
Operating grants and contributions	196,739	73,597	287,084	210,090
Capital grants and contributions	58,245	24,450	86,135	-
Total governmental activities program revenues	<u>612,686</u>	<u>627,368</u>	<u>819,096</u>	<u>520,384</u>
Business activities:				
Charges for services:				
Water & sewer	3,439,172	3,592,610	3,678,167	3,762,599
Solid waste	1,219,741	1,349,841	1,277,770	1,281,762
Capital grants and contributions	-	-	194,821	842,783
Total business-type activities program revenues	<u>4,658,913</u>	<u>4,942,451</u>	<u>5,150,758</u>	<u>5,887,144</u>
Total primary government program revenues	<u>\$ 5,271,599</u>	<u>\$ 5,569,819</u>	<u>\$ 5,969,854</u>	<u>\$ 6,407,528</u>
Net (expense) revenue				
Governmental activities	\$ (7,645,977)	\$ (8,338,356)	\$ (8,509,630)	\$ (9,523,393)
Business-type activities	(88,922)	(154,969)	(157,565)	(67,687)
Total primary government net expense	<u>\$ (7,734,899)</u>	<u>\$ (8,493,325)</u>	<u>\$ (8,667,195)</u>	<u>\$ (9,591,080)</u>

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 959,939	\$ 938,214	\$ 894,890	\$ 912,280	\$ 873,884	\$ 1,022,795
4,510,332	3,960,690	4,719,003	4,873,250	4,991,907	5,447,749
1,439,306	1,620,899	1,893,707	1,825,249	1,805,477	1,839,892
927,717	1,636,562	1,076,490	1,075,263	1,160,750	1,280,927
503,838	498,380	396,221	395,998	418,261	349,660
939,966	1,057,191	645,953	700,763	679,559	616,072
<u>9,281,098</u>	<u>9,711,936</u>	<u>9,626,264</u>	<u>9,782,803</u>	<u>9,929,838</u>	<u>10,557,095</u>
4,419,694	4,332,049	4,406,019	4,408,929	4,480,355	4,387,935
<u>1,884,277</u>	<u>1,118,966</u>	<u>1,030,067</u>	<u>1,015,675</u>	<u>1,103,974</u>	<u>1,092,862</u>
<u>6,303,971</u>	<u>5,451,015</u>	<u>5,436,086</u>	<u>5,424,604</u>	<u>5,584,329</u>	<u>5,480,797</u>
<u>\$ 15,585,069</u>	<u>\$ 15,162,951</u>	<u>\$ 15,062,350</u>	<u>\$ 15,207,407</u>	<u>\$ 15,514,167</u>	<u>\$ 16,037,892</u>
\$ 143,095	\$ 200,573	\$ 183,564	\$ 166,945	\$ 350,177	\$ 193,761
104,147	106,104	105,158	126,566	147,864	147,716
41,959	53,487	81,098	95,460	85,630	92,762
147,617	295,370	272,166	248,145	431,584	3,458,451
-	-	-	-	-	-
<u>436,818</u>	<u>655,534</u>	<u>641,986</u>	<u>637,116</u>	<u>1,015,255</u>	<u>3,892,690</u>
3,850,024	4,005,958	4,246,104	4,313,232	4,198,873	4,233,087
1,293,806	1,310,495	1,327,215	1,364,893	1,405,833	1,590,802
867,484	-	-	-	-	-
<u>6,011,314</u>	<u>5,316,453</u>	<u>5,573,319</u>	<u>5,678,125</u>	<u>5,604,706</u>	<u>5,823,889</u>
<u>\$ 6,448,132</u>	<u>\$ 5,971,987</u>	<u>\$ 6,215,305</u>	<u>\$ 6,315,241</u>	<u>\$ 6,619,961</u>	<u>\$ 9,716,579</u>
\$ (8,844,280)	\$ (9,056,402)	\$ (8,984,278)	\$ (9,145,687)	\$ (8,914,583)	\$ (6,664,405)
<u>(292,657)</u>	<u>(134,562)</u>	<u>137,233</u>	<u>253,521</u>	<u>20,377</u>	<u>343,092</u>
<u>\$ (9,136,937)</u>	<u>\$ (9,190,964)</u>	<u>\$ (8,847,045)</u>	<u>\$ (8,892,166)</u>	<u>\$ (8,894,206)</u>	<u>\$ (6,321,313)</u>

CITY OF NEDERLAND, TEXAS

CHANGES IN NET POSITION (continued)

