

CITY OF FLORESVILLE, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2013

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

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Floresville, Texas
1120 D Street
Floresville, Texas 78114

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the City of Floresville, Texas, as of September 30, 2013 and the respective changes in financial position and 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 on pages 3–9 and the budgetary comparison information on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Floresville, Texas' basic financial statements taken as a whole. The combining and individual nonmajor fund financial statements and the other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is 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 other supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2014, on our consideration of the City of Floresville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Floresville, Texas' internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants

San Antonio, Texas

April 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Floresville, Texas' financial performance provides an overview of the City's financial activities for the year ended September 30, 2013. We recommend and encourage readers to consider the information presented here in conjunction with the Independent Auditors' Report and the City's financial statements.

FINANCIAL HIGHLIGHTS

In March 2013 the City of Floresville adapted an Insolvency Turnaround Plan. This Plan is the beginning of a series of strategies to assist the City with the four essential components:

- Identification of critical priorities to affect change.
- Listing of specific imperatives to undertake.
- Metrics, targets and accountabilities to track the change.
- Monitoring on all required actions and metrics to ensure progress (execution)

Governmental Activities:

- The City's net position increased by \$323,606 for a balance of \$7,469,469.
- Included in total net position is \$5,754,179 invested in capital assets, net of related debt.
- Net position restricted for use was \$1,142,397.
- Unrestricted net position was \$572,893.

Water and Wastewater Activities:

- The Water and Wastewater net position increased by \$224,785 for a balance of \$3,958,330.
- Included in total net position is \$3,141,437 invested in capital assets.
- Unrestricted net position was \$816,893.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad

overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents the 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 portion of the City is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer, water distribution and sewer collections lines, etc.) to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expense are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities).

- Governmental activities – The City's basic services are reported herein, including debt service, capital projects, police, fire, public works, parks and recreation departments, and general administration. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and refuse system as well as cemetery lot sales are reported here.
- The City also reports on discretely presented component units which include the 4A Corporation, Floresville EDC (4b), and Floresville Electric light and Power System (F.E.L.P.S.).

The government-wide financial statements include the Statement of Net position and the Statement of Activities (pages 10 through 13).

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. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds – governmental and proprietary – use different accounting methods.

The basic fund financial statements can be found on pages 14 through 23.

- Governmental funds – The City reports its basic services in governmental funds. These funds use modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a

detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

- Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City – these are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government wide statements but provide more detail and additional information such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.
- Fiduciary funds –The City is a trustee for a volunteer firemen's pension funds and is an agent for F.E.L.P.S. collections, and the Riverbend Tax Increment Fund. All of the City's fiduciary activities are reported in the separate Statement of Fiduciary Net position and Changes in Fiduciary Net position on pages 22 and 23. We exclude these resources from the City's other financial statements because the City cannot use them to support its operations. The City is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 41.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's combined governmental and business-type activities.

Net position of the City's combined activities increased from \$10,879,408 to \$11,427,799. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – was \$1,389,786 at September 30, 2013.

Net position of the City's governmental activities increased by \$323,606 and net position of the business-type activities increased by \$224,785 for the year.

Table 1
City of Floresville, Texas
Net position

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	RESTATED				RESTATED	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>						
Current Assets	\$ 1,618,287	\$ 387,959	\$ 1,126,815	\$ 702,215	\$ 2,745,102	\$ 1,090,174
Noncurrent Assets	8,077,713	8,047,726	-	-	8,077,713	8,047,726
Capital Assets	<u>7,623,859</u>	<u>8,760,512</u>	<u>3,141,437</u>	<u>3,257,868</u>	<u>10,765,296</u>	<u>12,018,380</u>
Total Assets	<u>17,319,859</u>	<u>17,196,197</u>	<u>4,268,252</u>	<u>3,960,083</u>	<u>21,588,111</u>	<u>21,156,280</u>
<u>LIABILITIES</u>						
Current Liabilities	968,319	1,127,498	247,262	200,560	1,215,581	1,328,058
Long-Term Liabilities	<u>8,882,071</u>	<u>9,090,284</u>	<u>62,660</u>	<u>25,978</u>	<u>8,944,731</u>	<u>9,116,262</u>
Total Liabilities	<u>9,850,390</u>	<u>10,217,782</u>	<u>309,922</u>	<u>226,538</u>	<u>10,160,312</u>	<u>10,444,320</u>
<u>NET POSITION</u>						
Net Investment in Capital Assets	5,754,179	6,357,379	3,141,437	3,257,868	8,895,616	9,615,247
Restricted	1,142,397	419,802	-	-	1,142,397	419,802
Unrestricted	<u>572,893</u>	<u>368,682</u>	<u>816,893</u>	<u>475,677</u>	<u>1,389,786</u>	<u>844,359</u>
TOTAL NET POSITION	<u>\$ 7,469,469</u>	<u>\$ 7,145,863</u>	<u>\$ 3,958,330</u>	<u>\$ 3,733,545</u>	<u>\$ 11,427,799</u>	<u>\$ 10,879,408</u>

Table 2
City of Floresville, Texas
Changes in Net position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	RESTATED				RESTATED	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues						
Charges for Services	\$ 666,706	\$ 515,876	\$ 2,716,544	\$ 2,486,634	\$ 3,383,250	\$ 3,002,510
Operating Grants and Contributions	-	44,932	-	-	-	44,932
Capital Contribution	-	-	-	-	-	-
General Revenues						
Property Tax	839,533	835,434	-	-	839,533	835,434
Sales Tax	1,751,573	1,538,042	-	-	1,751,573	1,538,042
Hotel/Motel Tax	284,969	192,540	-	-	284,969	192,540
Franchise Tax	629,184	610,178	-	-	629,184	610,178
Capital Recovery Fees	-	-	-	-	-	-
Unrestricted Investment						
Earnings	47	27,082	13	239	60	27,321
Other Income	146,820	208,184	-	75,255	146,820	283,439
Total Revenues	<u>4,318,832</u>	<u>3,972,268</u>	<u>2,716,557</u>	<u>2,562,128</u>	<u>7,035,389</u>	<u>6,534,396</u>
EXPENSES						
General Government	1,144,662	1,637,008	-	-	1,144,662	1,637,008
Judicial	100,575	90,803	-	-	100,575	90,803
Police	1,391,590	1,163,508	-	-	1,391,590	1,163,508
Fire Protection	22,052	58,672	-	-	22,052	58,672
Highways and Streets	592,645	687,113	-	-	592,645	687,113
Mayor and Council	26,261	19,035	-	-	26,261	19,035
Parks and Recreation	458,762	465,549	-	-	458,762	465,549
Pool	90,487	91,481	-	-	90,487	91,481
Civic Center	238,765	-	-	-	238,765	-
Bond Interest	129,427	214,789	-	-	129,427	214,789
Water and Sewer	-	-	1,488,569	1,601,664	1,488,569	1,601,664
Refuse	-	-	784,805	918,201	784,805	918,201
Cemetery	-	-	18,398	6,193	18,398	6,193
Total Expenses	<u>4,195,226</u>	<u>4,427,958</u>	<u>2,291,772</u>	<u>2,526,058</u>	<u>6,486,998</u>	<u>6,954,016</u>
Increase (Decrease) in Net Position before Transfers	123,606	(455,690)	424,785	36,070	548,391	(419,620)
TRANSFERS	<u>200,000</u>	<u>(101,485)</u>	<u>(200,000)</u>	<u>101,485</u>	<u>-</u>	<u>-</u>
Change in Net Position	323,606	(557,175)	224,785	137,555	548,391	(419,620)
NET POSITION - BEGINNING	<u>7,145,863</u>	<u>7,703,038</u>	<u>3,733,545</u>	<u>3,595,990</u>	<u>10,879,408</u>	<u>11,299,028</u>
NET POSITON - ENDING	<u>\$ 7,469,469</u>	<u>\$ 7,145,863</u>	<u>\$ 3,958,330</u>	<u>\$ 3,733,545</u>	<u>\$ 11,427,799</u>	<u>\$ 10,879,408</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$1,072,119.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of fiscal 2013, the City had \$10,765,296, net of depreciation, invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreational facilities, roads, bridges, and water and sewer lines.

