

CITY OF YOAKUM, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2014

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Yoakum, Texas (the "City") as of and for the year ended September 30, 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 the accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Yoakum Economic Development Corporation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Mayor and Members
of the City Council

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

The Honorable Mayor and Members
of the City Council

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


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

January 30, 2015

The discussion and analysis of the City of Yoakum's (the "City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2014, by \$26,223,276. Of this amount, \$12,745,145 of unrestricted net position is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2014, the City's governmental funds reported combined ending fund balances of \$6,060,299, an increase of \$355,913 in comparison with the prior year.
- At September 30, 2014, unassigned fund balance for the General Fund was \$899,047 or 14.30% of total General Fund expenditures.
- The total cost of all City activities was \$15,831,266 for the fiscal year which is an increase of \$1,626,005 from the prior year.
- During the year, the City's general revenues exceeded net expenses of all City activities by \$661,723. This represents a 2.59% increase in net position from the previous fiscal year as a result of operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information

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

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

Statement of Net Position

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

Statement of Activities

The statement of activities presents information showing how the government's net position changed during fiscal year 2014. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave). The statement of activities can be found on pages 12 through 13.

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and cultural and recreation. The business-type activities of the City include utilities. The government-wide financial statements can be found immediately following the Management's Discussion and Analysis.

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

Fund Financial Statements

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

Governmental Funds

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

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet (page 14) and the governmental fund statement of revenues, expenditures, and changes in fund balances (page 16) provide reconciliation to facilitate this comparison between governmental funds and governmental activities (pages 15 and 17, respectively).

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

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

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

Proprietary Funds

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

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

Notes to Financial Statements

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

Other Information

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

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 46 through 64 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$26,223,276 at the close of the fiscal year ended September 30, 2014.

At the end of fiscal year 2014, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Yoakum, Texas

Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 6,711,323	\$ 6,220,532	\$ 9,416,567	\$ 10,428,275	\$ 16,127,890	\$ 16,648,807
Capital assets (net)	5,708,330	5,748,537	23,153,902	11,919,583	28,862,232	17,668,120
Total assets	12,419,653	11,969,069	32,570,469	22,347,858	44,990,122	34,316,927
Deferred outflow of resources	-	-	11,026	22,052	11,026	22,052
Current and other liabilities	534,626	322,913	2,195,118	1,559,622	2,729,744	1,882,535
Noncurrent liabilities	118,286	127,668	6,513,275	6,767,223	6,631,561	6,894,891
Total liabilities	652,912	450,581	8,708,393	8,326,845	9,361,305	8,777,426
Net position:						
Net investment in capital assets	5,708,330	5,748,537	7,769,801	7,263,204	13,478,131	13,011,741
Unrestricted, as restated	6,058,411	5,769,951	6,686,734	6,779,861	12,745,145	12,549,812
Total net position	\$ 11,766,741	\$ 11,518,488	\$ 14,456,535	\$ 14,043,065	\$ 26,223,276	\$ 25,561,553

The beginning balances of the governmental activities were restated to increase fund balance by \$55,094 and to decrease liabilities by the same amount. See footnote 15.

The largest portion of the City's net position (51.4% or \$13,478,131) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Yoakum, Texas

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues:						
Charges for services	\$ 2,815,942	\$ 2,805,575	\$ 11,691,455	\$ 10,904,021	\$ 14,507,397	\$ 13,709,596
Operating grants and contributions	99,437	49,266	-	-	99,437	49,266
Capital grants and contributions	-	-	89,859	59,809	89,859	59,809
General revenues:						
Property taxes	187,959	174,879	-	-	187,959	174,879
Other taxes	1,408,345	1,108,747	-	-	1,408,345	1,108,747
Other	149,521	73,956	50,471	44,509	199,992	118,465
Total revenues	4,661,204	4,212,423	11,831,785	11,008,339	16,492,989	15,220,762
EXPENSES						
General government	859,139	926,155	-	-	859,139	926,155
Public safety	2,284,448	2,145,161	-	-	2,284,448	2,145,161
Public works	2,545,948	2,525,980	-	-	2,545,948	2,525,980
Cultural and recreation	734,229	666,180	-	-	734,229	666,180
Utilities	-	-	9,407,502	7,941,785	9,407,502	7,941,785
Total expenses	6,423,764	6,263,476	9,407,502	7,941,785	15,831,266	14,205,261
Change in net position before transfers	(1,762,560)	(2,051,053)	2,424,283	3,066,554	661,723	1,015,501
Transfers	2,010,813	2,672,416	(2,010,813)	(2,672,416)	-	-
Change in net position	248,253	621,363	413,470	394,138	661,723	1,015,501
Net position - beginning, as restated	11,518,488	10,897,125	14,043,065	13,648,927	25,561,553	24,546,052
Net position - ending	\$ 11,766,741	\$ 11,518,488	\$ 14,456,535	\$ 14,043,065	\$ 26,223,276	\$ 25,561,553

Governmental activities increased the City's net position by \$248,253, and the business-type activities increased by \$413,470. Inter-fund transfers were \$661,603 less than the prior year.

The City's total revenues increased from the prior year. Charges for services increased due to higher utility sales. The sales tax revenue increased substantially due to new businesses locating in the City. The City's business-type activities expenses increased from prior year by \$1,465,717, primarily in the power costs for electric resale.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of fiscal year 2014, the City's governmental funds reported combined ending fund balances of \$6,060,299, an increase of \$355,913 in comparison with the prior year. Substantially the entire balance is available for spending, subject to regulatory, statutory, and budgetary restrictions.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2014, unassigned fund balance of the General Fund was \$899,047. The unassigned fund balance represents 14.30% of the total General Fund expenditures.

The fund balance of the City's General Fund increased by \$106,443 during the current fiscal year compared to an increase in the prior year of \$6,058. Key factors in this change compared to the prior year are as follows:

- Net transfers in fiscal year 2014 were \$661,603 lower than that reported in the prior year.
- Sales tax revenue was \$264,232 higher than the prior year.

Proprietary Funds

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and final amended budget includes an increase in anticipated revenues of \$338,893. Actual revenue realized in fiscal year 2014 exceeded the budget by \$356,022. This was mainly due to an increase in the revenues realized from various solid waste activities and sales tax.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$19,445,665 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, machinery and equipment, infrastructure, water works system, sewer system, electric system, and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was \$1,777,545 (a 0.70% decrease for governmental activities and 15.25% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- Improvements to the wastewater utility system.
- Various vehicles and equipment.

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

Long-term Debt

At the end of fiscal year 2014, the City had total bonded debt outstanding of \$6,705,000. All of the debt is related to utility system improvements.

The City had outstanding \$220,392 in compensated absences, which was an increase of approximately 4.5% from the prior year.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Inflationary trends in the region are consistent with national and state indices.
- The FY 2015 budget anticipates a slight revenue decrease from FY 2014 which was a record year.
- The overall ad valorem tax rate remained at \$0.09087. The tax rate for the debt service decreased to \$0.05603 from \$0.05701. The M & O tax rate increased from \$0.03386 to \$0.03484.
- Lower regional unemployment will increase labor and contract costs.