	Fiscal Year			
	2005	2006	2007	2008
General Revenues and Other Changes in Net Position				
Governmental Activities				
Property taxes, penalties and interest	\$ 4,075,342	\$ 4,401,412	\$ 4,369,718	\$ 4,551,330
In lieu of tax contracts	703,139	762,244	851,566	783,582
Sales tax	1,746,581	2,373,145	2,480,048	2,781,508
Gross receipts tax	914,567	912,714	955,884	1,056,941
Interest	174,563	304,561	403,250	233,143
Gain on sale of capital assets	-	-	-	-
Other governmental agencies	-	1,096,853	-	834,827
Other miscellaneous	201,812	954,638	209,989	137,331
Transfers	(979,998)	779,509	867,216	(3,585,402)
Total government activities	<u>6,836,006</u>	<u>11,585,076</u>	<u>10,137,671</u>	<u>6,793,260</u>
Business-type activities				
Interest	\$ 80,559	\$ 118,951	\$ 139,844	\$ 86,343
Other miscellaneous	-	536,645	-	166,529
Transfers	979,998	(779,509)	(867,216)	3,585,402
Total business-type activities	<u>1,060,557</u>	<u>(123,913)</u>	<u>(727,372)</u>	<u>3,838,274</u>
Total primary government	<u>\$ 7,896,563</u>	<u>\$ 11,461,163</u>	<u>\$ 9,410,299</u>	<u>\$ 10,631,534</u>
Change in Net Position				
Governmental activities	\$ (788,068)	\$ 3,939,099	\$ 1,799,315	\$ (1,716,370)
Business-type activities	<u>1,509,325</u>	<u>(212,835)</u>	<u>(882,341)</u>	<u>3,680,709</u>
Total primary government	<u>\$ 721,257</u>	<u>\$ 3,726,264</u>	<u>\$ 916,974</u>	<u>\$ 1,964,339</u>

SCHEDULE II

						Fiscal Year					
2009		2010		2011		2012		2013		2014	
\$ 5,012,060	\$ 5,370,920	\$ 5,547,369	\$ 5,634,574	\$ 5,727,560	\$ 5,786,607						
839,560	940,850	1,006,261	1,768,745	1,819,377	1,784,626						
3,283,262	2,922,006	3,036,033	3,713,845	3,681,434	3,844,714						
913,653	1,298,937	1,299,828	1,230,797	1,164,178	1,219,125						
64,742	28,537	21,941	21,291	27,164	19,828						
-	-	-	-	1,125,155	678,376						
52,991	-	-	-	-	-						
621,448	1,018,745	82,405	55,811	81,126	103,041						
760,600	805,798	(3,617,690)	959,948	752,000	(620,963)						
<u>11,548,316</u>	<u>12,385,793</u>	<u>7,376,147</u>	<u>13,385,011</u>	<u>14,377,994</u>	<u>12,815,354</u>						
\$ 85,369	\$ 40,989	\$ 15,426	\$ 11,927	\$ 8,119	\$ 7,703						
361,509	(103,058)	(35,423)	(120,378)	11,876	(39,258)						
(760,600)	(805,798)	3,617,690	(959,948)	(752,000)	620,963						
<u>(313,722)</u>	<u>(867,867)</u>	<u>3,597,693</u>	<u>(1,068,399)</u>	<u>(732,005)</u>	<u>589,408</u>						
<u>\$ 11,234,594</u>	<u>\$ 11,517,926</u>	<u>\$ 10,973,840</u>	<u>\$ 12,316,612</u>	<u>\$ 13,645,989</u>	<u>\$ 13,404,762</u>						
\$ 2,024,923	\$ 3,329,391	\$ (1,608,131)	\$ 4,239,324	\$ 5,463,411	\$ 6,150,949						
(381,409)	(1,002,429)	3,734,926	(814,878)	(711,628)	932,500						
<u>\$ 1,643,514</u>	<u>\$ 2,326,962</u>	<u>\$ 2,126,795</u>	<u>\$ 3,424,446</u>	<u>\$ 4,751,783</u>	<u>\$ 7,083,449</u>						

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE

LAST NINE FISCAL YEARS (1)

(ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

Fiscal <u>Year</u>	<u>Property Tax</u>	<u>In Lieu of Tax</u>	<u>Sales Tax</u>	<u>Gross Receipts Tax</u>	<u>Total</u>
2005	4,075	703	1,747	915	7,440
2006	4,401	762	2,373	913	8,449
2007	4,370	852	2,480	956	8,658
2008	4,551	784	2,782	1,057	9,174
2009	5,045	840	3,283	914	10,082
2010	5,328	941	2,922	1,299	10,490
2011	5,547	1,006	3,036	1,300	10,889
2012	5,635	1,769	3,714	1,231	12,349
2013	5,728	1,819	3,681	1,164	12,392
2014	5,787	1,785	3,845	1,219	12,636