Debt:

At year-end, the City had \$9,049,332 in bonds and \$226,571 in capital leases outstanding.

Other obligations include accrued vacation. More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statements (page 37).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors and goals when setting the fiscal year 2014 budget and tax rates. While the national economy continues to struggle, the local area has experienced significant increases in activities related to oilfield development. The budget was executed in pursuit of two primary objectives: to continue implementing the Insolvency Turnaround Plan relating to the City's finances, and addressing future needs of the City's infrastructure. Within this context, the top priority is to improve the quality of municipal services provided to both residential and commercial growth. Infrastructure improvements will continue as an integral part of that effort so that we may maintain our services and competitive posture. The street department will continue paving projects in accordance with the street study and the water distribution department will begin an engineered improvement plan designed to meet the needs of future growth. These factors were taken into account when adopting the General fund budget for 2014.

Amounts available for appropriation in the General Fund budget are \$3,622,304, a decrease of \$148,496 or 4% under the final 2013 budget of \$3,770,800. In order to accomplish funding of the 2014 budget, the 2014 tax rate was set at \$0.1547/\$100 for general operations and \$.1686/\$100 for debt service, for a total of \$.3233/\$100.

Although the general fund ended with a deficit fund balance of \$70,278 for 2013, Council and Staff are addressing the issue with the adoption and implementation of the Insolvency Turnaround Plan. Some of the key components included are additional monitoring of current budgets, implementing a zero based budgeting for 2013/2014, developing financial management policies. The plan is to be reviewed semi-annually by Council for progress and to update or set additional priorities. The vision of the Insolvency Turnaround Plan is for staff, on a daily basis, to ensure that the goals of the plan are addressed.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at the City's office at 1120 D Street, Floresville, Texas 78114.

BASIC FINANCIAL STATEMENTS

City of Floresville, Texas
Statement of Net Position
September 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,052,437	\$ 728,369	\$ 1,780,806
Receivables – Net of Allowances for Uncollectibles:			
Property Taxes	219,255	-	219,255
Other	43,364	396,787	440,151
Due from Other Governments	303,231	-	303,231
Inventories	-	1,659	1,659
Prepaid items	-	-	-
Capitalized Bond Issue Costs	671,690	-	671,690
Capital Assets. Net			
Land	160,209	58,155	218,364
Buildings	5,725,285	-	5,725,285
Property, Plant and Equipment	694,646	3,083,282	3,777,928
Infrastructure	1,043,719	-	1,043,719
Note Receivable Center for Housing	-	-	-
Note Receivable 4A Corporation	6,122,780	-	6,122,780
Note Receivable Floresville EDC	<u>1,283,243</u>	<u>-</u>	<u>1,283,243</u>
TOTAL ASSETS	<u>\$ 17,319,859</u>	<u>\$ 4,268,252</u>	<u>\$ 21,588,111</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities			
Accounts Payable	\$ 193,400	\$ 179,744	373,144
Accrued Liabilities	339,814	67,518	407,332
Due to Other Governments	14,587	-	14,587
Due to Others	1,988	-	1,988
Accrued Interest Payable	24,898	-	24,898
Deferred Revenue	-	-	-
Noncurrent Liabilities			
Due Within One Year	393,632	-	393,632
Due in More than One Year	<u>8,882,071</u>	<u>62,660</u>	<u>8,944,731</u>
Total Liabilities	<u>9,850,390</u>	<u>309,922</u>	<u>10,160,312</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,754,179	3,141,437	8,895,616
Restricted Net Position			
Debt Service	349,296	-	349,296
Capital Projects	156,794	-	156,794
Special Revenue Funds	636,307	-	636,307
Unrestricted Net Position	<u>572,893</u>	<u>816,893</u>	<u>1,389,786</u>
Total Net Position	<u>7,469,469</u>	<u>3,958,330</u>	<u>11,427,799</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,319,859</u>	<u>\$ 4,268,252</u>	<u>\$ 21,588,111</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Net Position
September 30, 2013

COMPONENT UNITS		
FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	12/31/2013 F.E.L.P.S.
\$ 166,299	\$ 1,013,423	\$ 14,260,888
-	-	-
1,383	8,261	2,452,145
59,238	118,476	-
2,968	294,500	1,700,375
-	-	144,617
758,807	11,313	-
920,020	355,994	-
-	55,366	-
3,610	-	44,070,256
-	50,934	-
-	106,196	-
-	-	-
-	-	-
<u>\$ 1,912,325</u>	<u>\$ 2,014,463</u>	<u>\$ 62,628,281</u>
\$ 2,172	\$ -	\$ 1,709,244
-	12,586	358,319
-	-	-
-	-	1,153,249
20,863	-	-
14,350	-	-
195,320	63,800	1,175,000
<u>6,856,460</u>	<u>1,219,443</u>	<u>21,474,326</u>
<u>7,089,165</u>	<u>1,295,829</u>	<u>25,870,138</u>
(5,370)	411,360	21,420,930
-	-	1,888,165
-	-	-
-	-	-
<u>(5,171,470)</u>	<u>307,274</u>	<u>13,449,048</u>
<u>(5,176,840)</u>	<u>718,634</u>	<u>36,758,143</u>
<u>\$ 1,912,325</u>	<u>\$ 2,014,463</u>	<u>\$ 62,628,281</u>

City of Floresville, Texas
Statement of Activities
For the Year Ended
September 30, 2013

FUNCTIONS AND PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government				
<u>Governmental Activities</u>				
Administration	\$ (1,144,662)	\$ 280,692	\$ -	\$ -
Municipal Court	(100,575)	157,672	-	-
Police Department	(1,391,590)	76	-	-
Fire Department	(22,052)	-	-	-
Streets Department	(592,645)	-	-	-
Parks and Recreation	(458,762)	31,598	-	-
Pool Department	(90,487)	46,108	-	-
Mayor and Council	(26,261)	-	-	-
Civic Center	(238,765)	150,560	-	-
Interest on Long Term Debt	(129,427)	-	-	-
Total Governmental Activities	<u>(4,195,226)</u>	<u>666,706</u>	<u>-</u>	<u>-</u>
<u>Business-Type Activities</u>				
Water and Sewer	(1,488,569)	1,729,994	-	-
Refuse	(784,805)	978,053	-	-
Cemetery	(18,398)	8,497	-	-
Total Business-Type Activities	<u>(2,291,772)</u>	<u>2,716,544</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	\$ (6,486,998)	\$ 3,383,250	\$ -	\$ -
Component Units				
Floresville 4A Corp.	\$ (368,150)	\$ 84,724	\$ -	\$ -
Floresville E.D.C.	(603,162)	9,930	-	-
F.E.L.P.S.	(30,717,169)	32,097,427	-	1,742,646
TOTAL COMPONENT UNITS	\$ (31,688,481)	\$ 32,192,081	\$ -	\$ 1,742,646