Requests for Information

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

Basic Financial Statements

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

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Yoakum Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,954,392	\$ 6,090,120	\$ 12,044,512	\$ 1,553,922
Receivables (net)	478,721	2,176,572	2,655,293	88,886
Due from other governments	270,746	-	270,746	-
Due from primary government	-	-	-	500
Inventory	7,464	412,409	419,873	-
Restricted assets				
Cash and cash equivalents	-	737,466	737,466	-
Total current assets	6,711,323	9,416,567	16,127,890	1,643,308
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	361,498	2,120,921	2,482,419	63,653
Buildings, infrastructure, and equipment (net)	5,346,832	11,616,414	16,963,246	-
Total noncurrent assets	5,708,330	13,737,335	19,445,665	63,653
Total assets	12,419,653	23,153,902	35,573,555	1,706,961
DEFERRED OUTFLOW OF RESOURCES				
Deferred amount on refunding	-	11,026	11,026	-
Total deferred outflow of resources	-	11,026	11,026	-
LIABILITIES				
Current liabilities				
Accounts payable	350,317	954,173	1,304,490	-
Accrued expenditures/expenses	155,484	129,824	285,308	-
Deposits	4,811	240,813	245,624	-
Due to other governments	10,372	-	10,372	-
Due to component unit	500	-	500	-
Accrued compensated absences	13,142	8,896	22,038	-
Payable to electric power provider	-	416,412	416,412	-
Current portion of long-term obligations	-	445,000	445,000	-
Total current liabilities	534,626	2,195,118	2,729,744	-
Noncurrent liabilities				
Accrued compensated absences	118,286	80,068	198,354	-
Payable to electric power provider	-	173,207	173,207	-
Noncurrent portion of long-term obligations	-	6,260,000	6,260,000	-
Total noncurrent liabilities	118,286	6,513,275	6,631,561	-
Total liabilities	652,912	8,708,393	9,361,305	-
NET POSITION				
Net investment in capital assets	5,708,330	7,769,801	13,478,131	63,653
Unrestricted net position	6,058,411	6,686,734	12,745,145	1,643,308
Total net position	\$ 11,766,741	\$ 14,456,535	\$ 26,223,276	\$ 1,706,961

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2014

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 859,139	\$ 126,103	\$ 24,000	\$ -
Public safety	2,284,448	355,841	75,437	-
Public works	2,545,948	2,164,831	-	-
Cultural and recreation	734,229	169,167	-	-
Total governmental activities	<u>6,423,764</u>	<u>2,815,942</u>	<u>99,437</u>	<u>-</u>
Business-type activities				
Utilities	<u>9,407,502</u>	<u>11,691,455</u>	-	<u>89,859</u>
Total business-type activities	<u>9,407,502</u>	<u>11,691,455</u>	-	<u>89,859</u>
Total primary government	<u>\$ 15,831,266</u>	<u>\$ 14,507,397</u>	<u>\$ 99,437</u>	<u>\$ 89,859</u>
Component Unit				
Yoakum Economic Development Corporation	<u>\$ 193,256</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
Taxes:
 Property taxes, levied for general purposes
 Property taxes, levied for debt service
 Sales taxes
 Franchise taxes
 Other taxes
Investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning, as restated
Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Yoakum Economic Development Corporation
Governmental Activities	Business- type Activities	Total	
\$ (709,036)	\$ -	\$ (709,036)	\$ -
(1,853,170)	-	(1,853,170)	-
(381,117)	-	(381,117)	-
(565,062)	-	(565,062)	-
<u>(3,508,385)</u>	<u>-</u>	<u>(3,508,385)</u>	<u>-</u>
-	2,373,812	2,373,812	-
-	2,373,812	2,373,812	-
<u>(3,508,385)</u>	<u>2,373,812</u>	<u>(1,134,573)</u>	<u>-</u>
-	-	-	(193,256)
66,010	-	66,010	-
121,949	-	121,949	-
1,157,518	-	1,157,518	385,840
126,089	-	126,089	-
124,738	-	124,738	-
43,066	50,471	93,537	10,901
106,455	-	106,455	-
<u>2,010,813</u>	<u>(2,010,813)</u>	<u>-</u>	<u>-</u>
<u>3,756,638</u>	<u>(1,960,342)</u>	<u>1,796,296</u>	<u>396,741</u>
248,253	413,470	661,723	203,485
<u>11,518,488</u>	<u>14,043,065</u>	<u>25,561,553</u>	<u>1,503,476</u>
<u>\$ 11,766,741</u>	<u>\$ 14,456,535</u>	<u>\$ 26,223,276</u>	<u>\$ 1,706,961</u>

CITY OF YOAKUM, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,114,834	\$ 3,081,178	\$ 758,380	\$ 5,954,392
Receivables (net)	432,646	-	46,075	478,721
Due from other funds	5,100	-	-	5,100
Due from other governments	268,656	-	2,090	270,746
Inventory	7,464	-	-	7,464
Total assets	<u>\$ 2,828,700</u>	<u>\$ 3,081,178</u>	<u>\$ 806,545</u>	<u>\$ 6,716,423</u>
LIABILITIES				
Accounts payable	\$ 328,686	\$ -	\$ 21,631	\$ 350,317
Accrued expenditures	155,484	-	-	155,484
Deposits	4,811	-	-	4,811
Due to other funds	-	-	5,100	5,100
Due to component unit	500	-	-	500
Due to other governments	10,372	-	-	10,372
Total liabilities	<u>499,853</u>	<u>-</u>	<u>26,731</u>	<u>526,584</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	119,517	-	10,023	129,540
Total deferred inflows of resources	<u>119,517</u>	<u>-</u>	<u>10,023</u>	<u>129,540</u>
FUND BALANCES				
Nonspendable				
Inventory	7,464	-	-	7,464
Restricted	-	3,081,178	769,791	3,850,969
Committed	1,302,819	-	-	1,302,819
Unassigned	899,047	-	-	899,047
Total fund balances	<u>2,209,330</u>	<u>3,081,178</u>	<u>769,791</u>	<u>6,060,299</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,828,700</u>	<u>\$ 3,081,178</u>	<u>\$ 806,545</u>	<u>\$ 6,716,423</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS

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

September 30, 2014

Total governmental fund balances \$ 6,060,299

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 13,985,602	
Accumulated depreciation of governmental capital assets	<u>(8,277,272)</u>	5,708,330

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance. 129,540

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

Compensated absences	<u>(131,428)</u>
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Net position of governmental activities \$ 11,766,741

The accompanying notes are an integral part of this statement.

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

For the year ended September 30, 2014

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,354,240	\$ -	\$ 246,134	\$ 1,600,374
Licenses and permits	172,724	-	-	172,724
Intergovernmental	97,347	-	2,090	99,437
Charges for services	2,620,095	-	-	2,620,095
Fines and forfeitures	78,320	-	20,422	98,742
Investment income	20,347	19,954	2,765	43,066
Miscellaneous	93,397	-	11,247	104,644
Total revenues	<u>4,436,470</u>	<u>19,954</u>	<u>282,658</u>	<u>4,739,082</u>
EXPENDITURES				
Current				
General government	700,336	-	84,691	785,027
Public safety	2,333,877	-	21,281	2,355,158
Public works	2,534,965	-	-	2,534,965
Cultural and recreation	718,832	-	-	718,832
Total expenditures	<u>6,288,010</u>	<u>-</u>	<u>105,972</u>	<u>6,393,982</u>
Excess (deficiency) of revenues over expenditures	(1,851,540)	19,954	176,686	(1,654,900)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,441,865	533,882	-	2,975,747
Transfers out	(483,882)	(475,057)	(5,995)	(964,934)
Total other financing sources (uses)	<u>1,957,983</u>	<u>58,825</u>	<u>(5,995)</u>	<u>2,010,813</u>
Net change in fund balances	106,443	78,779	170,691	355,913
Fund balances at beginning of year, as restated	<u>2,102,887</u>	<u>3,002,399</u>	<u>599,100</u>	<u>5,704,386</u>
Fund balances at end of year	<u>\$ 2,209,330</u>	<u>\$ 3,081,178</u>	<u>\$ 769,791</u>	<u>\$ 6,060,299</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2014**

Total net change in fund balances - governmental funds	\$ 355,913
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Amounts reported for governmental activities in the statement of activities are different because:

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

Increase in capital assets	\$ 348,160	
Depreciation expense	<u>(388,367)</u>	(40,207)

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

Property taxes	(2,262)	
Ambulance fees	<u>(75,616)</u>	(77,878)

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

Decrease in compensated absences	<u>10,425</u>
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Change in net position of governmental activities	\$ <u>248,253</u>
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The accompanying notes are an integral part of this statement.

