

CITY OF OVILLA, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2015

CITY OF OVILLA, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2015

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YELDELL, WILSON, WOOD & REEVE, P.C

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA
Glenda Valek, CPA | Caitlyn Keller, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Ovilla, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of City of Ovilla, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ovilla, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 units, each major fund, and the aggregate remaining fund information of the City of Ovilla, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1.I to the financial statements, in 2015 the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and net pension liability information on pages 4-12 and 52-54 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 Ovilla, Texas' basic financial statements. The combining and individual fund financial statements and schedules, the component unit financial statements and the supplementary financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Yeldell, Wilson, Wood & Reeve, P.C.

Yeldell, Wilson, Wood & Reeve, P.C.
Certified Public Accountants

Ennis, Texas
January 7, 2016

CITY OF OVILLA, TEXAS

105 South Cockrell Hill Road · Ovilla, Texas 75154 · (972) 617-7262 · FAX (972) 515-3221

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Ovilla, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1,772,337 (net position). Of this amount, \$3,235,025 represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$758,013.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$2,376,276, an increase of \$608,768 in comparison with the prior year. Approximately 89% of this amount (\$2,113,435) is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,113,435, or approximately 96% of the total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

The *statement of net position* presents financial information on all of the City's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, cultural and recreational, and solid waste. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate economic development corporation and municipal development district for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-14 of this report.

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

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

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

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Debt Service Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 15-17 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprises fund to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer fund, which is considered to be major fund of the City.

The basic proprietary fund financial statements can be found on pages 18-20 of this report.

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

The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire 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 23-50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's Schedule of Revenues and Expenditures - Budget and Actual - Major Governmental Funds, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Contributions. Required supplementary information can be found on pages 51-54 of this report.

This report also presents combining and individual fund financial statements and schedules in connection with the nonmajor governmental funds, debt service fund and water and sewer fund. These combining and individual fund financial statements and schedules can be found on pages 55-61 of this report.

In addition, this report presents fund financial statements in connection with the Ovilla 4B Economic Development Corporation and Ovilla Municipal Development District. The individual fund financial statements can be found on pages 62-64 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$1,772,337, at the close of the most recent fiscal year.

CITY OF OVILLA'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,649,838	\$ 1,936,640	\$ 1,337,022	\$ 1,346,727	\$ 3,986,860	\$ 3,283,367
Capital assets	1,447,912	1,639,478	2,626,811	2,693,775	4,074,723	4,333,253
Total assets	<u>4,097,750</u>	<u>3,576,118</u>	<u>3,963,833</u>	<u>4,040,502</u>	<u>8,061,583</u>	<u>7,616,620</u>
Total deferred outflows of resources	<u>76,083</u>	<u>29,284</u>	<u>28,168</u>	<u>10,842</u>	<u>104,251</u>	<u>40,126</u>
Long term liabilities	4,793,036	5,102,022	1,178,823	1,247,902	5,971,859	6,349,924
Other liabilities	281,668	152,500	139,970	195,997	421,638	348,497
Total liabilities	<u>5,074,704</u>	<u>5,254,522</u>	<u>1,318,793</u>	<u>1,443,899</u>	<u>6,393,497</u>	<u>6,698,421</u>
Net position:						
Net investment in capital assets	(3,314,672)	(3,422,855)	1,594,590	1,587,982	(1,720,082)	(1,834,873)
Restricted	161,199	177,005	96,195	115,077	257,394	292,082
Unrestricted	2,252,602	1,596,730	982,423	904,386	3,235,025	2,501,116
Total net position (deficit)	<u>\$ (900,871)</u>	<u>\$ (1,649,120)</u>	<u>\$ 2,673,208</u>	<u>\$ 2,607,445</u>	<u>\$ 1,772,337</u>	<u>\$ 958,325</u>

Certain reclassifications have been made to the prior year data to conform with the current year presentation.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$257,394) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,235,025 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

The City's overall net position increased \$758,013 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