General Revenues

Taxes:

Property Taxes
Sales and Other Taxes
Franchise Fees

Interest

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

NET POSITION AT BEGINNING OF YEAR

Cash Distributions to Cities
Prior Period Adjustments

NET POSITION AT BEGINNING OF YEAR - RESTATED

NET POSITION AT END OF YEAR

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Activities
For the Year Ended
September 30, 2013

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT UNITS		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL TYPE		BUSINESS TYPE
			FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	12/31/2013 F.E.L.P.S.
\$ (863,970)	\$ -	\$ (863,970)			
57,097	-	57,097			
(1,391,514)	-	(1,391,514)			
(22,052)	-	(22,052)			
(592,645)	-	(592,645)			
(427,164)	-	(427,164)			
(44,379)	-	(44,379)			
(26,261)	-	(26,261)			
(88,205)	-	(88,205)			
<u>(129,427)</u>	<u>-</u>	<u>(129,427)</u>			
<u>(3,528,520)</u>	<u>-</u>	<u>(3,528,520)</u>			
-	241,425	241,425			
-	193,248	193,248			
-	<u>(9,901)</u>	<u>(9,901)</u>			
-	424,772	424,772			
<u>\$ (3,528,520)</u>	<u>\$ 424,772</u>	<u>\$ (3,103,748)</u>			
			\$ (283,426)	\$ -	\$ -
			-	(593,232)	-
			<u>-</u>	<u>-</u>	<u>3,122,904</u>
			<u>(283,426)</u>	<u>(593,232)</u>	<u>3,122,904</u>
839,533	-	839,533	-	-	-
2,036,542	-	2,036,542	347,900	695,800	-
629,184	-	629,184	-	-	-
47	13	60	5	1,588	6,735
146,820	-	146,820	-	293,247	-
<u>200,000</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,852,126</u>	<u>(199,987)</u>	<u>3,652,139</u>	<u>347,905</u>	<u>990,635</u>	<u>6,735</u>
323,606	224,785	548,391	64,479	397,403	3,129,639
6,978,415	3,733,545	10,711,960	(5,241,319)	321,231	34,519,544
-	-	-	-	-	(891,040)
167,448	-	167,448	-	-	-
<u>7,145,863</u>	<u>3,733,545</u>	<u>10,879,408</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 7,469,469</u>	<u>\$ 3,958,330</u>	<u>\$ 11,427,799</u>	<u>\$ (5,176,840)</u>	<u>\$ 718,634</u>	<u>\$ 36,758,143</u>

City of Floresville, Texas
Balance Sheet
Governmental Funds
September 30, 2013

	GENERAL FUND	DEBT SERVICE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ -	\$ 351,942	\$ 700,495	\$ 1,052,437
Receivables – Net of Allowances for Uncollectibles				
Property Taxes	143,281	75,974	-	219,255
Other	3,113	-	40,251	43,364
Due from Other Governments	<u>243,993</u>	<u>-</u>	<u>59,238</u>	<u>303,231</u>
TOTAL ASSETS	<u>\$ 390,387</u>	<u>\$ 427,916</u>	<u>\$ 799,984</u>	<u>\$ 1,618,287</u>
<u>LIABILITIES</u>				
Bank Overdraft	\$ 96,807	\$ -	\$ -	\$ 96,807
Accounts Payable	92,747	2,646	1,200	96,593
Accrued Liabilities	113,243	-	-	113,243
Due to Other Governments	14,587	-	-	14,587
Due to Others	-	-	1,988	1,988
Deferred/Unearned Revenues	<u>143,281</u>	<u>75,974</u>	<u>3,695</u>	<u>222,950</u>
Total Liabilities	<u>460,665</u>	<u>78,620</u>	<u>6,883</u>	<u>546,168</u>
<u>FUND BALANCES</u>				
Restricted				
Debt Service	-	349,296	-	349,296
Special Revenue	-	-	636,307	636,307
Capital Projects	-	-	156,794	156,794
Unassigned	<u>(70,278)</u>	<u>-</u>	<u>-</u>	<u>(70,278)</u>
Total Fund Balances	<u>(70,278)</u>	<u>349,296</u>	<u>793,101</u>	<u>1,072,119</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 390,387</u>	<u>\$ 427,916</u>	<u>\$ 799,984</u>	<u>\$ 1,618,287</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2013

Total fund balance—total governmental funds (page 14)	\$	1,072,119
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		7,623,859
Property taxes receivable unavailable to pay current expenses are deferred in the funds.		222,950
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not deferred in the funds.		7,406,023
Bond issue costs which will be amortized in future years are not reported in the the funds.		671,690
Accrued vacation leave payable is not due and payable in the current period and, therefore, is not reported in the funds.		(226,571)
Long-term liabilities consisting of bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.		(9,275,703)
Accrued interest payable on bonded debt is not reported in the funds.		(24,898)
Total net position of governmental activities (page 10)	\$	<u>7,469,469</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2013

	GENERAL FUND	DEBT SERVICE FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Property Taxes	\$ 443,287	\$ 443,810	\$ -	\$ 887,097
Sales and Other Taxes	1,403,673	-	632,869	2,036,542
Franchise Fees	629,184	-	-	629,184
Licenses, Permits, Fees and Fines	631,341	-	35,365	666,706
Miscellaneous	51,076	-	-	51,076
Contributions	170,790	190,203	-	360,993
Interest	-	-	47	47
Total Revenues	<u>3,329,351</u>	<u>634,013</u>	<u>668,281</u>	<u>4,631,645</u>
EXPENDITURES				
Administration	975,732	400	-	976,132
Municipal Court	86,296	-	-	86,296
Police Department	1,156,797	-	-	1,156,797
Fire Department	19,683	-	-	19,683
Streets Department	491,874	-	22,461	514,335
Parks and Recreation	383,881	-	-	383,881
Pool Department	80,768	-	-	80,768
Mayor and Council	23,440	-	-	23,440
Civic Center	213,120	-	-	213,120
Debt Service				
Principal	-	384,347	-	384,347
Interest	-	117,023	-	117,023
Total Expenditures	<u>3,431,591</u>	<u>501,770</u>	<u>22,461</u>	<u>3,955,822</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(102,240)</u>	<u>132,243</u>	<u>645,820</u>	<u>675,823</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	276,622	-	-	276,622
Transfers (Out)	-	-	(76,622)	(76,622)
Total Other Financing Sources (Uses)	<u>276,622</u>	<u>-</u>	<u>(76,622)</u>	<u>200,000</u>
Net Change in Fund Balances	174,382	132,243	569,198	875,823
FUND BALANCES – BEGINNING OF YEAR	<u>(244,660)</u>	<u>217,053</u>	<u>223,903</u>	<u>196,296</u>
AT END OF YEAR	<u>\$ (70,278)</u>	<u>\$ 349,296</u>	<u>\$ 793,101</u>	<u>\$ 1,072,119</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of Governmental Funds to
 the Statement of Activities
 For the Year Ended September 30, 2013

Net change in fund balances—governmental funds (page 16) \$ 875,823

Amounts reported in governmental activities and in the statement of activities are different because:

Capital assets are not recorded in government funds and are not therefore depreciated. However, in the statement of activities these assets are depreciated over their estimated useful lives. This is the amount of 2013 depreciation. (420,658)

Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred from the prior year. (47,564)