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST NINE FISCAL YEARS (1)

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

(AMOUNTS EXPRESSED IN THOUSANDS)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 13	\$ 3	\$ 6	\$ 5	\$ 5	\$ 4	\$ -	\$ -	\$ -	\$ -
Unreserved	4,747	5,792	6,418	4,390	5,591	6,255	-	-	-	-
Nonspendable	-	-	-	-	-	-	4	3	2	3
Restricted	-	-	-	-	-	-	-	-	1,135	657
Assigned	-	-	-	-	-	-	-	-	1,350	1,600
Unassigned	-	-	-	-	-	-	7,043	9,332	8,809	10,402
Total general fund	<u>\$4,760</u>	<u>\$5,795</u>	<u>\$6,424</u>	<u>\$4,395</u>	<u>\$5,596</u>	<u>\$6,259</u>	<u>\$7,047</u>	<u>\$ 9,335</u>	<u>\$11,296</u>	<u>\$12,662</u>
All other governmental funds										
Reserved	150	189	215	254	225	239	-	-	-	-
Unreserved, reported in:										
Special revenue funds	168	219	246	249	238	282	-	-	-	-
Capital projects funds	(548)	62	262	3,123	2,627	1,316	-	-	-	-
Restricted										
Debt Service	-	-	-	-	-	-	290	309	261	229
Grants and Awards	-	-	-	-	-	-	257	289	320	310
Committed										
Capital projects	-	-	-	-	-	-	1,588	1,795	4,939	3,029
Total all other governmental funds	<u>\$ (230)</u>	<u>\$ 470</u>	<u>\$ 723</u>	<u>\$3,626</u>	<u>\$3,090</u>	<u>\$1,837</u>	<u>\$2,135</u>	<u>\$ 2,393</u>	<u>\$ 5,520</u>	<u>\$ 3,568</u>
Total governmental funds	<u>\$4,530</u>	<u>\$6,265</u>	<u>\$7,147</u>	<u>\$8,021</u>	<u>\$8,686</u>	<u>\$8,096</u>	<u>\$9,182</u>	<u>\$11,728</u>	<u>\$16,816</u>	<u>\$16,230</u>

(1) Fund balance classifications were changed in FY 2011 per GASB 54

CITY OF NEDERLAND, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS (1)

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Revenues	Fiscal Year			
	2005	2006	2007	2008
Property taxes, penalties and interest	\$ 4,044,904	4,399,262	4,347,001	4,550,883
In lieu of tax contracts	703,139	762,244	851,567	783,582
Sales Tax	1,746,581	2,373,145	2,480,048	2,781,508
Other tax	976,471	924,753	1,054,163	1,056,941
Permits, licences and fees	181,141	144,590	160,622	171,126
Fines, forfeits and penalties	130,629	224,269	150,079	178,162
Insurance	-	819,256	-	-
Interest	174,562	304,561	403,250	233,143
Other governmental agencies	-	1,096,853	121,616	834,827
Grants and Private contributions	326,261	146,229	314,213	210,090
Other miscellaneous	141,193	122,476	115,445	137,329
Total revenues	8,424,881	11,317,638	9,998,004	10,937,591
Expenditures				
Current:				
General government	855,039	912,778	870,539	929,419
Public safety	3,900,773	4,138,623	4,300,647	4,619,928
Public works	1,192,976	1,163,977	1,198,699	1,280,070
Culture and recreation	746,340	850,940	904,903	969,199
Administration and general	127,749	199,434	149,048	1,017,305
Capital Outlay	797,109	1,051,212	528,262	62,891
Debt Service:				
Principal retirement	915,000	1,195,000	1,245,000	1,295,000
Interest and fiscal charges	849,929	841,671	794,449	743,261
Issuance Costs	38,628	-	-	61,856
Total expenditures	9,423,543	10,353,635	9,991,547	10,978,929
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(998,662)	964,003	6,457	(41,338)
Other Financing Sources (Uses)				
Bonds issued	1,640,000	-	-	4,500,000
Premium on bonds	-	-	-	-
Bond issuance costs	-	-	-	-
Payment to refunded escrow agent	-	-	-	-
Transfers in	627,550	1,670,844	1,117,216	3,803,545
Transfers out	(1,607,548)	(891,335)	(250,000)	(7,388,947)
Sale of general capital assets	-	-	-	-
Total Other Financing Sources and Uses	660,002	779,509	867,216	914,598
Net Change in Fund Balance	\$ (338,660)	\$ 1,743,512	\$ 873,673	\$ 873,260
Debt service as a percentage of				
non-capital expenditures	26.4%	28.0%	27.5%	23.8%