CITY OF OVILLA'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 670,426	\$ 670,723	\$ 1,327,451	\$ 1,267,882	\$ 1,997,877	\$ 1,938,605
Operating grants and contributions	7,624	12,388	-	-	7,624	12,388
Capital grants and contributions	117,699	2,310	148,496	20,732	266,195	23,042
General revenues:						
Property tax	1,761,585	1,664,265	-	-	1,761,585	1,664,265
Sales tax	221,241	221,125	-	-	221,241	221,125
Franchise tax	159,972	153,077	-	-	159,972	153,077
Investment earnings	7,290	6,175	3,465	3,322	10,755	9,497
Gain on sale of capital assets	71,294	7,678	-	-	71,294	7,678
Miscellaneous	123,538	127,768	-	-	123,538	127,768
Total revenues	3,140,669	2,865,509	1,479,412	1,291,936	4,620,081	4,157,445
Expenses:						
General government	419,232	353,835	-	-	419,232	353,835
Public safety	1,526,255	1,575,569	-	-	1,526,255	1,575,569
Streets	177,466	402,904	-	-	177,466	402,904
Cultural and recreational	29,213	27,221	-	-	29,213	27,221
Solid waste	198,260	200,910	-	-	198,260	200,910
Interest on long-term debt	162,321	168,048	-	-	162,321	168,048
Water and sewer	-	-	1,349,321	1,298,677	1,349,321	1,298,677
Total expenses	2,512,747	2,728,487	1,349,321	1,298,677	3,862,068	4,027,164
Increase in net position before transfers	627,922	137,022	130,091	(6,741)	758,013	130,281
Transfers	120,327	129,891	(120,327)	(129,891)	-	-
Increase in net position	748,249	266,913	9,764	(136,632)	758,013	130,281
Net position - beginning, as restated	(1,649,120)	(1,916,033)	2,607,445	2,744,077	958,325	828,044
Net position - ending	\$ (900,871)	\$ (1,649,120)	\$ 2,617,209	\$ 2,607,445	\$ 1,716,338	\$ 958,325

Certain reclassifications have been made to the prior year data to conform with the current year presentation and reflect adjustments to prior year data.

- The majority of the increase in revenue resulted from an increase in charges for services and capital grants and contributions of about \$59,000 and \$243,000, respectively.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,376,276, an increase of \$608,768 in comparison with the prior year. Approximately 89% of this total amount (\$2,113,435) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *restricted* or *committed* to indicate that it is 1) restricted for particular purposes (\$161,199) or committed for particular purposes (\$101,642).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,113,435 while total fund balance reached \$2,255,160. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 96% of total general fund expenditures, while total fund balance represents 102% of that same amount.

The fund balance of the City's general fund increased \$631,739 during the current fiscal year.

The debt service fund has a total fund balance of \$59,219. The net decrease in fund balance during the current year in the debt service fund was \$24,199.

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

Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$982,423. Net position increased in 2015 by \$9,764. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, the City increased the original estimated revenue by \$52,325. This was offset with an increase in expenditures of \$56,185. The main components of the difference between original budget and final amended budget can be briefly summarized as follows:

- \$20,550 increase in license and permit revenue
- \$25,375 increase in charges for services revenue
- \$33,673 increase in general government expenditures
- \$19,501 increase in public safety expenditures

Final budget compared to actual results. General fund actual revenues of \$2,486,024 exceeded budgeted revenues of \$2,459,120 by \$26,904.

Budgeted general fund expenditures of \$2,751,641 exceeded actual expenditures of \$2,183,336. This \$568,305 positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$4,074,723 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

**City of Ovilla's Capital Assets
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 147,035	\$ 147,035	\$ 86,700	\$ 86,700	\$ 233,735	\$ 233,735
Construction in progress	-	-	-	14,740	-	14,740
Buildings	153,247	163,841	57,457	59,788	210,704	223,629
Improvements	-	-	2,380,852	2,440,511	2,380,852	2,440,511
Machinery and equipment	347,339	492,637	101,802	92,036	449,141	584,673
Infrastructure	800,291	835,965	-	-	800,291	835,965
Total	\$ 1,447,912	\$ 1,639,478	\$ 2,626,811	\$ 2,693,775	\$ 4,074,723	\$ 4,333,253

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

- Machinery and equipment additions of approximately \$49,000.
- Infrastructure improvements of approximately \$100,000.
- Machinery and equipment disposals of approximately \$117,000.