Bond issue costs are expended in the governmental activities, but are capitalized and amortized over the life of the bond in the statement of activities. This is the amortization for 2013. (44,305)

The repayment of principal on debt consumes current financial resources and is expended in the governmental funds, but is a reduction of the liability and does not affect the statement of activities. 384,347

Accretion of interest is not recorded in the funds. (184,497)

Amounts to be expended for long-term employee leave is not recorded as an expenditure in the funds, but is an expense in the statement of activities. This is the change in compensated absences in 2013. (146,384)

Payments received on the interlocal receivables are not recorded as revenues in the governmental funds but as a reduction of the receivable in the statement of activities. (93,156)

Change in net position of governmental activities (page 13) \$ 323,606

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Net Position
Proprietary Funds
September 30, 2013

	<u>BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 562,666	\$ 114,269	\$ 51,434	\$ 728,369
Accounts Receivable, Net of Allowance for Uncollectibles	267,208	129,579	-	396,787
Inventory	-	-	1,659	1,659
Total Current Assets	<u>829,874</u>	<u>243,848</u>	<u>53,093</u>	<u>1,126,815</u>
<u>CAPITAL ASSETS</u>				
Land, System, Buildings, and Equipment	10,132,821	-	46,366	10,179,187
Less: Accumulated Depreciation	<u>(7,015,031)</u>	<u>-</u>	<u>(22,719)</u>	<u>(7,037,750)</u>
Net Capital Assets	<u>3,117,790</u>	<u>-</u>	<u>23,647</u>	<u>3,141,437</u>
TOTAL ASSETS	<u>\$ 3,947,664</u>	<u>\$ 243,848</u>	<u>\$ 76,740</u>	<u>\$ 4,268,252</u>
 <u>LIABILITIES AND NET POSITION</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 47,451	\$ 132,293	\$ -	179,744
Accrued Liabilities	<u>57,795</u>	<u>9,723</u>	<u>-</u>	<u>67,518</u>
Total Current Liabilities	<u>105,246</u>	<u>142,016</u>	<u>-</u>	<u>247,262</u>
 <u>NONCURRENT LIABILITIES</u>				
Accrued Compensated Absences	<u>62,660</u>	<u>-</u>	<u>-</u>	<u>62,660</u>
Total Liabilities	<u>167,906</u>	<u>142,016</u>	<u>-</u>	<u>309,922</u>
 <u>NET POSITION</u>				
Net Investment in Capital Assets	3,117,790	-	23,647	3,141,437
Unrestricted	<u>661,968</u>	<u>101,832</u>	<u>53,093</u>	<u>816,893</u>
Total Net Position	<u>3,779,758</u>	<u>101,832</u>	<u>76,740</u>	<u>3,958,330</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,947,664</u>	<u>\$ 243,848</u>	<u>\$ 76,740</u>	<u>\$ 4,268,252</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Revenues, Expenses,
and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2013

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>				
Water Sales, Penalties, and Connection Fees	\$ 1,241,581	\$ -	\$ -	\$ 1,241,581
Sewer Sales, Penalties, and Connection Fees	488,413	-	-	488,413
Refuse Collection Fees and Penalties		978,053	-	978,053
Sale of Cemetery Lots	-	-	8,497	8,497
Total Operating Revenues	<u>1,729,994</u>	<u>978,053</u>	<u>8,497</u>	<u>2,716,544</u>
<u>OPERATING EXPENSES</u>				
Personnel Costs	653,340	-	-	653,340
General and Administrative Expenses	110,991	-	-	110,991
Repairs and Maintenance	161,923	-	-	161,923
Utilities	157,482	-	-	157,482
Disposal Fees and Sampling Costs	226,476	776,805	-	1,003,281
Chemicals	42,041	-	-	42,041
Liability Insurance	11,723	-	-	11,723
Other Operating Expenses	10,000	8,000	16,559	34,559
Depreciation	114,593	-	1,839	116,432
Total Operating Expenses	<u>1,488,569</u>	<u>784,805</u>	<u>18,398</u>	<u>2,291,772</u>
Operating Income	<u>241,425</u>	<u>193,248</u>	<u>(9,901)</u>	<u>424,772</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	13	-	-	13
Total Nonoperating Revenues (Expenses)	<u>13</u>	<u>-</u>	<u>-</u>	<u>13</u>
Net Income (Loss) before Transfers	241,438	193,248	(9,901)	424,785
Transfer (Out)	-	(200,000)	-	(200,000)
Change in Net Position	241,438	(6,752)	(9,901)	224,785
<u>NET POSITION AT BEGINNING OF YEAR</u>	<u>3,538,320</u>	<u>108,584</u>	<u>86,641</u>	<u>3,733,545</u>
NET POSITION AT END OF YEAR	<u>\$ 3,779,758</u>	<u>\$ 101,832</u>	<u>\$ 76,740</u>	<u>\$ 3,958,330</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Payments Received from Customers	\$ 1,641,226	\$ 971,732	\$ 8,497	\$ 2,621,455
Payments to Suppliers for Goods and Services	(742,494)	(734,564)	(16,558)	(1,493,616)
Payments for Salaries and Benefits	(598,340)	-	-	(598,340)
Net Cash Provided by (Used in) Operating Activities	<u>300,392</u>	<u>237,168</u>	<u>(8,061)</u>	<u>529,499</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Capital Assets	-	-	-	-
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Other expense	-	-	-	-
Contribution from FEDC 4b	123,000	-	-	123,000
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	(200,000)	-	(200,000)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>123,000</u>	<u>(200,000)</u>	<u>-</u>	<u>(77,000)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	13	-	-	13
Net Increase (Decrease) in Cash and Cash Equivalents	423,405	37,168	(8,061)	452,512
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>139,261</u>	<u>77,101</u>	<u>59,495</u>	<u>275,857</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 562,666</u>	<u>\$ 114,269</u>	<u>\$ 51,434</u>	<u>\$ 728,369</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2013

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ 241,425	\$ 193,248	\$ (9,901)	\$ 424,772
Depreciation	114,593	-	1,839	116,432
(Increase) Decrease in Assets				
Accounts Receivable	(88,768)	(6,321)	-	(95,089)
Inventory	-	-	1	1
Increase (Decrease) in Liabilities				
Accounts Payable	(21,857)	62,003	-	40,146
Accrued Expenses	<u>54,999</u>	<u>(11,762)</u>	<u>-</u>	<u>43,237</u>
 NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	 <u>\$ 300,392</u>	 <u>\$ 237,168</u>	 <u>\$ (8,061)</u>	 <u>\$ 529,499</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Fiduciary Net Position
Trust and Agency Funds
September 30, 2013

	<u>TRUST FUND FIREMEN'S RELIEF AND RETIREMENT</u>	<u>AGENCY FUNDS F.E.L.P.S. COLLECTIONS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 2,145	\$ 4,093
TOTAL ASSETS	<u>\$ 2,145</u>	<u>\$ 4,093</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>LIABILITIES</u>		
Due to F.E.L.P.S.	\$ -	\$ 4,093
Total Liabilities	<u>-</u>	<u>4,093</u>
<u>NET POSITION</u>		
Unrestricted	<u>2,145</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,145</u>	<u>\$ 4,093</u>

The accompanying notes are an integral part of this statement.

City of Floresville, Texas
Statement of Changes in Fiduciary Net Position
Trust Fund-Firemen's Relief Retirement
For the Year Ended September 30, 2013

ADDITIONS

Interest Earned

\$ -

DEDUCTIONS

Benefits Paid

 3,623

Change in Net Position

(3,623)

NET POSITION - BEGINNING OF YEAR

 5,768

NET POSITION - END OF YEAR

\$ 2,145

The accompanying notes are an integral part of this statement.