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

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 6,090,120
Receivables (net)	2,176,572
Inventory	412,409
Restricted assets	
Cash and cash equivalents	<u>737,466</u>
Total current assets	<u>9,416,567</u>
Noncurrent assets	
Capital assets	
Land and other assets not being depreciated	2,120,921
Buildings, infrastructure, and equipment (net)	<u>11,616,414</u>
Total noncurrent assets	<u>13,737,335</u>
Total assets	<u>23,153,902</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred amount on refunding	<u>11,026</u>
Total deferred outflow of resources	<u>11,026</u>
LIABILITIES	
Current liabilities	
Accounts payable	954,173
Accrued expenses	129,824
Deposits	240,813
Accrued compensated absences	8,896
Payable to electric power provider	416,412
Current portion of bonds and certificates payable	<u>445,000</u>
Total current liabilities	<u>2,195,118</u>
Noncurrent liabilities	
Payable to electric power provider	173,207
Accrued compensated absences	80,068
Bonds and certificates payable	<u>6,260,000</u>
Total noncurrent liabilities	<u>6,513,275</u>
Total liabilities	<u>8,708,393</u>
NET POSITION	
Net investment in capital assets	7,769,801
Unrestricted net position	<u>6,686,734</u>
Total net position	<u>\$ 14,456,535</u>

The accompanying notes are an integral part of this statement.

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

For the year ended September 30, 2014

	Business-type Activities
	Utility Fund
	<u> </u>
OPERATING REVENUES	
Charges for services	\$ 11,608,612
Miscellaneous	82,843
Total operating revenues	<u>11,691,455</u>
OPERATING EXPENSES	
Administration	583,268
Electric department	6,973,451
Water department	590,794
Sewer department	543,001
Warehouse department	94,273
Garage department	96,869
Depreciation	509,190
Total operating expenses	<u>9,390,846</u>
Operating income (loss) before nonoperating revenues (expenses) contributions and transfers	2,300,609
NONOPERATING REVENUES (EXPENSES)	
Investment income	50,471
Interest and fiscal charges	(16,656)
Net nonoperating revenues (expenses)	<u>33,815</u>
Income before contributions and transfers	2,334,424
Contributions and transfers	
Capital grants and contributions	89,859
Transfers in	220,753
Transfers out	(2,231,566)
Total contributions and transfers	<u>(1,920,954)</u>
Change in net position	413,470
Total net position at beginning of year	<u>14,043,065</u>
Total net position at end of year	<u>\$ 14,456,535</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2014

	<u>Business-type Activities</u>
	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 11,481,896
Cash payments to suppliers for goods and services	(6,609,990)
Cash payments to employees for services	<u>(1,501,538)</u>
Net cash provided by operating activities	<u>3,370,368</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received (paid) on customer meter deposits	7,759
Transfers from (to) other funds	<u>(2,010,813)</u>
Net cash provided (used) by noncapital financing activities	<u>(2,003,054)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,326,942)
Capital grants and contributions	89,859
Principal paid on bond maturities	(440,000)
Interest and finance charges paid on bonds	<u>(6,482)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,683,565)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>50,471</u>
Net cash provided (used) by investing activities	<u>50,471</u>
Net increase (decrease) in cash and cash equivalents	(1,265,780)
Cash and cash equivalents at beginning of year	<u>8,093,366</u>
Cash and cash equivalents at end of year	<u>\$ 6,827,586</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,300,609
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	509,190
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(209,559)
(Increase) decrease in inventory	(44,513)
Increase (decrease) in accounts payable	752,725
Increase (decrease) in accrued expenses	42,089
Increase (decrease) in accrued compensated absences	<u>19,827</u>
Net cash provided by operating activities	<u>\$ 3,370,368</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents - Unrestricted	\$ 6,090,120
Cash and cash equivalents - Restricted	<u>737,466</u>
Total cash and cash equivalents	<u>\$ 6,827,586</u>

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Component Unit

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following funds:

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

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

E. Budgets and Budgetary Accounting

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

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

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

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

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2014.

G. Deposits and Investments

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

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

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

G. Deposits and Investments - (Continued)

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

Investments for the City, as well as the component unit, are recorded at amortized cost, which as of September 30, 2014, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 3 for further discussion.

H. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

I. Inventories

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

J. Restricted Assets

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

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest expense (interest earned minus expense) incurred during the construction phase of capital assets of business-type activities is capitalized as part of the value of the assets constructed.

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

K. Capital Assets - (Continued)

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

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

L. Compensated Absences

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

M. Long-term Obligations

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

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

N. Fund Equity

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

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

N. Fund Equity - (Continued)

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

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

O. Minimum Fund Balance Policy

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

P. Stabilization Arrangement

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

Q. Use of Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures Over Appropriations

General Fund expenditures in a number of different departments exceeded the amount appropriated during the current fiscal year. This variance is detailed below.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Parks and Recreation	\$603,788	\$ 606,470	\$ 2,682

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

NOTE 3: DEPOSITS AND INVESTMENTSInterest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2014, and for the year then ended, the City was not exposed to credit risk.

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

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

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

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2014, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2014, consist of the following:

	<u>General</u>	<u>Utility</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:				
Accounts	\$ 281,385	\$ 2,148,101	\$ -	\$ 2,429,486
Ad valorem taxes	8,060	-	11,287	19,347
Ambulance	99,283	-	-	99,283
Fines	13,071	-	-	13,071
Franchise taxes	31,743	-	-	31,743
Other	-	28,471	36,052	64,523
Total gross receivables	433,542	2,176,572	47,339	2,657,453
Less: Allowances	896	-	1,264	2,160
Total net receivables	<u>\$ 432,646</u>	<u>\$ 2,176,572</u>	<u>\$ 46,075</u>	<u>\$ 2,655,293</u>

The City's governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 7,163	\$ -	\$ 7,163
Ambulance	99,283	-	99,283
Fines	13,071	-	13,071
Debt Service Fund			
Ad valorem taxes	10,023	-	10,023
Total	<u>\$ 129,540</u>	<u>\$ -</u>	<u>\$ 129,540</u>

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

Property taxes are prorated between operations and debt service based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.09087 per \$100 of assessed valuation which were prorated between operations and debt service in the amounts of \$0.03386 and \$0.05701, respectively. The resulting adjusted total tax levy was \$177,707 on the total adjusted taxable valuation of \$180,168,944 for the 2013 tax year.