Additional information on the City of Ovilla's capital assets can be found in note 2.E on pages 36-37 of this report.

Long-term Debt. At the end of the current fiscal year, the City had a total bonded debt of \$5,810,000, all of which comprises bonded debt backed by the full faith and credit of the government.

City of Ovilla's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation refunding	\$ 4,669,656	\$ 4,963,016	\$ 1,140,344	\$ 1,211,984	\$ 5,810,000	\$ 6,175,000
Total	\$ 4,669,656	\$ 4,963,016	\$ 1,140,344	\$ 1,211,984	\$ 5,810,000	\$ 6,175,000

The City's General Obligation Refunding Bonds ratings are listed below.

	<u>Standard's & Poor's</u>
General Obligation Refunding	AA

Additional information on the City of Ovilla's long term-debt can be found in note 2.H on pages 39-41 of this report.

Economic Factors and Next Year's Budgets and Rates

The FY2014-15 Budget calls for adopting the Effective Tax Rate (ETR) of \$0.6719 per \$100 of assessed property valuation. The operating tax rate is projected to increase from \$0.5019 to \$0.5101 and the debt rate will decrease from \$0.1700 to \$0.1618. The adopted tax rate of \$0.6719 is the same tax rate as fiscal year 2013-2014. The total combined budget of \$4,938,006 represents a decrease of \$27,120 less than the FY2013-14 Amended Budget of \$4,965,126, and an increase of \$371,512, or 7.5% over FY2013-2014 Adopted Budget.

According to both Ellis County and Dallas County Appraisal Districts, the total assessed property value for 2014 equals \$261,857,352. Additionally, existing property values increased \$13,696,611 and includes \$5,171,120 of new property coming on-line. Total exemptions account for \$49,555,985 in assessed property value, which equates to \$332,967 in lost property tax revenue.

Other revenues are projected to increase slightly in FY2014-2015. Sales tax collections are projected up by 9% over FY2013-2014 and building permits and related fees are projected to rise based on an estimated thirty (30) new housing permits for the remaining lots in Ovilla Parc and Ovilla Creek Estates subdivisions.

The City's annual debt service, including principal of \$365,000 and interest of \$210,325 is \$575,325. The outstanding debt reflects \$5,810,000 in General Obligation Refunding Bonds payable through 2029.

The Five-Year Strategic Guide adopted in March 2014 provides the focus of this year's budget. The City will continue to pursue its mission of adopting policies that reflect the values of the citizens. Staff will continue their focus on providing quality services to our citizens. The main emphasis will be on road and street improvements including Ellis County portion of Cockrell Hill Road, and neighborhood streets Silverwood Drive, Westlawn, and East Highland. This budget includes funding to revise the Comprehensive Land Plan, install the Water Street waterline and the road repair on Water Street after construction, as well as funding for the City's estimated portion for right-of-way acquisition and utility relocation for the expansion of FM664, revisions to the zoning maps, four quarterly newsletters, the purchase of a used truck for Public Works, salary and wage adjustments, and a merit increase based on performance of up to 3%. There was one part-time position authorized in this budget for public safety.

The budget includes cost increases from the Trinity River Authority for wastewater treatment and from Dallas Water Utilities for wholesale water. The water rate increase will impact the City's water customer base rate by \$0.77 per month. There was a 5% increase to the cost of employee health insurance premiums and a 3.23% increase to the City's portion of Texas Municipal Retirement System.

Funding from Emergency Services District #2 for fire protection services was increased from \$145,000 to \$165,000 to cover the cost of additional staffing hours between 4 p.m. - 8 p.m. Monday through Friday, and to compensate the volunteer firefighters on Saturday and Sunday. Funding from Emergency Services District #4 increased from \$18,000 to \$18,745 with the intent of the District to hold an election in 2015 to increase the District's tax rate.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 105 South Cockrell Hill Rd., Ovilla, Texas 75154.