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CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Floresville, Texas (“City”), was incorporated under the provisions of the Acts of the State of Texas. The City operates under a Council–Manager form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, sanitation, culture and recreation, planning and zoning, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City’s accounting policies are described below:

1. REPORTING ENTITY

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB statement 14, “The Financial Reporting Entity” and GASB Statement 39 “Determining Whether Certain Organizations are Component Units”. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

Component Units:

Based on the criteria of GASB Nos. 14 and 39, the Floresville Economic Development Corporation (FEDC) and the Floresville 4A Corporation are considered to be discretely presented component units. FEDC and the Floresville 4A Corporation are financially accountable to the City because City Council approves their budgets and must approve any debt issuance. The component unit boards are appointed by City Council and their activities benefit the City by promoting growth and development opportunities.

Joint Venture:

The City of Floresville Electric Light and Power System (F.E.L.P.S.) is a municipally owned electric light and power distribution system which serves most of Wilson County, and portions of Bexar and Karnes Counties including the cities of Floresville, Stockdale and Poth. Management and control of the system is vested in a five–member Board of Trustees composed of the Mayor of Floresville, one member for each of the cities of Floresville, Stockdale, and Poth appointed by the respective governing body, and one member appointed on a rotating basis by the City Councils of Floresville, Stockdale, or Poth. The board also includes two non–voting advisory members appointed by the cities of Falls City and La Vernia.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The City of Floresville has a 66% interest in this joint venture. Based on the criteria of GASB Nos. 14 and 39 F.E.L.P.S. is considered to be a discretely presented component unit of the City of Floresville.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The value of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. 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. 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 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 in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental activities and business type activities are reported as separate columns in the statement of net position.

3. 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. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for good, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available.

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue. Property taxes which are levied prior to September 30, 2012, and became due October 1, 2012 have been assessed to finance the budget of the fiscal year beginning October 1, 2012 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statement at September 30, 2013.

Sales taxes, franchise taxes, hotel/motel taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The general fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues. Primary expenditures are for general administration, public safety, streets and public recreation.

The debt service fund accounts for tax revenues and various debt transactions.

Nonmajor funds include special revenue funds which are used to separately account for funds related to grants, contracts, and ordinances. The capital project fund is used to account for the proceeds of the 2008 debt issue and transfers to the general fund for related capital projects expenditures.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary funds consist of the water/wastewater fund, refuse fund and the cemetery fund.

The proprietary funds are accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

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Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations.

Additionally, the government reports the following fund types:

Agency funds are used to report other resources held in a purely custodial capacity (assets = liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary fund (private purpose trust fund) is reported in the trust and agency financial statements. However, because its assets are held in trust or agent capacity and therefore are not available to support City programs, this fund is not included in the government-wide statements.

4. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments including cash in banks, cash on hand, money market accounts and deposits in local government investment pools to be cash equivalents.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Investments are stated at fair value.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2012 and past due after January 31, 2013. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

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Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on fund statements.

8. INVENTORIES

The City accounts for inventories using the consumption method. Inventories consist primarily of supplies and are valued at cost determined by the average cost method.

9. BUDGET

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

10. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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<u>Capital Asset</u>	<u>Useful Life</u>
Buildings	40 years
Transportation and equipment	3-30 years
Infrastructure	40 years
Improvements other than buildings	10-40 years

11. COMPENSATED ABSENCES

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation and sick leave that is not expected to be liquidated with expendable available financial resources are reported in the government wide statements. Vested or accumulated vacation and sick leave of the Enterprise Fund is recorded as an expense and liability of that fund as the benefits accrue to employees. Accumulated vacation and sick pay at September 30, 2013, of \$62,660 and \$226,571 has been recorded in accrued liabilities of the Enterprise Fund and government-wide statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

12. DEFERRED/UNEARNED REVENUE

Property tax revenues are recognized when they become both measurable and available in fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as deferred revenue.

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expense/expenditures are reflected as unearned revenue.

13. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources

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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.

14. FUND BALANCE

The City adopted GASB 54. Governmental Accounting Standards Board Statement Number 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at cash balances, specifically reporting what cash balances, by major governmental fund type, are or are not available for public purposes. Five categories of cash balances were created and defined by GASB 54. These five categories are as follows:

- Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted – These funds are governed by externally enforceable restrictions.
- Committed – Fund balances in this category are limited by the government’s highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned – For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the council, such as a city administrator or finance director. For example, during the budget process, the council decided to use some existing fund balance to support activities in the upcoming year.
- Unassigned – This classification is the default for all funds that do not fit into the other categories.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The City’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year.

15. NET POSITION

Net position represent the difference between assets and deferred outflows, and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has elected to appropriate net position of its business type activity. Such appropriations reflect the intended use of the net position.

CITY OF FLORESVILLE, TEXAS
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16. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

17. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water, sewer and refuse services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

18. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

19. CHANGE IN ACCOUNTING POLICY

The City adopted the provisions of GASB #63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement requires governments to account for deferred outflows of resources, deferred inflows resources and net position as they relate to derivatives and service concession arrangements. Under the provisions of this statement, governments will also present a Statement of Net Position and changes the caption "Net Assets" to "Net Position". The District has no deferred outflows or inflows of resources, but the statement titles and captions have been changed in conformity with the statement.

NOTE B—CASH AND CASH EQUIVALENTS

The City's funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. CASH

At September 30, 2013, the carrying amount of the primary government's (the City) cash on hand was \$1,693, deposits in the bank were \$1,398,079 and the book balance was \$1,050,844. The City's cash was fully collateralized. The bank and book balance reported in the trust and agency funds was \$6,238.

CITY OF FLORESVILLE, TEXAS
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2. INVESTMENTS

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City had not adopted an investment policy and was not in compliance with the Public Funds Investment Act. This is reported as a compliance finding. The City’s investments were however within the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S.Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investments pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City’s investments consist of the following:

	Reported and Fair Value	Weighted Average Maturity	Rating S&P
Cash on hand	\$ 1,693	n/a	n/a
Bank deposits	<u>1,050,844</u>	n/a	n/a
Total cash and cash equivalents	<u>\$ 1,052,537</u>		

NOTE C—RECEIVABLES

1. OTHER RECEIVABLES

Other receivables consist of the following:

	Amount	Allowance for Doubtful	Net Receivable
Property taxes	\$ 266,362	\$ (47,107)	\$ 219,255
Other governments	\$ 303,231	-	\$ 303,231
Accounts	\$ 43,364	-	\$ 43,364
Utility	\$ 437,787	\$ (41,000)	\$ 396,787

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2. NOTES RECEIVABLE

Notes receivable consist of amounts due from the 4A Corporation in the amount of \$6,122,780 and the Floresville EDC in the amount of \$1,283,243. These notes are a result of interlocal agreements whereby the 4a and Floresville EDC have agreed to pay the City for a share of the bonded debt issued by the City in 2008 and partially refunded in 2011, and a portion of a capital lease. The payments to the City mirror the City's debt service requirements on the bonds and capital lease.