SCHEDULE V

Fiscal Year					
2009	2010	2011	2012	2013	2014
5,044,628	5,328,245	5,533,376	5,615,078	5,699,431	5,785,757
839,560	940,850	1,006,261	1,768,745	1,819,377	1,784,628
3,283,262	2,922,006	3,036,033	3,713,845	3,681,434	3,844,714
913,653	1,298,937	1,299,828	1,230,797	1,164,178	1,219,125
127,703	159,591	186,255	222,026	233,494	240,478
160,306	196,265	193,588	187,836	276,470	226,571
-	-	-	-	-	-
64,742	28,537	21,941	21,291	27,164	19,826
52,991	-	-	-	-	-
147,617	295,370	272,166	248,145	431,584	3,458,451
621,448	819,761	82,405	91,373	81,126	103,041
<u>11,255,910</u>	<u>11,989,562</u>	<u>11,631,853</u>	<u>13,099,136</u>	<u>13,414,258</u>	<u>16,682,591</u>
913,358	890,651	908,602	910,170	965,139	1,008,005
4,517,773	4,592,380	4,681,227	4,718,219	4,834,661	5,227,808
1,475,481	1,273,637	1,357,089	1,408,350	1,644,195	3,151,978
810,886	1,483,363	1,011,563	1,096,082	1,132,087	1,148,460
503,838	333,410	372,158	353,183	369,587	323,473
774,521	2,450,174	719,846	511,508	2,120,742	4,030,394
1,475,000	1,545,000	1,640,000	1,825,000	1,680,000	1,815,000
905,654	857,622	658,116	713,822	853,412	619,963
2,900	157,111	63,292	61,537	198,462	-
<u>11,379,411</u>	<u>13,583,348</u>	<u>11,411,893</u>	<u>11,597,871</u>	<u>13,798,285</u>	<u>17,325,081</u>
<u>(123,501)</u>	<u>(1,593,786)</u>	<u>219,960</u>	<u>1,501,265</u>	<u>(384,027)</u>	<u>(642,490)</u>
-	198,984	4,500,000	85,000	6,120,000	-
-	-	-	-	337,985	-
-	-	-	-	-	-
-	-	-	-	(3,375,000)	-
1,000,333	1,443,738	1,244,018	1,334,948	3,160,650	1,799,078
(239,733)	(637,940)	(4,861,708)	(375,000)	(2,408,650)	(2,420,041)
-	-	-	-	1,636,470	678,376
<u>760,600</u>	<u>1,004,782</u>	<u>882,310</u>	<u>1,044,948</u>	<u>5,471,455</u>	<u>57,413</u>
<u>\$ 637,099</u>	<u>\$ (589,004)</u>	<u>\$ 1,102,270</u>	<u>\$ 2,546,213</u>	<u>\$ 5,087,428</u>	<u>\$ (585,077)</u>
29.0%	29.9%	29.8%	32.4%	27.7%	27.5%

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

FISCAL YEAR	TAX ROLL YEAR	ESTIMATED MARKET VALUE			LESS: TAX-EXEMPT PROPERTY	TOTAL TAXABLE ASSESSED VALUE	TOTAL DIRECT TAX RATE
		RESIDENTIAL PROPERTY	COMMERCIAL PROPERTY	INDUSTRIAL PROPERTY			
2005	2004	483,161,160	187,106,760	7,585,390	35,871,340	641,981,970	0.6589030
2006	2005	524,571,900	203,853,760	7,594,810	37,248,200	698,772,270	0.6524560
2007	2006	487,717,280	194,455,150	8,510,950	33,622,240	657,061,140	0.6850000
2008	2007	607,348,770	196,472,939	9,814,960	55,757,900	757,878,769	0.5948300
2009	2008	706,764,372	200,627,370	21,320,050	71,374,455	857,337,337	0.5780000
2010	2009	734,045,590	207,697,690	26,618,370	50,625,730	917,735,920	0.0578000
2011	2010	762,111,830	215,348,700	7,993,330	40,563,276	944,890,584	0.0578000
2012	2011	759,356,680	223,565,400	9,378,740	31,566,020	960,734,800	0.0578000
2013	2012	752,795,130	220,034,960	13,785,390	29,928,476	956,687,004	0.0591853
2014	2013	762,806,954	228,548,890	46,558,802	72,936,303	964,978,343	0.0591853