CITY OF OVILLA, TEXAS
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government			Component Units	
	Governmental	Business-type	Total	Ovilla 4B	Ovilla
	Activities	Activities		Economic Development Corporation	Municipal Development District
ASSETS					
Cash and cash equivalents	\$ 2,167,591	\$ 786,119	\$2,953,710	\$ 431,464	\$ 126,351
Investments	305,683	1,145	306,828	-	-
Receivables (net of allowance for uncollectibles)	106,521	340,859	447,380	-	5,976
Due from component unit	2,122	-	2,122	-	-
Due from primary government	-	-	-	22,321	-
Internal balances	64,415	(64,415)	-	-	-
Inventories	-	15,367	15,367	-	-
Prepaid items	-	28,696	28,696	-	-
Restricted assets:					
Cash and cash equivalents	-	223,095	223,095	-	-
Investments	-	4,858	4,858	-	-
Net pension asset	3,506	1,298	4,804	-	-
Capital assets:					
Non-depreciable	147,035	86,700	233,735	-	-
Depreciable (net of accumulated depreciation)	1,300,877	2,540,111	3,840,988	-	-
Total Assets	<u>4,097,750</u>	<u>3,963,833</u>	<u>8,061,583</u>	<u>453,785</u>	<u>132,327</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - contributions	46,333	17,154	63,487	-	-
Deferred outflows - investment experience	14,014	5,188	19,202	-	-
Deferred outflows - actuarial experience	15,736	5,826	21,562	-	-
Total deferred outflows of resources	<u>76,083</u>	<u>28,168</u>	<u>104,251</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable and other current liabilities	200,200	55,403	255,603	-	-
Accrued payroll payable	38,750	11,816	50,566	-	-
Accrued interest payable	20,397	4,981	25,378	-	-
Due to component unit	22,321	-	22,321	-	-
Due to primary government	-	-	-	-	2,122
Customer deposits payable	-	67,770	67,770	-	-
Noncurrent liabilities:					
Due within one year	331,850	88,446	420,296	-	-
Due in more than one year	4,461,186	1,090,377	5,551,563	-	-
Total Liabilities	<u>5,074,704</u>	<u>1,318,793</u>	<u>6,393,497</u>	<u>-</u>	<u>2,122</u>
NET POSITION					
Net investment in capital assets	(3,314,672)	1,594,590	(1,720,082)	-	-
Restricted for:					
Cultural and recreational	91,457	-	91,457	-	-
Debt service	59,219	-	59,219	-	-
Economic development	-	-	-	453,785	-
Infrastructure improvements	-	96,195	96,195	-	-
Municipal development	-	-	-	-	130,205
Public safety	10,523	-	10,523	-	-
Unrestricted	2,252,602	982,423	3,235,025	-	-
Total Net Position	<u>\$ (900,871)</u>	<u>\$ 2,673,208</u>	<u>\$1,772,337</u>	<u>\$ 453,785</u>	<u>\$ 130,205</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