Future payments under the interlocal agreements are as follows:

	Interlocal Agreement		
	Bonds	Cap. Lease	Floresville
	4a	4a	EDC
2014	\$ 94,325	\$ 86,995	\$ 63,800
2015	90,185	92,097	66,000
2016	1,291,389	-	68,200
2017	1,275,912	-	72,600
2018	1,233,453	-	77,000
2019-2023	1,958,424	-	440,000
2024-2028	-	-	495,643
	\$ 5,943,688	\$ 179,092	\$ 1,283,243

Interest rates on the 4a interlocal agreements 3.147% to 3.51% and the interest rate on the Floresville EDC interlocal agreement is 3.91%

NOTE D—PROPERTY TAX CALENDAR

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

CITY OF FLORESVILLE, TEXAS
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NOTE E—INTERFUND TRANSACTIONS

Transfers consisted of the following:

	Purpose
Transfer from enterprise fund—refuse Transfer to general fund	200,000 Payment in lieu of taxes
Transfer from non—major special revenue fund—Hotel/Motel Occupancy Tax Transfer to general fund	76,622 Reimburse for expenditures
	\$ 276,622

NOTE F—CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2013, was as follows:

Governmental activities:

	Balance 9-30-12	Reclass and Additions	Reclass and Disposals	Balance 9-30-13
Assets not being depreciated:				
Land	\$ 160,209	\$ -	\$ -	\$ 160,209
Construction in progress	-	-	-	-
	160,209	-	-	160,209
Assets being depreciated:				
Buildings	6,647,158	-	-	6,647,158
Property, plant and equipment	4,111,160	-	-	4,111,160
Infrastructure	2,199,952	-	-	2,199,952
	12,958,270	-	-	12,958,270
Less accumulated depreciation:				
Buildings	(756,605)	(165,268)	-	(921,873)
Property, plant and equipment	(3,216,123)	(200,391)	-	(3,416,514)
Infrastructure	(1,101,234)	(54,999)	-	(1,156,233)
	(5,073,962)	(420,658)	-	(5,494,620)
Assets being depreciated, net	7,884,308	(420,658)	-	7,463,650
Total capital assets, net	\$ 8,044,517	\$ (420,658)	\$ -	\$ 7,623,859

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Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 122,432
Municipal Court	10,384
Police Department	139,202
Fire Department	2,369
Streets Department	61,892
Parks and Recreation	46,194
Pool Department	9,719
Mayor and Council	2,821
Civic Center	25,645
	<u>\$ 420,658</u>

Business-type capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 9-30-12	Additions	Disposals	Balance 9-30-13
Assets not being depreciated:				
Land	\$ 58,155	\$ -	\$ -	\$ 58,155
	<u>58,155</u>	<u>-</u>	<u>-</u>	<u>58,155</u>
Assets being depreciated:				
Property, plant and equipment	6,477,531	-	-	6,477,531
Infrastructure	3,643,501	-	-	3,643,501
	<u>10,121,032</u>	<u>-</u>	<u>-</u>	<u>10,121,032</u>
Less accumulated depreciation:				
Property, plant and equipment	(3,277,817)	(116,432)	-	(3,394,249)
Infrastructure	(3,643,501)	-	-	(3,643,501)
	<u>(6,921,318)</u>	<u>(116,432)</u>	<u>-</u>	<u>(7,037,750)</u>
Assets being depreciated, net	3,199,714	(116,432)	-	3,083,282
Total capital assets, net	<u>\$ 3,257,869</u>	<u>\$ (116,432)</u>	<u>\$ -</u>	<u>\$ 3,141,437</u>

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NOTE G—LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2013 were comprised of the following:

Governmental activities:

	<u>Balance</u> <u>9-30-12</u>	<u>Additions</u>	<u>Refunded or</u> <u>Payments</u>	<u>Balance</u> <u>9-30-13</u>	<u>Due Within</u> <u>One Year</u>
Certificates of Obligation—Series 2008 Original amount of \$8,500,000 interest rate 3.91%	\$ 3,180,000	\$ -	\$ (135,000)	\$ 3,045,000	\$ 145,000
General Obligation Refunding Bonds, Series 2010, interest rate .8% to 3.5%	5,569,011	-	(96,695)	5,472,316	94,325
Tax Note Series 2008, Original amount of \$190,000, interest rate 4%	90,000	-	(30,000)	60,000	30,000
Subtotal bonds and notes	<u>8,839,011</u>	<u>-</u>	<u>(261,695)</u>	<u>8,577,316</u>	<u>269,325</u>
Accretion of interest on Capital Appreciation Bonds	299,923	172,093	-	472,016	-
Subtotal bonds and notes	<u>9,138,934</u>	<u>172,093</u>	<u>(261,695)</u>	<u>9,049,332</u>	<u>269,325</u>
Capital lease—Bank of America	310,284	12,404	(109,851)	212,837	110,773
Capital lease—Government Capital	26,335	-	(12,801)	13,534	13,534
Subtotal capital leases	<u>336,619</u>	<u>12,404</u>	<u>(122,652)</u>	<u>226,371</u>	<u>124,307</u>
	9,475,553	184,497	(384,347)	9,275,703	393,632
Compensated absences	80,187	146,384	-	226,571	-
Total	<u>\$ 9,555,740</u>	<u>\$ 330,881</u>	<u>\$ (384,347)</u>	<u>\$ 9,502,274</u>	<u>\$ 393,632</u>

Business-type activities:

	<u>Balance</u> <u>9-30-12</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9-30-13</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 25,978	\$ 36,682	\$ -	\$ 62,660	\$ -
	<u>\$ 25,978</u>	<u>\$ 36,682</u>	<u>\$ -</u>	<u>\$ 62,660</u>	<u>\$ -</u>

In the past, the General Fund and the Water & Wastewater fund were used to liquidate compensated absences.

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The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2013, including interest payments, are as follows:

Year ended September 30,	As to Principal	As to Interest	Total
2014	\$ 269,325	\$ 296,246	\$ 565,571
2015	270,185	293,112	563,297
2016	1,446,389	310,317	1,756,706
2017	1,440,912	257,203	1,698,115
2018	1,409,096	218,716	1,627,812
2019-2023	2,958,425	476,871	3,435,296
2024-2028	1,255,000	151,512	1,406,512
	<u>\$ 9,049,332</u>	<u>\$ 2,003,977</u>	<u>\$ 11,053,309</u>

Capital lease:

Commitments under capitalized lease agreements for vehicles and equipment provide for minimum future lease payments as of September 30, 2013 as follows:

Year ended September 30,	
2014	\$ 125,083
2015	<u>110,772</u>
Total minimum rentals	235,855
Less amount representing interest	<u>(9,484)</u>
Net present value	<u>\$ 226,371</u>

The effective interest rate on capital leases is 3.51%.