Source: Jefferson County Appraisal District

Note: Property in Jefferson County is reassessed once every two years

PROPERTY TAX RATES- DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Fiscal Year	City Direct Rates			Overlapping Rates			
	Maintenance & Operations Rate	Debt Service Rate	Total Direct Rate	Jefferson County	Nederland ISD	Drainage District #7	Navigation District
2005	0.398307	0.260596	\$0.658903	0.425000	1.550000	0.188100	0.031021
2006	0.400995	0.251461	\$0.652456	0.425000	1.550000	0.179063	0.029699
2007	0.416421	0.268579	\$0.685000	0.400000	1.380000	0.160000	0.026322
2008	0.374462	0.220368	\$0.594830	0.390000	1.120000	0.145809	0.024257
2009	0.351731	0.226269	\$0.578000	0.365000	1.120000	0.139650	0.022418
2010	0.360319	0.217681	\$0.578000	0.365000	1.215000	0.138977	0.025431
2011	0.371852	0.206148	\$0.578000	0.365000	1.113000	0.138977	0.027398
2012	0.370566	0.207434	\$0.578000	0.365000	1.109500	0.140949	0.027311
2013	0.390395	0.201458	\$0.591853	0.365000	1.105000	0.140949	0.027870
2014	0.371479	0.220374	\$0.591853	0.365000	1.120000	0.149917	0.029374

Source: Jefferson County Tax Office

Note: The City establishes tax rates based on values established by the Jefferson County Appraisal District. An effective tax rate is calculated as the tax rate which would raise the same amount of revenue as the previous year. Qualified voters may petition for an election to limit the tax rate to no more than eight percent above the effective tax rate.

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

TAXPAYER	Fiscal Year 2005		Fiscal Year 2014	
	Assessed Valuation	Percent of Estimated Actual Value	Assessed Valuation	Percent of Estimated Actual Value
Philpott Ford, Inc.	11,143,030	1.82%	15,811,680	1.64%
Entergy Texas, Inc.	7,463,720	1.22%	8,545,520	0.89%
Southwestern Bell	6,430,450	1.05%	-	-
Beaumont Hospital Holdings	5,980,350	0.98%	-	0.00%
Megas Constantine	4,063,230	0.66%	7,425,010	0.77%
Emhugh, Ltd	4,164,430	0.68%	3,886,900	0.40%
Texas Cable Partners	3,107,120	0.51%	-	-
Wentworth Nederland LP	3,083,540	0.50%	-	-
Spherion Atlantic Enterprises	-	-	-	-
Atrium of Nederland LLC	2,852,430	0.47%	-	-
Fivepoint Federal Credit Union	-	-	8,255,630	0.86%
Nederland Avenue Apartments	-	-	8,523,270	0.88%
Iasis Healthcare Holdings	2,840,120	0.46%	5,056,580	0.52%
JAG Nederland Properties LTD	-	-	4,774,420	0.49%
Albanese Nederland Spe LLC	-	-	4,090,100	0.42%
Chateau Residential LP	-	-	3,673,870	0.38%
Total	<u>\$51,128,420</u>	8.34%	<u>\$70,042,980</u>	7.26%

Source: Jefferson County Appraisal District

Notes:

Total taxable value including real and personal property for tax year 2004 (fiscal year 2005) is \$612,691,790

Total taxable value including real and personal property for tax year 2013 (fiscal year 2014) is \$964,978,343

CITY OF NEDERLAND
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

FISCAL YEAR ENDED SEPTEMBER 30,	TAXES LEVIED FOR FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF LEVY		COLLECTIONS IN SUBSEQUENT YEAR	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2005	4,031,859	3,923,234	97.31%	97,532	4,020,766	99.72%
2006	4,343,817	4,259,544	98.06%	73,602	4,333,146	99.75%
2007	4,296,092	4,201,893	97.81%	81,661	4,283,554	99.71%
2008	4,492,340	4,387,683	97.67%	90,588	4,478,271	99.69%
2009	4,960,815	4,838,230	97.53%	103,248	4,941,478	99.61%
2010	5,304,515	5,140,742	96.91%	140,631	5,281,373	99.56%
2011	5,461,469	5,315,110	97.32%	108,951	5,424,061	99.32%
2012	5,553,049	5,422,024	97.64%	85,794	5,507,818	99.19%
2013	5,662,181	5,502,387	97.18%	76,734	5,579,121	98.53%
2014	5,711,253	5,555,702	97.28%	-	5,555,702	97.28%