NOTE 5: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 361,498	\$ -	\$ -	\$ 361,498
Total capital assets, not being depreciated	<u>361,498</u>	<u>-</u>	<u>-</u>	<u>361,498</u>
Capital assets, being depreciated				
Machinery and equipment	3,594,917	348,160	12,600	3,930,477
Buildings	3,368,331	-	-	3,368,331
Infrastructure	<u>6,325,296</u>	<u>-</u>	<u>-</u>	<u>6,325,296</u>
Total capital assets, being depreciated	<u>13,288,544</u>	<u>348,160</u>	<u>12,600</u>	<u>13,624,104</u>
Less accumulated depreciation for				
Machinery and equipment	2,107,658	242,646	12,600	2,337,704
Buildings	1,606,770	76,718	-	1,683,488
Infrastructure	<u>4,187,077</u>	<u>69,003</u>	<u>-</u>	<u>4,256,080</u>
Total accumulated depreciation	<u>7,901,505</u>	<u>388,367</u>	<u>12,600</u>	<u>8,277,272</u>
Total capital assets being depreciated, net	<u>5,387,039</u>	<u>(40,207)</u>	<u>-</u>	<u>5,346,832</u>
Governmental activities capital assets, net	<u>\$ 5,748,537</u>	<u>\$ (40,207)</u>	<u>\$ -</u>	<u>\$ 5,708,330</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 3,838	\$ -	\$ -	\$ 3,838
Construction in progress	<u>129,503</u>	<u>1,987,580</u>	<u>-</u>	<u>2,117,083</u>
Total capital assets, not being depreciated	<u>133,341</u>	<u>1,987,580</u>	<u>-</u>	<u>2,120,921</u>
Capital assets, being depreciated				
Machinery and equipment	1,349,715	51,945	2,895	1,398,765
Buildings and improvements	278,097	-	-	278,097
Water works system	4,926,464	28,227	-	4,954,691
Sewer system	12,668,232	-	-	12,668,232
Electric system	<u>2,953,810</u>	<u>259,190</u>	<u>-</u>	<u>3,213,000</u>
Total capital assets, being depreciated	<u>22,176,318</u>	<u>339,362</u>	<u>2,895</u>	<u>22,512,785</u>
Less accumulated depreciation for				
Machinery and equipment	892,145	55,546	2,895	944,796
Buildings and improvements	238,722	3,791	-	242,513
Water works system	2,900,034	113,120	-	3,013,154
Sewer system	4,222,910	258,913	-	4,481,823
Electric system	<u>2,136,265</u>	<u>77,820</u>	<u>-</u>	<u>2,214,085</u>
Total accumulated depreciation	<u>10,390,076</u>	<u>509,190</u>	<u>2,895</u>	<u>10,896,371</u>
Total capital assets being depreciated, net	<u>11,786,242</u>	<u>(169,828)</u>	<u>-</u>	<u>11,616,414</u>
Business-type activities capital assets, net	<u>\$ 11,919,583</u>	<u>\$ 1,817,752</u>	<u>\$ -</u>	<u>\$ 13,737,335</u>

NOTE 5: CAPITAL ASSETS - (Continued)

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

Governmental activities:	
General government	\$ 76,718
Public safety	124,931
Public works	157,214
Cultural and recreation	<u>29,504</u>
Total depreciation expense - governmental activities	<u>\$388,367</u>
Business-type activities:	
Utilities	<u>\$509,190</u>
Total depreciation expense - business-type activities	<u>\$509,190</u>

Discretely Presented Component Unit

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

NOTE 6: EMPLOYEES' RETIREMENT PLAN

Plan Description

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

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

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

	Plan Year 2013	Plan Year 2014
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)

Contributions

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

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

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

Contributions Required and Contributions Made			
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2014	\$ 584,139	100%	\$ -
2013	586,344	100%	-
2012	595,327	100%	-

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

	Actuarial Valuation Information		
	12/31/11	12/31/12	12/31/13
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	26.0 years; closed period	25.0 years; closed period	22.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Investment rate of return *	7.0%	7.0%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)

Funded Status and Funding Progress

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

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	\$ 16,748,279	\$ 20,737,342	\$ 3,989,063	80.76%	\$ 3,427,247	122.84%

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

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

NOTE 7: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

On August 31, 2014, the pension system membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,073
Terminated members entitled to benefits but not yet receiving them	2,161
Active participants (vested and nonvested)	<u>4,036</u>
	<u>9,270</u>

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

Plan Description - (Continued)

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005) re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his/her vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

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

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$1,530,343 for fiscal year ending August 31, 2014.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to: (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014 the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10	5.8
Developed international	21	5.5
Emerging markets	6	5.4
Master limited partnership	5	7.1
Fixed income		
Domestic	21	1.4
International	5	1.6
Cash	0	0.0
Total	<u>100%</u>	

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

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

The City's contributions to the TMRS' SDBF for the years ended 2014, 2013, and 2012 were \$8,637, \$7,978, and \$8,319, respectively, which equaled the required contributions each year.

NOTE 9: RISK MANAGEMENT

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

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

NOTE 10: LONG-TERM DEBT**A. Changes In Long-term Liabilities**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ 141,853	\$ 164,173	\$ 174,598	\$ 131,428	\$ 13,142
Total governmental activity long-term liabilities	<u>\$ 141,853</u>	<u>\$ 164,173</u>	<u>\$ 174,598</u>	<u>\$ 131,428</u>	<u>\$ 13,142</u>
Business-type activities					
General obligation bonds	\$ 495,000	\$ -	\$ 245,000	\$ 250,000	\$ 250,000
Certificates of obligation	<u>6,650,000</u>	<u>-</u>	<u>195,000</u>	<u>6,455,000</u>	<u>195,000</u>
Net bonds and certificates payable	7,145,000	-	440,000	6,705,000	445,000
Payable to electric provider	-	589,619	-	589,619	416,412
Compensated absences	<u>69,137</u>	<u>100,309</u>	<u>80,482</u>	<u>88,964</u>	<u>8,896</u>
Total business-type activity long-term liabilities	<u>\$ 7,214,137</u>	<u>\$ 689,928</u>	<u>\$ 520,482</u>	<u>\$ 7,383,583</u>	<u>\$ 870,308</u>

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

During the 2014 fiscal year the City was informed by their electric power provider that they had been undercharged for their power costs. It was determined that the undercharged amount totaled \$589,619. The amount will be repaid in monthly installments of \$34,701 starting in the 2015 fiscal year. The amounts will be billed to the City on their monthly power bill through the February 2016 billing statement.

NOTE 10: LONG-TERM DEBT - (Continued)

B. General Obligation Bonds and Certificates of Obligation

Bonds and certificates payable at September 30, 2014, are comprised of the following individual issues:

\$995,000 Series 2011 General Obligation Refunding Bonds, due in annual installments of \$245,000 to \$255,000 through 2015; interest varying from 0.95% to 1.50%.	\$ 250,000
\$5,000,000 Series 2006 Combination Tax and Subordinate Lien Revenue Certificates of Obligation, due in annual installments of \$75,000 to \$345,000 through 2028; interest at 0.00%.	4,530,000
\$2,500,000 Series 2008 Combination Tax and Subordinate Lien Revenue Certificates of Obligation due in annual installments of \$110,000 to \$115,000 through 2031; interest at 0.00%.	<u>1,925,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 6,705,000</u>

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 445,000	\$ 1,875	\$ 446,875
2016	460,000	-	460,000
2017	460,000	-	460,000
2018	460,000	-	460,000
2019	460,000	-	460,000
2020-2024	2,280,000	-	2,280,000
2025-2029	1,915,000	-	1,915,000
2030-2031	225,000	-	225,000
	<u>\$ 6,705,000</u>	<u>\$ 1,875</u>	<u>\$ 6,706,875</u>

There are a number of limitations and restrictions contained in the bond indenture. The City is in compliance with all significant limitations and restrictions. The bond indenture requires the establishment and maintenance of an interest and sinking fund. At September 30, 2014, the balance in this fund was \$357,107.

C. Prior Year Defeasance of Debt

On December 14, 2004, the City issued \$2,265,000 in bonds to advance refund \$2,150,000 of outstanding 1995 General Obligation Bonds. As a result, the Series 1995 bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net position. At September 30, 2014, \$265,000 of bonds outstanding are considered defeased.

NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

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

Interfund receivable and payable balances as of September 30, 2014, were as follows:

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

B. Interfund Transfers

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

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Capital Project</u>	<u>Utility</u>	
General	\$ -	\$ 483,882	\$ -	\$ 483,882
Capital Project	254,304	-	220,753	475,057
Non-major governmental	5,995	-	-	5,995
Utility	<u>2,181,566</u>	<u>50,000</u>	<u>-</u>	<u>2,231,566</u>
	<u>\$ 2,441,865</u>	<u>\$ 533,882</u>	<u>\$ 220,753</u>	<u>\$ 3,196,500</u>

NOTE 12: COMMITMENTS AND CONTINGENCIES

Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2014, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 13: RELATED PARTY TRANSACTIONS

During fiscal year 2014, the City's General Fund entered into transactions with the Yoakum Economic Development Corporation, a discretely presented component unit of the City, whereby the Corporation contributed to the primary government \$64,710 for administrative services.

NOTE 14: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2014:

	Governmental Fund Balances				Total
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Unassigned</u>	
General					
Inventory	\$ 7,464	\$ -	\$ -	\$ -	\$ 7,464
Stabilization	-	-	1,302,819	-	1,302,819
Unassigned	-	-	-	899,047	899,047
Capital Project	-	3,081,178	-	-	3,081,178
Nonmajor Governmental					
General government	-	63,010	-	-	63,010
Tourism	-	203,858	-	-	203,858
Public safety	-	129,792	-	-	129,792
Culture and recreation	-	16,024	-	-	16,024
Debt service	-	357,107	-	-	357,107
	<u>\$ 7,464</u>	<u>\$ 3,850,969</u>	<u>\$ 1,302,819</u>	<u>\$ 899,047</u>	<u>\$ 6,060,299</u>

NOTE 15: RESTATEMENT OF BEGINNING BALANCES

The beginning fund balance and liabilities in the governmental fund type financial statements have been restated to correct a prior period error. The governmental fund balance increased by \$55,094 and liabilities decreased by the same amount. The restatement also affected the beginning balance of the governmental fund type net position on the statement of activities.

Required Supplementary Information

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

For the year ended September 30, 2014

	2014			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 1,100,021	\$ 1,214,473	\$ 1,354,240	\$ 139,767
Licenses and permits	82,000	157,000	172,724	15,724
Intergovernmental	74,000	47,000	97,347	50,347
Charges for services	2,322,534	2,507,660	2,620,095	112,435
Fines and forfeitures	95,000	65,000	78,320	13,320
Investment income	13,000	13,000	20,347	7,347
Miscellaneous	55,000	76,315	93,397	17,082
Total revenues	<u>3,741,555</u>	<u>4,080,448</u>	<u>4,436,470</u>	<u>356,022</u>
EXPENDITURES				
Current				
General government	802,103	788,514	700,336	88,178
Public safety	2,450,266	2,451,542	2,333,877	117,665
Public works	2,517,797	2,667,997	2,534,965	133,032
Cultural and recreation	743,924	719,747	718,832	915
Total expenditures	<u>6,514,090</u>	<u>6,627,800</u>	<u>6,288,010</u>	<u>339,790</u>
Excess (deficiency) of revenues over expenditures	(2,772,535)	(2,547,352)	(1,851,540)	695,812
OTHER FINANCING SOURCES (USES)				
Transfers in	2,772,538	2,756,237	2,441,865	(314,372)
Transfers out	-	(208,882)	(483,882)	(275,000)
Total other financing sources (uses)	<u>2,772,538</u>	<u>2,547,355</u>	<u>1,957,983</u>	<u>(589,372)</u>
Net change in fund balance	3	3	106,443	106,440
Fund balance beginning of year	<u>2,102,887</u>	<u>2,102,887</u>	<u>2,102,887</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,102,890</u>	<u>\$ 2,102,890</u>	<u>\$ 2,209,330</u>	<u>\$ 106,440</u>

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

CITY OF YOAKUM, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL PENSION INFORMATION
September 30, 2014

TEXAS MUNICIPAL RETIREMENT SYSTEM

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

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/13	\$16,748,279	\$ 20,737,342	\$ 3,989,063	80.76%	\$ 3,247,247	122.84%
12/31/12	15,771,625	18,767,883	2,996,258	84.03%	3,104,856	96.50%
12/31/11	14,930,144	18,399,331	3,469,187	81.15%	2,971,032	116.77%
12/31/10	14,297,256	18,015,563	3,718,307	79.40%	2,979,038	124.80%
12/31/09	8,958,103	13,811,585	4,853,482	64.90%	2,914,157	166.50%
12/31/08	8,014,458	12,695,109	4,680,651	63.13%	2,937,548	159.34%
12/31/07	7,385,418	11,565,602	4,180,184	63.90%	2,457,892	170.10%
12/31/06	7,201,451	9,749,222	2,547,771	73.87%	2,399,850	106.16%
12/31/05	6,929,154	9,336,602	2,407,448	74.21%	2,384,012	100.98%
12/31/04	7,398,080	9,644,529	2,246,449	76.71%	2,326,376	96.56%
12/31/03	7,166,456	9,474,240	2,307,784	75.64%	2,228,516	103.56%
12/31/02	6,649,762	8,737,233	2,087,471	76.11%	2,249,594	92.79%

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

	Actuarial Valuation Information	
	8/31/14	8/31/12
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period	30 years	Infinity
Asset valuation method	market value smoothed by a 5-year deferred recognition method with a 80% - 120% corridor on market value	market value smoothed by a 5-year deferred recognition method with a 80% - 120% corridor on market value
Investment rate of return *	7.75%, net of expenses	7.75%, net of expenses
Projected salary increases	n/a	n/a
* Includes inflation at	3.50%	3.50%
Cost of living adjustment	none	none

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ¹ (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2010 ³	\$ 64,113,803	\$ 81,264,230	\$ 17,150,427	78.9%	8,644	\$ 1,984
8/31/2012 ²	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585
8/31/2014	83,761,038	109,854,799	26,093,761	76.2%	9,270	2,815

¹ The actuarial accrued liability is based upon the entry age actuarial cost method.

² Changes in actuarial assumptions were reflected in this valuation.

³ Changes in actuarial assumption and method were reflected in this valuation.

Three-Year Trend Information - State-wide

Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2014	\$ 4,176,659	\$ 4,176,659 ¹	100%
2012	4,423,898 ^{2,3}	3,517,455	80%
2011	3,125,329 ³	3,125,329	100%

¹ State appropriated \$1,530,343 for fiscal year ending August 31, 2014.

² Includes a requested state contribution of \$906,443.

³ Based on the revised August 31, 2010 actuarial valuation.