NOTE H—FUND BALANCE DEFICIT

The general fund continues to have a deficit in its fund balance of \$70,278, however the deficit in 2012 was \$244,660. The general fund deficit is mainly due to unbudgeted and unexpected legal and professional fees incurred in prior years. To address the deficit, City Council plans to:

- Adopt a “zero based” budget for 2013–2014
- Monitor actual activity to budget monthly.
- Achieve a 30% per year deficit reduction
- Establish a 90 day fund reserve by 2018–2019

NOTE I—EMPLOYEES’ RETIREMENT SYSTEM

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

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also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on 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 years 2011 and 2012
Employee deposit rate	5.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service requirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI

Contributions– Under the state law governing TMRS, the contribution rate for each entity 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 (over-funded) actuarial liability (asset) over the applicable period for that entity. 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 funding status and the annual pension cost and net pension obligation are as follows:

	(A)	(B)	(C)	(D)	(E)	(D)/(E)
Year	Actuarial Value of Assets	Actuarial Accrued Liability	(A)/(B) Funding Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered payroll	UAAL as a Percent of Covered Payroll
2010	\$ 3,258,482	\$ 4,507,457	72.29%	\$ 1,248,975	\$ 1,730,143	72.19%
2011	\$ 3,359,955	\$ 4,566,697	73.58%	\$ 1,206,742	\$ 1,752,718	68.85%
2012	\$ 3,703,699	\$ 4,839,991	76.52%	\$ 1,136,292	\$ 1,914,291	59.36%

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

	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>
Actuarial Valuation Date	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Actuarial Cost Method	Level Percent	Level Percent	Level Percent
Amortization Method	of Payroll	of Payroll	of Payroll
Amortization Period	25.2 Years-Closed	26.3 Years-Closed	27.2 Years-Closed
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions			
Investment Return	7.00%	7.00%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%

NOTE J—FUND BALANCE CATEGORIES

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
Restricted for:					
Debt service	\$ -	\$ 349,296	\$ -	\$ -	\$ 349,296
Construction	-	-	156,794	-	156,794
Street maintenance	-	-	-	320,139	320,139
Hotel occupancy tax	-	-	-	208,347	208,347
State police forfeiture	-	-	-	28,449	28,449
Parks	-	-	-	56,569	56,569
Building security	-	-	-	10,612	10,612
Court technology	-	-	-	10,964	10,964
Child safety	-	-	-	1,227	1,227
	-	349,296	156,794	636,307	1,142,397
Unassigned	(70,278)	-	-	-	(70,278)
	<u>\$ (70,278)</u>	<u>\$ 349,296</u>	<u>\$ 156,794</u>	<u>\$ 636,307</u>	<u>\$ 1,072,119</u>

NOTE K—CONTINGENCIES

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

NOTE L—RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City

CITY OF FLORESVILLE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contribution amounts. During the past three years, no settlements have exceeded insurance coverage.

NOTE M—PRIOR PERIOD ADJUSTMENT

For Government-Wide reporting, interest is accreted on the 2008 capital appreciation bonds. The accretion is the responsibility of the 4a Corporation in accordance with the interlocal agreement. In FY 2012, the accretion in the amount of \$167,448 was not recorded as a receivable from the 4a Corporation. The Government-Wide net position at September 30, 2012 is restated as follows:

Net position as previously reported	\$ 6,978,415
Accreted bond interest charged to 4a	<u>167,448</u>
Net position as adjusted	<u>\$ 7,145,863</u>

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REQUIRED SUPPLEMENTARY INFORMATION

City of Floresville, Texas
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual-General Fund
For the Year Ended September 30, 2013

	BUDGETED AMOUNTS ORIGINAL AND FINAL	BUDGETED AMOUNTS ORIGINAL AND FINAL	ACTUAL AMOUNTS
<u>REVENUES</u>			
Property Taxes	\$ 410,428	\$ 460,000	\$ 443,287
Sales and Other Taxes	1,350,000	1,350,000	1,403,673
Franchise Fees	630,000	630,000	629,184
Licenses, Permits, Fees and Fines	315,500	598,500	631,341
Hotel/Motel Tax	300,000	-	-
Miscellaneous	45,300	45,300	51,076
Contributions	215,500	214,000	170,790
Total Revenues	3,266,728	3,297,800	3,329,351
<u>EXPENDITURES</u>			
Administration	1,248,000	1,141,000	975,732
Municipal Court	100,500	153,500	86,296
Police Department	1,098,500	1,129,500	1,156,797
Fire Department	38,000	45,500	19,683
Streets Department	458,000	482,000	491,874
Parks and Recreation	552,600	556,100	383,881
Pool Department	67,150	67,150	80,768
Mayor and Council	48,050	48,050	23,440
Civic Center	160,000	160,000	213,120
Total Expenditures	3,770,800	3,782,800	3,431,591
Excess (Deficiency) of Revenues Over (Under) Expenditures	(504,072)	(485,000)	(102,240)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	200,000	200,000	276,622
Net Change in Fund Balances	(304,072)	(285,000)	174,382
<u>FUND BALANCES - BEGINNING OF YEAR</u>	(244,660)	(244,660)	(244,660)
AT END OF YEAR	\$ (548,732)	\$ (529,660)	\$ (70,278)

City of Floresville, Texas
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget (GAAP Basis) and Actual-General Fund
 For the Year Ended September 30, 2013

VARIANCE WITH FINAL BUDGET	
\$	(16,713)
	53,673
	(816)
	32,841
	-
	5,776
	(43,210)
	31,551
	165,268
	67,204
	(27,297)
	25,817
	(9,874)
	172,219
	(13,618)
	24,610
	(53,120)
	351,209
	382,760
	76,622
	459,382
	-
\$	459,382

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OTHER SUPPLEMENTARY INFORMATION

City of Floresville, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

SPECIAL REVENUE FUNDS

	STREET MAINTENANCE TAX	CHILD SAFETY	STATE FORFEITURE	PARK RECREATION	MUNICIPAL COURT TECHNOLOGY
ASSETS					
Cash and Cash Equivalents	\$ 262,101	\$ 1,227	\$ 30,437	\$ 56,569	\$ 10,964
Other Receivables, net	-	-	-	3,695	-
Due from Other Government	59,238	-	-	-	-
TOTAL ASSETS	<u>\$ 321,339</u>	<u>\$ 1,227</u>	<u>\$ 30,437</u>	<u>\$ 60,264</u>	<u>\$ 10,964</u>
LIABILITIES					
Accounts Payable	\$ 1,200	\$ -	\$ -	\$ -	\$ -
Due to Others	-	-	1,988	-	-
Deferred Revenues	-	-	-	3,695	-
Total Liabilities	<u>1,200</u>	<u>-</u>	<u>1,988</u>	<u>3,695</u>	<u>-</u>
FUND BALANCES					
Restricted Capital Projects	-	-	-	-	-
Restricted for Special Revenue	<u>320,139</u>	<u>1,227</u>	<u>28,449</u>	<u>56,569</u>	<u>10,964</u>
Total Fund Balance	320,139	1,227	28,449	56,569	10,964
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 321,339</u>	<u>\$ 1,227</u>	<u>\$ 30,437</u>	<u>\$ 60,264</u>	<u>\$ 10,964</u>

City of Floresville, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013

MUNICIPAL COURT BUILDING SECURITY	HOTEL/ MOTEL OCCUPANCY TAX	TOTAL SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUND	TOTAL NONMAJOR FUNDS
\$ 10,612	\$ 171,791	\$ 543,701	\$ 156,794	\$ 700,495
-	36,556	40,251	-	40,251
-	-	59,238	-	59,238
<u>\$ 10,612</u>	<u>\$ 208,347</u>	<u>\$ 643,190</u>	<u>\$ 156,794</u>	<u>\$ 799,984</u>
\$ -	\$ -	\$ 1,200	\$ -	\$ 1,200
-	-	1,988	-	1,988
-	-	3,695	-	3,695
<u>-</u>	<u>-</u>	<u>6,883</u>	<u>-</u>	<u>6,883</u>
-	-	-	156,794	156,794
<u>10,612</u>	<u>208,347</u>	<u>636,307</u>	<u>-</u>	<u>636,307</u>
10,612	208,347	636,307	156,794	793,101
<u>\$ 10,612</u>	<u>\$ 208,347</u>	<u>\$ 643,190</u>	<u>\$ 156,794</u>	<u>\$ 799,984</u>