Source: Jefferson County Appraisal District and Jefferson County Tax Office

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	Certificates of Obligation	Tax Notes	General Obligation Bonds	Water & Sewer Revenue Bonds			
2005	18,705,000	1,640,000	-	250,000	20,595,000	N/A	\$ 1,182
2006	17,725,000	1,425,000	-	130,000	19,280,000	5.42%	\$ 1,107
2007	16,700,000	1,205,000	-	-	17,905,000	4.23%	\$ 1,028
2008	15,630,000	980,000	4,500,000	-	21,110,000	5.16%	\$ 1,212
2009	14,515,000	745,000	4,375,000	-	19,635,000	4.17%	\$ 1,127
2010	12,990,000	505,000	4,225,000	-	17,720,000	3.88%	\$ 1,017
2011	16,250,000	255,000	4,075,000	-	20,580,000	4.48%	\$ 1,173
2012	4,350,000	-	14,490,000	-	18,840,000	4.26%	\$ 1,074
2013	6,914,234	-	13,508,405	-	20,422,639	4.64%	\$ 1,164
2014	6,660,360	-	11,914,996	-	18,575,356	4.41%	\$ 1,059

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Population data can be found in Schedule XVI

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding					Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
	Certificates of Obligation	Tax Notes	General Obligation Bonds	Amounts Available in Debt Service Fund				
2005	18,705,000	1,640,000	-	149,744		\$20,195,256	3.15%	1,159
2006	17,725,000	1,425,000	-	196,735		\$18,953,265	2.71%	1,088
2007	16,700,000	1,205,000	-	214,725		\$17,690,275	2.69%	1,015
2008	15,630,000	980,000	4,500,000	253,570		\$20,856,430	2.75%	1,197
2009	14,515,000	745,000	4,375,000	225,173		\$19,409,827	2.26%	1,114
2010	12,990,000	505,000	4,225,000	239,088		\$17,480,912	1.90%	1,003
2011	16,250,000	255,000	4,075,000	290,642		\$20,289,358	2.15%	1,156
2012	4,350,000	-	14,490,000	308,653		\$18,531,347	1.93%	1,056
2013	6,790,000	-	13,115,000	261,027		\$19,643,973	2.05%	1,120
2014	6,545,000	-	11,545,000	228,616		\$17,861,384	1.85%	1,018

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements
Population data can be found in Schedule XVI

SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT

ALL DIRECT AND OVERLAPPING GOVERNMENTS

SEPTEMBER 30, 2014

UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
Nederland Independent School District	\$27,755,000	55.96%	\$15,531,698
Jefferson County, Texas	49,281,192	3.98%	1,961,391
Jefferson County Drainage District #7	19,480,000	10.73%	2,090,204
Subtotal overlapping debt			19,583,293
City direct debt			18,575,356
TOTAL			\$ 38,158,649

Notes: 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 Nederland. This process recognizes that, when considering the City'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 repaying the debt of each overlapping government.

(1)For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using applicable percentages and were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2014

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes; City	\$ 18,090,000	100.00%	\$ 18,090,000

CITY OF NEDERLAND, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(AMOUNTS EXPRESSED IN THOUSANDS)

Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 964,978
Debt Limit (25% of assessed value)	<u>241,245</u>

Debt applicable to limit:	
General Obligation Bonds	18,090
Less: amount set aside for repayment of general obligation debt	<u>(229)</u>
Total net debt applicable to limit	<u>17,861</u>

Debt Margin	<u><u>\$ 223,384</u></u>
--------------------	--------------------------

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 160,495	\$ 174,693	\$ 164,265	\$ 189,469
Total net debt applicable to limit	<u>20,195</u>	<u>18,961</u>	<u>17,690</u>	<u>20,856</u>
Legal debt margin	<u><u>\$ 140,300</u></u>	<u><u>\$ 155,732</u></u>	<u><u>\$ 146,575</u></u>	<u><u>\$ 168,613</u></u>
Legal debt margin as a percentage of the debt limit	87.42%	89.15%	89.23%	88.99%

Note: There is no debt limit established by law; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt. The Attorney General of the State of Texas will not approve more than \$1.00 of the tax rate for debt service. The City's maximum legal tax rate is \$2.00 per \$100 valuation assessed at 100% of market value. Twenty-five percent of the assessed value has been applied as a "rule of thumb" procedure.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 214,334	\$ 211,953	\$ 215,934	\$ 221,641	\$ 219,528	\$ 223,384
<u>19,410</u>	<u>17,481</u>	<u>20,289</u>	<u>18,543</u>	<u>19,644</u>	<u>17,861</u>
<u>\$ 194,924</u>	<u>\$ 194,472</u>	<u>\$ 195,645</u>	<u>\$ 203,098</u>	<u>\$ 199,884</u>	<u>\$ 205,523</u>
90.94%	91.75%	90.60%	91.63%	91.05%	92.00%