State contributions to the City's plan for the fiscal year 2014 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

Three-Year Trend Information - City of Yoakum, Texas

Year Ended September 30	Annual Required Contributions (ARC)	Percentage Contributed	Net Obligation
2014	\$ 8,352	100%	\$ -
2013	8,600	100%	-
2012	8,532	100%	-

CITY OF YOAKUM, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2014

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2: BUDGETARY LEGAL COMPLIANCE

General Fund expenditures in a number of different departments exceeded the amount appropriated during the current fiscal year. This variance is detailed below.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Parks and Recreation	\$ 603,788	\$ 606,470	\$ 2,682

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

Combining and Individual Fund Statements and Schedules

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

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 401,273	\$ 357,107	\$ 758,380
Receivables (net)	36,052	10,023	46,075
Due from other governments	2,090	-	2,090
Total assets	\$ 439,415	\$ 367,130	\$ 806,545
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 21,631	\$ -	\$ 21,631
Due to other funds	5,100	-	5,100
Total liabilities	26,731	-	26,731
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	-	10,023	10,023
Total deferred inflows of resources	-	10,023	10,023
FUND BALANCES			
Restricted			
General government	63,010	-	63,010
Tourism	203,858	-	203,858
Public safety	129,792	-	129,792
Culture and recreation	16,024	-	16,024
Debt service	-	357,107	357,107
Total fund balances	412,684	357,107	769,791
Total liabilities, deferred inflows and fund balances	\$ 439,415	\$ 367,130	\$ 806,545

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

For the year ended September 30, 2014

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 131,046	\$ 115,088	\$ 246,134
Fines and forfeitures	20,422	-	20,422
Intergovernmental	2,090	-	2,090
Investment income	2,383	382	2,765
Miscellaneous	11,247	-	11,247
Total revenues	<u>167,188</u>	<u>115,470</u>	<u>282,658</u>
EXPENDITURES			
Current			
General government	84,691	-	84,691
Public safety	21,281	-	21,281
Total expenditures	<u>105,972</u>	<u>-</u>	<u>105,972</u>
Excess (deficiency) of revenues over expenditures	<u>61,216</u>	<u>115,470</u>	<u>176,686</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(5,995)</u>	<u>-</u>	<u>(5,995)</u>
Total other financing sources (uses)	<u>(5,995)</u>	<u>-</u>	<u>(5,995)</u>
Net change in fund balance	55,221	115,470	170,691
Fund balances beginning of year	<u>357,463</u>	<u>241,637</u>	<u>599,100</u>
Fund balances at end of year	<u>\$ 412,684</u>	<u>\$ 357,107</u>	<u>\$ 769,791</u>

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

September 30, 2014

	<u>Hotel/Motel Tax</u>	<u>PEG Fund</u>	<u>Police Projects</u>	<u>Fire/ Ambulance Projects</u>	<u>Library Projects</u>
ASSETS					
Cash and cash equivalents	\$ 189,437	\$ 63,010	\$ 106,442	\$ 23,350	\$ 16,024
Taxes receivable	36,052	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 225,489</u>	<u>\$ 63,010</u>	<u>\$ 106,442</u>	<u>\$ 23,350</u>	<u>\$ 16,024</u>
LIABILITIES					
Accounts payable	\$ 21,631	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Total liabilities	<u>21,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted					
General government	-	63,010	-	-	-
Tourism	203,858	-	-	-	-
Public safety	-	-	106,442	23,350	-
Culture and recreation	-	-	-	-	16,024
Total fund balances	<u>203,858</u>	<u>63,010</u>	<u>106,442</u>	<u>23,350</u>	<u>16,024</u>
Total liabilities and fund balances	<u>\$ 225,489</u>	<u>\$ 63,010</u>	<u>\$ 106,442</u>	<u>\$ 23,350</u>	<u>\$ 16,024</u>

Grant Fund	Total
\$ 3,010	\$ 401,273
-	36,052
2,090	2,090
<u>\$ 5,100</u>	<u>\$ 439,415</u>
\$ -	\$ 21,631
5,100	5,100
5,100	26,731
-	63,010
-	203,858
-	129,792
-	16,024
-	412,684
<u>\$ 5,100</u>	<u>\$ 439,415</u>

CITY OF YOAKUM, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the year ended September 30, 2014

	<u>Hotel/Motel Tax</u>	<u>PEG Fund</u>	<u>Police Projects</u>	<u>Fire/ Ambulance Projects</u>
REVENUES				
Taxes	\$ 123,130	\$ 7,916	\$ -	\$ -
Fines and forfeitures	-	-	20,422	-
Intergovernmental	-	-	-	-
Investment income	1,347	-	757	165
Miscellaneous	-	-	5,011	5,482
Total revenues	<u>124,477</u>	<u>7,916</u>	<u>26,190</u>	<u>5,647</u>
EXPENDITURES				
Current				
General government	82,601	-	-	-
Public safety	-	-	15,675	5,606
Total expenditures	<u>82,601</u>	<u>-</u>	<u>15,675</u>	<u>5,606</u>
Excess (deficiency) of revenues over expenditures	<u>41,876</u>	<u>7,916</u>	<u>10,515</u>	<u>41</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	41,876	7,916	10,515	41
Fund balances beginning of year, as restated	<u>161,982</u>	<u>55,094</u>	<u>95,927</u>	<u>23,309</u>
Fund balances at end of year	<u>\$ 203,858</u>	<u>\$ 63,010</u>	<u>\$ 106,442</u>	<u>\$ 23,350</u>

<u>Library Projects</u>	<u>Grant Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 131,046
-	-	20,422
-	2,090	2,090
114	-	2,383
754	-	11,247
<u>868</u>	<u>2,090</u>	<u>167,188</u>
-	2,090	84,691
-	-	21,281
-	<u>2,090</u>	<u>105,972</u>
<u>868</u>	-	<u>61,216</u>
<u>(5,995)</u>	-	<u>(5,995)</u>
<u>(5,995)</u>	-	<u>(5,995)</u>
(5,127)	-	55,221
<u>21,151</u>	-	<u>357,463</u>
<u>\$ 16,024</u>	<u>\$ -</u>	<u>\$ 412,684</u>

GENERAL FUND

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

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

September 30, 2014

With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 2,114,834	\$ 2,296,311
Receivables, net		
Accounts	281,385	205,213
Ad valorem taxes	7,164	8,064
Ambulance	99,283	174,379
Fines	13,071	13,594
Franchise taxes	31,743	31,305
Due from other funds	5,100	-
Due from other governments	268,656	143,180
Inventory	7,464	7,464
Total assets	<u>\$ 2,828,700</u>	<u>\$ 2,879,510</u>
LIABILITIES		
Accounts payable	\$ 328,686	\$ 175,796
Accrued expenditures	155,484	164,725
Deposits	4,811	3,516
Due to other funds	-	231,001
Due to component unit	500	500
Due to other governments	10,372	5,048
Total liabilities	<u>499,853</u>	<u>580,586</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues	119,517	196,037
Total deferred inflows of resources	<u>119,517</u>	<u>196,037</u>
FUND BALANCES		
Nonspendable		
Inventory	7,464	7,464
Committed		
Stabilization	1,302,819	1,302,819
Unassigned	899,047	792,604
Total fund balances	<u>2,209,330</u>	<u>2,102,887</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,828,700</u>	<u>\$ 2,879,510</u>

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

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
REVENUES				
Taxes				
Ad valorem	\$ 66,273	\$ 66,602	\$ 329	\$ 62,231
Penalty and interest	3,500	2,423	(1,077)	3,183
Franchise	143,000	126,089	(16,911)	126,120
Sales	1,000,000	1,157,518	157,518	893,286
Other	1,700	1,608	(92)	257
Total taxes	<u>1,214,473</u>	<u>1,354,240</u>	<u>139,767</u>	<u>1,085,077</u>
Licenses and permits				
Landfill/transfer station	135,000	155,310	20,310	153,364
Miscellaneous	22,000	17,414	(4,586)	35,411
Total licenses and permits	<u>157,000</u>	<u>172,724</u>	<u>15,724</u>	<u>188,775</u>
Intergovernmental	<u>47,000</u>	<u>97,347</u>	<u>50,347</u>	<u>49,266</u>
Charges for services				
Sanitation	1,907,000	2,008,021	101,021	1,831,551
Ambulance	331,300	332,718	1,418	247,696
Golf course	87,000	85,183	(1,817)	89,413
Swimming pool	6,000	5,321	(679)	4,988
Community center	5,000	4,529	(471)	5,166
RV park	75,000	74,325	(675)	87,893
Park pavilion	3,500	4,338	838	3,854
Chamber office rent	1,500	1,500	-	1,500
Other	91,360	104,160	12,800	132,001
Total charges for services	<u>2,507,660</u>	<u>2,620,095</u>	<u>112,435</u>	<u>2,404,062</u>
Fines and forfeitures				
Municipal courts	<u>65,000</u>	<u>78,320</u>	<u>13,320</u>	<u>123,885</u>
Investment income	<u>13,000</u>	<u>20,347</u>	<u>7,347</u>	<u>21,877</u>
Miscellaneous				
Donations/grants	7,500	18,536	11,036	2,340
Police calendar sales	2,000	2,318	318	1,983
Recycled materials	25,000	18,217	(6,783)	24,424
Other	41,815	54,326	12,511	7,560
Total miscellaneous	<u>76,315</u>	<u>93,397</u>	<u>17,082</u>	<u>36,307</u>
Total revenues	<u>4,080,448</u>	<u>4,436,470</u>	<u>356,022</u>	<u>3,909,249</u>