City of Floresville, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

SPECIAL REVENUE FUNDS

	<u>STREET MAINTENANCE TAX</u>	<u>CHILD SAFETY</u>	<u>STATE FORFEITURE</u>	<u>PARKS RECREATION</u>	<u>MUNICIPAL COURT TECHNOLOGY</u>
<u>REVENUES</u>					
Sales and Other Taxes	\$ 347,900	\$ -	\$ -	\$ -	\$ -
Fines, Fees and Forfeitures	-	246	76	29,573	3,126
Interest Earned	-	-	12	-	1
Total Revenues	<u>347,900</u>	<u>246</u>	<u>88</u>	<u>29,573</u>	<u>3,127</u>
<u>EXENDITURES</u>					
Current					
Public Safety	<u>20,938</u>	<u>-</u>	<u>1,523</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>326,962</u>	<u>246</u>	<u>(1,435)</u>	<u>29,573</u>	<u>3,127</u>
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers (Out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	326,962	246	(1,435)	29,573	3,127
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>(6,823)</u>	<u>981</u>	<u>29,884</u>	<u>26,996</u>	<u>7,837</u>
FUND BALANCES AT END OF YEAR	<u>\$ 320,139</u>	<u>\$ 1,227</u>	<u>\$ 28,449</u>	<u>\$ 56,569</u>	<u>\$ 10,964</u>

City of Floresville, Texas
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2013

MUNICIPAL COURT BUILDING SECURITY	HOTEL/ MOTEL OCCUPANCY TAX	TOTAL SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUND	TOTAL NONMAJOR FUNDS
\$ -	\$ 284,969	\$ 632,869	\$ -	\$ 632,869
2344	-	35,365	-	35,365
<u>1</u>	<u>-</u>	<u>14</u>	<u>33</u>	<u>47</u>
<u>2,345</u>	<u>284,969</u>	<u>668,248</u>	<u>33</u>	<u>668,281</u>
<u>-</u>	<u>-</u>	<u>22,461</u>	<u>-</u>	<u>22,461</u>
<u>2,345</u>	<u>284,969</u>	<u>645,787</u>	<u>33</u>	<u>645,820</u>
<u>-</u>	<u>(76,622)</u>	<u>(76,622)</u>	<u>-</u>	<u>(76,622)</u>
2,345	208,347	569,165	33	569,198
<u>8,267</u>	<u>-</u>	<u>67,142</u>	<u>156,761</u>	<u>223,903</u>
<u>\$ 10,612</u>	<u>\$ 208,347</u>	<u>\$ 636,307</u>	<u>\$ 156,794</u>	<u>\$ 793,101</u>

COMPLIANCE SECTION



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*

To the City Council
City of Floresville, Texas
1120 D Street
Floresville, Texas 78114

We have audited, in accordance with the 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 governmental activities, the business-type activities, each major fund and the remaining fund information of the City of Floresville, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Floresville, Texas' basic financial statements, and have issued our report thereon dated April 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Floresville, Texas' 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 of Floresville, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Floresville, Texas' 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 entity's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies referenced as 2013-2 and 2013-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Floresville, Texas' financial statements are free from 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 a material instance of noncompliance which is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-1.

City of Floresville, Texas' Response to Findings

The City of Floresville, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants

San Antonio, Texas

April 24, 2014

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2013

Significant Deficiencies in Internal Controls:

2013-2 Payroll Matters:

The City's payroll module is currently not being utilized to its full potential in relation to tracking of compensatory time, vacation, and sick. This was also a finding in the prior year.

In addition, the employee handbook contradictory as to the payment of compensated absences and should be revised.

Response: The city has implemented the tracking of compensatory time, vacation, and sick thru the payroll module of Incode. These balances are now printed on the employees check stubs. This finding has been resolved by the city. The city will review the employee's handbook and change accordingly to comply with this finding.

2013-3 Municipal Court:

The Municipal Court's server is not linked to the City's general ledger and cash receipts module. This was also a finding in the prior year.

Response: The Municipal court cash receipts will not be added to the accounting software server any time soon due to the cost that will imply. The city will work on adding the municipal court cash receipts to the accounting software server in the future however; on the meantime procedures have been put on place for cash receipts to be sent to the bank and posted on a daily basis. This will eliminate timing issues in regards to the revenue not recorded promptly.

Status of Prior Year Findings:

Material Weakness:

#2012-1 Fund balance deficit:

The general fund has a deficit in its fund balance of \$244,660, which is a technical violation of law. The general fund deficit is mainly due to unbudgeted and unexpected legal and professional fees.

Status:

The general fund's deficit in fund balance was \$70,278 at September 30, 2013. Progress is being made through budgetary decisions to eliminate the fund balance deficit. This continues to be a finding.

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2013

#2012-2 Utility rates:

The rates being charged customers are not in accordance with the ordinances. The results of the rates not being entered into the system correctly were to the advantage of customers, as they were lower than adopted ordinances. The financial impact of the incorrect rates was not determined.

Status:

The City adopted new rates, and personnel ran tests of the system to determine that the rates are in accordance with the ordinances and that the system is calculating the billing correctly. This finding was resolved.

Significant Deficiencies:

2012-3 Payroll matters:

The City's payroll module is currently not being utilized to its full potential in relation to tracking of compensatory time, vacation, and sick. Staff is maintaining a separate spread sheet related to these benefits and compensatory time is not maintained in the system at all. Compensated absences are required to be presented in conformity with general accepted accounting principles (GAAP) and although there are reports that can be generated by the software for this requirement they are not complete due to the balances not being maintained in the system. The system needs to be updated to include all compensated absences so that employee pay stubs, reports to supervisors, and year end reporting is accurate.

Insurance deductions maintained by the payroll module have significant problems related to monthly reconciliation, changes to benefits during open enrollment, new/departing employees not contributing the proper amount for employee portions, and the calculation of deductions on 26 pay periods versus the monthly billing from providers. Reconciliation needs to be performed monthly by the payroll staff to ensure the proper deductions are being recorded or withheld and that the insurance bills are accurate. In addition current deductions for both the employee and employer should be calculated on a 24 pay period cycle instead of 26 to assist in the reconciliation process and to avoid expenses being understated and amounts not fully recovered from employees.

Status:

The City's payroll module is currently not being utilized to its full potential in relation to tracking of compensatory time, vacation, and sick. This continues to be a finding.

CITY OF FLORESVILLE, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2013

During 2013, the insurance deductions were reconciled to the insurance billing. This finding was resolved.

2012-4 Municipal Court:

The Municipal Court currently utilizes the same software vendor as the City accounting system, but is maintained on a separate server and is not connected. The Court should be linked to the City's general ledger and cash receipts module in order to ensure more accurate and timely financial information. In addition the Court is not making timely deposits, by linking the court module with cash receipts module deposits can be completed and posted daily. Currently there is little segregation of duties in the department, internal controls being implemented by the City should be used for all City departments.

Status:

The Court's server is not linked to the City's general ledger and cash receipts module. This remains a finding.

During 2013 timely deposits were made. This finding is resolved.

As of the date of the audit report, implementation of the 2011 finding has not been achieved:

#2011-5 Cash:

The City should develop a policy limiting the amount of cash allowed in the vault. At certain times of the month, deposits should be made daily or more often as necessary.

Status:

The City of Floresville did not implement daily deposits during 2013. A policy of daily deposits was enforced in the first quarter of fiscal year 2014. This finding is resolved.