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS

Fiscal Year	Water Revenue Bonds					
	Water & Sewer Charges for Services	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2005	3,417,875	2,848,817	569,058	115,000	21,900	4.16
2006	3,522,692	2,873,188	649,504	120,000	15,000	4.81
2007	3,626,384	3,003,530	622,854	130,000	7,800	4.52
2008	3,762,599	3,184,860	577,739	-	-	-
2009	3,850,024	3,123,797	726,227	-	-	-
2010	3,851,928	3,034,597	817,331	-	-	-
2011	4,083,915	3,108,372	975,543	-	-	-
2012	4,127,641	3,089,241	1,038,400	-	-	-
2013	4,064,990	2,906,750	1,158,240	-	-	-
2014	4,065,404	2,975,514	1,089,890	-	-	-

Notes: 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.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN CALENDAR YEARS

Calendar Year	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2005	17,422	355,548	20,408	*	5,122	3.70%
2006	17,422	422,815	24,269	*	4,986	3.00%
2007	17,422	409,487	23,504	*	5,188	3.70%
2008	17,422	410,741	23,576	*	5,073	4.50%
2009	17,422	471,230	27,048	*	5,024	5.00%
2010	17,422	456,753	26,217	*	4,898	5.00%
2011	17,547	459,679	26,197	*	4,999	** 11.4%
2012	17,547	441,863	26,285	37.3	5,022	** 9.89%
2013	17,547	440,529	26,246	37.3	5,026	** 9.70%
2014	17,547	420,840	27,535	36.8	5,006	** 7.3%

Sources: U.S. Census Bureau, State and local economic development entities

Notes: *Medium age only available in census years

** Local unemployment rate is no longer available, the rate reported is area wide

N/A-Data not available

PRINCIPAL EMPLOYERS

CURRENT YEAR

Employer	2014	
	Employees	Percentage of Total City Employment
Nederland Independent School District	622	7.70%
Philpott Motors	225	2.78%
Mid Jefferson Extended Care Hospital	138	1.71%
Time Warner	132	1.63%
Sun Oil Co.	115	1.42%
City of Nederland	110	1.36%
Dupont	75	0.93%
JK Chevrolet	70	0.87%
Unocal	65	0.80%
Air Liquide	40	0.49%

Source: Nederland Economic Development Corporation

Note: Historical Information not available.

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Function/Program</u>										
General government										
City manager	3	3	3	3	3	3	3	3	3	3
Finance	1	1	1	1	1	1	1	1	1	1
Personnel	2	2	2	2	2	2	2	2	2	2
Public safety										
Police	24	24	24	26	26	26	26	26	27	27
Fire	15	15	15	15	15	15	15	15	15	15
Dispatch	8	8	9	10	10	10	10	10	10	10
Information Technology	-	-	-	-	-	1	1	1	2	2
Public works										
Inspections	2	2	2	2	2	2	2	2	2	2
Code Enforcement	-	-	-	-	-	-	-	-	-	1
Public works administration	2	2	2	2	2	2	2	2	2	2
Streets	8	8	8	8	8	8	8	8	8	8
City shop	2	2	2	2	2	2	2	2	2	2
Culture and recreation										
Parks and recreation	3	3	3	3	3	3	3	3	3	3
Library	3	3	3	3	4	4	4	4	4	4
Water and sewer										
Water treatment	6	6	6	6	6	6	6	6	6	6
Water utility billing/collections	4	4	4	4	4	4	4	4	4	5
Water and sewer distribution	9	10	10	10	10	10	10	10	10	10
Solid Waste	7	7	7	7	7	7	7	7	7	7
Total	99	100	101	104	105	106	106	106	108	110

Source: Finance Department

Notes: A full-time employee (except for firefighter) is scheduled to work 2,080 hours per year (including vacation and sick leave.) Firefighters are scheduled to work 2,912 hours per year including vacation, sick and Kelly days.) Full-time equivalent employment is calculated by dividing total labor hours by 2,080 for employees other than firefighters and 2,912 for firefighters.

CITY OF NEDERLAND, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN CALENDAR YEARS

<u>Function/Program</u>	2005	2006	2007
General government			
Building permits issued	1,090	1,838	2,047
Public safety			
Police			
Physical arrests	401	225	212
Traffic violations	1,110	1,394	1,431
Dispatch calls for service	10,429	11,388	11,227
Offense reports filled	2,041	1,873	1,976
Fire			
Fire runs	84	159	125
EMS & other non-fire runs	874	976	1,031
Library			
Total volumes borrowed	97,711	81,374	100,694
Water and sewer			
Number of connections	7,950	7,969	7,955
Water main breaks	202	210	257
Average daily consumption (thousands of gallons)	2.051	1.950	1.970
Peak daily consumption (thousands of gallons)	3.172	3.134	3.150
Solid waste			
Refuse collected average yards per day (compacted)	98.270	111.650	99.000
Refuse collected average yards per day (non-compacted)	71.950	67.630	96.000