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
EXPENDITURES				
General government				
Administrative and finance				
Personnel	\$ 266,586	\$ 254,423	\$ 12,163	\$ 301,379
Supplies	10,700	6,300	4,400	7,193
Services	38,000	31,150	6,850	37,200
Maintenance	10,000	8,864	1,136	7,372
Other	7,000	6,558	442	6,606
Total administrative and finance	<u>332,286</u>	<u>307,295</u>	<u>24,991</u>	<u>359,750</u>
Building maintenance				
Personnel	43,859	43,108	751	37,572
Supplies	3,600	2,556	1,044	3,073
Services	18,000	17,413	587	16,474
Maintenance	16,000	11,344	4,656	34,995
Total building maintenance	<u>81,459</u>	<u>74,421</u>	<u>7,038</u>	<u>92,114</u>
Inspection/code enforcement				
Personnel	48,059	45,324	2,735	44,918
Supplies	4,530	3,750	780	7,076
Services	20,440	19,761	679	5,528
Maintenance	1,050	559	491	317
Other	6,000	3,742	2,258	2,139
Total inspection/code enforcement	<u>80,079</u>	<u>73,136</u>	<u>6,943</u>	<u>59,978</u>
Economic development				
Personnel	114,240	74,892	39,348	113,883
Supplies	750	677	73	233
Services	4,200	2,832	1,368	4,253
Other	2,500	2,379	121	3,662
Total economic development	<u>121,690</u>	<u>80,780</u>	<u>40,910</u>	<u>122,031</u>
Non-departmental				
Insurance	23,000	20,467	2,533	21,541
Audit	20,000	19,750	250	17,875
Legal services	8,000	5,796	2,204	3,220
Community center	12,000	9,369	2,631	31,967
Sundry charges	42,800	48,489	(5,689)	92,022
Museum contribution	11,700	11,700	-	9,000
Other contributions	54,500	48,266	6,234	51,808

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

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014			2013
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
General government - (continued)				
Non-departmental - (continued)				
Senior citizen project	\$ 1,000	\$ 867	\$ 133	\$ 690
Total non-departmental	173,000	164,704	8,296	228,123
Total general government	788,514	700,336	88,178	861,996
Public safety				
Police				
Personnel	1,108,073	1,069,541	38,532	994,168
Supplies	70,780	61,735	9,045	51,096
Services	73,050	73,554	(504)	62,426
Maintenance	27,500	23,733	3,767	29,169
Other	13,500	10,356	3,144	6,090
Capital outlay	57,500	57,165	335	36,330
Total police	1,350,403	1,296,084	54,319	1,179,279
Municipal court				
Personnel	14,921	14,318	603	13,791
Supplies	500	381	119	458
Maintenance	2,800	2,229	571	2,535
Other	4,700	929	3,771	787
Total municipal court	22,921	17,857	5,064	17,571
Fire/ambulance				
Personnel	758,242	710,417	47,825	698,520
Supplies	52,110	49,881	2,229	51,286
Services	47,130	45,944	1,186	40,990
Maintenance	29,460	27,047	2,413	26,379
Other	23,800	19,976	3,824	20,340
Capital outlay	167,476	166,671	805	28,777
Total fire/ambulance	1,078,218	1,019,936	58,282	866,292
Total public safety	2,451,542	2,333,877	117,665	2,063,142

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
EXPENDITURES - (Continued)				
Public works				
Streets				
Personnel	\$ 329,953	\$ 329,813	\$ 140	\$ 245,524
Supplies	23,010	20,372	2,638	20,912
Services	2,900	2,835	65	2,272
Maintenance	62,000	43,356	18,644	61,110
Other	1,850	1,002	848	1,090
Capital outlay	220,000	194,094	25,906	204,065
Total streets	<u>639,713</u>	<u>591,472</u>	<u>48,241</u>	<u>534,973</u>
Solid waste				
Personnel	427,994	396,367	31,627	426,674
Supplies	56,590	53,604	2,986	54,644
Services	1,331,800	1,277,812	53,988	1,161,507
Maintenance	65,750	70,766	(5,016)	65,924
Other	2,150	1,149	1,001	1,069
Capital outlay	144,000	143,795	205	-
Total solid waste	<u>2,028,284</u>	<u>1,943,493</u>	<u>84,791</u>	<u>1,709,818</u>
Total public works	<u>2,667,997</u>	<u>2,534,965</u>	<u>133,032</u>	<u>2,244,791</u>
Cultural and recreation				
Parks and recreation				
Personnel	368,738	385,084	(16,346)	341,364
Supplies	57,700	53,703	3,997	53,579
Services	83,650	83,021	629	82,631
Maintenance	52,500	51,080	1,420	48,837
Other	29,700	22,082	7,618	35,394
Capital outlay	11,500	11,500	-	80,984
Total parks and recreation	<u>603,788</u>	<u>606,470</u>	<u>(2,682)</u>	<u>642,789</u>
Library				
Personnel	63,356	62,986	370	56,990
Supplies	10,900	10,626	274	10,505
Services	16,350	16,425	(75)	11,561
Maintenance	22,123	18,880	3,243	6,119
Other	3,230	3,445	(215)	2,308
Capital outlay	-	-	-	-
Total library	<u>115,959</u>	<u>112,362</u>	<u>3,597</u>	<u>87,483</u>
Total cultural and recreation	<u>719,747</u>	<u>718,832</u>	<u>915</u>	<u>730,272</u>
Total expenditures	<u>6,627,800</u>	<u>6,288,010</u>	<u>339,790</u>	<u>5,900,201</u>

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

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	<u>2014</u>			<u>2013</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Actual</u>
Excess (deficiency) of revenues over expenditures	\$ (2,547,352)	\$ (1,851,540)	\$ 695,812	\$ (1,990,952)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,756,237	2,441,865	(314,372)	2,247,490
Transfers out	<u>(208,882)</u>	<u>(483,882)</u>	<u>(275,000)</u>	<u>(250,480)</u>
Total other financing sources (uses)	<u>2,547,355</u>	<u>1,957,983</u>	<u>(589,372)</u>	<u>1,997,010</u>
Net change in fund balance	<u>\$ 3</u>	106,443	<u>\$ 106,440</u>	6,058
Fund balance beginning of year		<u>2,102,887</u>		<u>2,096,829</u>
Fund balance at end of year		<u>\$ 2,209,330</u>		<u>\$ 2,102,887</u>

(concluded)