Source: City Departments

Note: N/A - Data not available

* Change in method of connection count per TCEQ

Schedule XIX

2008	2009	2010	2011	2012	2013	2014
1,045	1,101	1,005	1,026	1,026	1,028	981
264	408	345	377	360	245	364
1,568	1,877	2,158	1,744	2,058	3,503	2,589
10,436	10,257	10,109	12,258	12,463	14,455	14,667
2,005	2,000	1,805	2,050	2,049	2,195	2,015
104	75	99	103	91	66	72
1,241	1,480	1,566	1,556	1,608	1,632	1,731
96,887	103,171	115,311	106,380	103,602	106,526	96,449
8,246	8,259	7825*	7,848	7,865	7,926	8,308
157	115	288	446	176	248	114
2.32	2.21	2.25	2.32	2	2.13	2.01
3.75	3.49	3.49	3.59	3.47	3.43	3.63
93.000	91.000	90.000	104.000	128.000	117.000	120.000
73.000	97.000	112.000	96.000	104.000	192.000	117.000

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	14	14	14	14	14	14	20	20	19	19
Fire stations	1	1	1	1	1	1	1	1	1	1
Aerials	1	1	1	1	1	1	1	1	1	1
Engines	3	3	3	3	3	3	3	3	3	3
Rescue	1	1	1	1	1	1	1	1	1	1
Public works										
Streets (lane miles)	175	175	175	175	175	175	175	175	175	175
Traffic signals	6	6	6	6	6	6	6	6	7	7
Parks and recreation										
Parks	7	7	7	7	7	7	5	6	5	5
Swimming pools	1	1	1	1	1	1	1	1	1	1
Water and sewer										
Water mains (miles)	103.96	103.96	103.96	103.96	103.96	103.96	103.96	103.96	103.96	103.96
Sewer mains (miles)	93.67	93.67	93.67	93.67	93.67	93.67	93.67	93.67	94	94
Fire hydrants	N/A	407	407	407	407	407	407	407	407	407

Source: City Departments

Note: N/A - Data not available

Industrial Contracts

2006-2007 Fiscal Year

	2006 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 40,010,060	\$ 28,188,679	\$ 193,092
Union Oil of California	32,807,580	24,447,445	167,465
Sun Pipeline Company	105,568,520	71,680,220	491,009
Total	\$ 178,386,160	\$ 124,316,344	\$ 851,566

2007-2008 Fiscal Year

	2007 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 40,816,820	\$ 28,653,191	\$ 170,438
Union Oil of California	35,933,270	26,422,228	157,167
Sun Pipeline Company	125,985,820	85,383,950	507,889
Total	\$ 202,735,910	\$ 140,459,369	\$ 835,494

2008-2009 Fiscal Year

	2008 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 40,878,510	\$ 30,484,819	\$ 176,202
Union Oil of California	38,610,500	28,109,737	162,474
Sun Pipeline Company	142,274,390	86,657,963	500,883
Total	\$ 221,763,400	\$ 145,252,519	\$ 839,559

2009-2010 Fiscal Year

	2009 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 34,974,880	\$ 26,042,978	\$ 150,529
Union Oil of California	36,617,210	27,437,894	158,591
Sun Pipeline Company	154,174,440	99,446,640	631,730
Total	\$ 225,766,530	\$ 152,927,512	\$ 940,850

2010-2011 Fiscal Year

	2010 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 32,310,550	\$ 24,050,467	\$ 139,012
Union Oil of California	43,262,850	32,366,959	184,597
Sun Pipeline Company	174,100,615	118,105,889	682,652
Total	\$ 249,674,015	\$ 174,523,315	\$ 1,006,261

Industrial Contracts

2011-2012 Fiscal Year

	2011 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 31,177,290	\$ 23,211,219	\$ 134,161
Union Oil of California	149,718,890	61,835,512	357,409
Sun Pipeline Company	301,689,110	220,964,553	1,277,175
Total	\$ 482,585,290	\$ 306,011,284	\$ 1,768,745

2012-2013 Fiscal Year

	2012 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 24,067,050	\$ 17,907,656	\$ 105,987
Union Oil of California	125,825,490	57,674,339	341,347
Sun Pipeline Company	321,881,020	231,821,470	1,372,042
Total	\$ 471,773,560	\$ 307,403,465	\$ 1,819,376

2013-2014 Fiscal Year

	2013 Assessed Valuation	Taxable Value	Payments
Air Liquide America Corporation	\$ 22,792,750	\$ 16,950,446	\$ 100,322
Union Oil of California	130,086,870	57,687,463	341,425
Sun Pipeline Company	344,778,530	226,894,368	1,342,881
Total	\$ 497,658,150	\$ 301,532,277	\$ 1,784,628