ENTERPRISE FUND

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

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

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
September 30, 2014
With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,090,120	\$ 5,604,745
Receivables (net)		
Accounts	2,148,101	1,927,066
Other	28,471	39,947
Inventory	412,409	367,896
Restricted assets		
Cash and cash equivalents	<u>737,466</u>	<u>2,488,621</u>
Total current assets	<u>9,416,567</u>	<u>10,428,275</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,398,765	1,349,715
Buildings and improvements	278,097	278,097
Water works system	4,954,691	4,926,464
Sewer system	12,668,232	12,668,232
Electric system	<u>3,213,000</u>	<u>2,953,810</u>
Total depreciable capital assets	22,512,785	22,176,318
Less: Accumulated depreciation	<u>10,896,371</u>	<u>10,390,076</u>
Subtotal	11,616,414	11,786,242
Land	3,838	3,838
Construction in progress	<u>2,117,083</u>	<u>129,503</u>
Net capital assets	<u>13,737,335</u>	<u>11,919,583</u>
Total noncurrent assets	<u>13,737,335</u>	<u>11,919,583</u>
Total assets	<u>23,153,902</u>	<u>22,347,858</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred amount on refunding	<u>11,026</u>	<u>22,052</u>
Total deferred outflow of resources	<u>11,026</u>	<u>22,052</u>

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
 September 30, 2014
 With comparative totals for September 30, 2013

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 954,173	\$ 791,067
Accrued expenses	129,824	87,735
Deposits	240,813	233,054
Accrued compensated absences	8,896	6,914
Accrued interest payable	-	852
Payable to electric power provider	416,412	-
Current portion of bonds and certificates payable	<u>445,000</u>	<u>440,000</u>
Total current liabilities	<u>2,195,118</u>	<u>1,559,622</u>
Noncurrent liabilities		
Payable to electric power provider	173,207	-
Accrued compensated absences	80,068	62,223
Bonds and certificates payable	<u>6,260,000</u>	<u>6,705,000</u>
Total noncurrent liabilities	<u>6,513,275</u>	<u>6,767,223</u>
Total liabilities	<u>8,708,393</u>	<u>8,326,845</u>
NET POSITION		
Net investment in capital assets	7,769,801	7,263,204
Unrestricted net position	<u>6,686,734</u>	<u>6,779,861</u>
Total net position	<u>\$ 14,456,535</u>	<u>\$ 14,043,065</u>

CITY OF YOAKUM, TEXAS

MAJOR ENTERPRISE FUND - UTILITY FUND

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

BUDGET (NON-GAAP BASIS) AND ACTUAL

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance	2013
	Final Budget	Actual	Positive (Negative)	Actual
OPERATING REVENUES				
Electric service	\$ 9,293,000	\$ 9,453,168	\$ 160,168	\$ 8,745,694
Water service	1,110,000	1,166,617	56,617	1,177,949
Sewer service	800,000	821,203	21,203	766,524
Service taps	27,301	14,264	(13,037)	18,978
Penalties	101,000	124,862	23,862	116,512
Service charges	27,000	28,498	1,498	27,709
Miscellaneous	76,429	82,843	6,414	90,072
Total operating revenues	11,434,730	11,691,455	256,725	10,943,438
OPERATING EXPENSES				
General and administrative				
Personnel	460,666	453,638	7,028	362,470
Supplies	34,400	33,626	774	29,922
Services	29,100	27,264	1,836	30,413
Maintenance	9,000	9,015	(15)	9,885
Other	11,500	13,469	(1,969)	21,411
Bad debts	50,000	46,256	3,744	39,417
Total general and administrative	594,666	583,268	11,398	493,518
Electric				
Personnel	286,154	290,096	(3,942)	264,363
Supplies	16,380	13,341	3,039	17,401
Cost of power	5,950,000	6,524,883	(574,883)	5,439,500
Services	80,640	78,857	1,783	72,488
Maintenance	62,610	61,577	1,033	41,994
Other	13,290	4,697	8,593	10,426
Capital outlay	284,318	220,244	64,074	50,439
Total electric	6,693,392	7,193,695	(500,303)	5,896,611
Water				
Personnel	329,174	333,775	(4,601)	274,017
Supplies	58,570	55,020	3,550	60,309
Services	94,570	93,099	1,471	88,642
Maintenance	129,350	100,536	28,814	124,502
Other	9,600	7,076	2,524	2,131
Capital outlay	30,350	25,515	4,835	118,396
Total water	651,614	615,021	36,593	667,997

CITY OF YOAKUM, TEXAS

MAJOR ENTERPRISE FUND - UTILITY FUND

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

BUDGET (NON-GAAP BASIS) AND ACTUAL

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
OPERATING EXPENSES - (Continued)				
Sewer				
Personnel	\$ 317,298	\$ 322,924	\$ (5,626)	\$ 356,958
Supplies	34,085	26,153	7,932	27,258
Services	147,100	129,320	17,780	119,221
Maintenance	81,960	62,953	19,007	43,824
Other	4,950	1,651	3,299	1,609
Capital outlay	26,000	25,906	94	82,716
Total sewer	<u>611,393</u>	<u>568,907</u>	<u>42,486</u>	<u>631,586</u>
Warehouse				
Personnel	78,526	78,341	185	64,374
Supplies	2,600	2,582	18	2,093
Services	14,000	11,316	2,684	12,571
Maintenance	4,700	1,531	3,169	904
Other	500	503	(3)	321
Total warehouse	<u>100,326</u>	<u>94,273</u>	<u>6,053</u>	<u>80,263</u>
Garage				
Personnel	81,619	84,680	(3,061)	57,939
Supplies	5,350	5,016	334	8,017
Services	3,120	3,060	60	2,840
Maintenance	3,920	3,183	737	2,655
Other	500	128	372	534
Capital outlay	8,000	7,039	961	9,227
Total garage	<u>102,509</u>	<u>103,106</u>	<u>(597)</u>	<u>81,212</u>
Total operating expenses	<u>8,753,900</u>	<u>9,158,270</u>	<u>(404,370)</u>	<u>7,851,187</u>
Operating income (loss) before nonoperating revenues (expenses) and contributions and transfers				
	2,680,830	2,533,185	(147,645)	3,092,251
NONOPERATING REVENUES (EXPENSES)				
Investment income	42,000	50,471	8,471	44,509
Bond principal, interest, and fiscal charges	<u>(5,682)</u>	<u>(456,656)</u>	<u>(450,974)</u>	<u>(459,957)</u>
Total nonoperating revenues (expenses)	<u>36,318</u>	<u>(406,185)</u>	<u>(442,503)</u>	<u>(415,448)</u>

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

For the year ended September 30, 2014

With comparative totals for the year ended September 30, 2013

	2014		Variance Positive (Negative)	2013
	Final Budget	Actual		Actual
Income (loss) before contributions and transfers	\$ 2,717,148	\$ 2,127,000	\$ (590,148)	\$ 2,676,803
Contributions and transfers				
Capital contributions	-	89,859	89,859	59,809
Transfers in	226,353	220,753	(5,600)	205,740
Transfers out	(2,556,688)	(2,231,566)	325,122	(2,878,156)
Net contributions and transfers	(2,330,335)	(1,920,954)	409,381	(2,612,607)
Change in net position - (NON-GAAP BUDGETARY BASIS)	\$ 386,813	206,046	\$ (180,767)	64,196
ADJUSTMENTS				
To adjust for principal payments on long-term debt		440,000		440,000
To adjust for capital expenses		276,614		251,551
To adjust for depreciation expense		(509,190)		(361,609)
Change in net position - (GAAP BASIS)		413,470		394,138
Total net position at beginning of year		14,043,065		13,648,927
Total net position at end of year		\$ 14,456,535		\$ 14,043,065

(concluded)

**OVERALL COMPLIANCE AND INTERNAL
CONTROL SECTION**



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

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

Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Yoakum, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2015.

Internal Control Over Financial Reporting

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

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

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

The Honorable Mayor and Members
of the City Council

Compliance and Other Matters

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

Purpose of this Report

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



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

January 30, 2015