Function/Program Activities	Net (Expense) Revenue and Changes in Net Position								
	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
Primary government:									
Governmental activities:									
General government	\$ 419,232	\$ 198,046	\$ 3,000	\$ 101,642	\$ (116,544)	\$ -	\$ (116,544)	\$ -	\$ -
Public safety	1,526,255	228,565	4,624	-	(1,293,066)	-	(1,293,066)	-	-
Streets	177,466	-	-	-	(177,466)	-	(177,466)	-	-
Cultural and recreational	29,213	-	-	16,057	(13,156)	-	(13,156)	-	-
Solid waste	198,260	243,815	-	-	45,555	-	45,555	-	-
Interest on long-term debt	162,321	-	-	-	(162,321)	-	(162,321)	-	-
Total governmental activities	<u>2,512,747</u>	<u>670,426</u>	<u>7,624</u>	<u>117,699</u>	<u>(1,716,998)</u>	<u>-</u>	<u>(1,716,998)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Water and sewer	1,349,321	1,327,451	-	148,496	-	126,626	126,626	-	-
Total business-type activities	<u>1,349,321</u>	<u>1,327,451</u>	<u>-</u>	<u>148,496</u>	<u>-</u>	<u>126,626</u>	<u>126,626</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$3,862,068</u>	<u>\$ 1,997,877</u>	<u>\$ 7,624</u>	<u>\$ 266,195</u>	<u>(1,716,998)</u>	<u>126,626</u>	<u>(1,590,372)</u>	<u>-</u>	<u>-</u>
Component Units:									
Economic development	19,166	-	-	-	-	-	(19,166)	-	-
Municipal development	2,393	-	-	-	-	-	-	(2,393)	-
Total component units	<u>\$ 21,559</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(19,166)</u>	<u>(2,393)</u>	<u>-</u>
General revenues:									
Property taxes					1,761,585	-	1,761,585	-	-
Sales taxes					221,241	-	221,241	88,496	32,908
Franchise taxes					159,972	-	159,972	-	-
Investment earnings					7,290	3,465	10,755	1,336	363
Gain on sale of capital assets					71,294	-	71,294	-	-
Miscellaneous					123,538	-	123,538	-	-
Transfers					120,327	(120,327)	-	-	-
Total general revenues and transfers					<u>2,465,247</u>	<u>(116,862)</u>	<u>2,348,385</u>	<u>89,832</u>	<u>33,271</u>
Change in net position					748,249	9,764	758,013	70,666	30,878
Net position - beginning, as restated					(1,649,120)	2,663,444	1,014,324	383,119	99,327
Net position - ending					<u>\$ (900,871)</u>	<u>\$ 2,673,208</u>	<u>\$ 1,772,337</u>	<u>\$ 453,785</u>	<u>\$ 130,205</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,075,861	\$ 28,124	\$ 63,606	\$ 2,167,591
Investments	305,683	-	-	305,683
Receivables (net of allowance for uncollectibles)	104,036	2,485	-	106,521
Due from component unit	2,122	-	-	2,122
Due from other funds	34,571	31,233	-	65,804
Total assets	<u>\$ 2,522,273</u>	<u>\$ 61,842</u>	<u>\$ 63,606</u>	<u>\$ 2,647,721</u>
LIABILITIES				
Accounts payable and other current liabilities	\$ 199,480	\$ -	\$ 720	\$ 200,200
Accrued payroll payable	38,750	-	-	38,750
Due to other funds	-	400	989	1,389
Due to component unit	22,321	-	-	22,321
Total liabilities	<u>260,551</u>	<u>400</u>	<u>1,709</u>	<u>262,660</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property tax	6,562	2,223	-	8,785
FUND BALANCES				
Restricted for:				
Cultural and recreational	29,560	-	61,897	91,457
Debt service	-	59,219	-	59,219
Public safety	10,523	-	-	10,523
Committed for:				
Infrastructure improvements	101,642	-	-	101,642
Unassigned	2,113,435	-	-	2,113,435
Total fund balances	<u>2,255,160</u>	<u>59,219</u>	<u>61,897</u>	<u>2,376,276</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,522,273</u>	<u>\$ 61,842</u>	<u>\$ 63,606</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,447,912
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		8,785
Net pension asset and related deferred items are not financial resources and, therefore, are not reported in the funds.		
Net pension asset	\$ 3,506	
Deferred outflows - contributions	46,333	
Deferred outflows - investment experience	14,014	
Deferred outflows - actuarial experience	15,736	79,589
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest payable	(20,397)	
Due within one year	(331,850)	
Due in more than one year	(4,461,186)	(4,813,433)
Net position of governmental activities		<u>\$ (900,871)</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2015

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 1,340,068	\$ 426,047	\$ -	\$ 1,766,115
Sales taxes	221,241	-	-	221,241
Franchise taxes	159,972	-	-	159,972
Licenses and permits	183,232	-	-	183,232
Fines and forfeitures	47,767	-	-	47,767
Charges for current services	439,423	-	-	439,423
Revenues from use of money and property	6,629	549	112	7,290
Special assessment	-	-	16,057	16,057
Miscellaneous	123,538	-	-	123,538
Intergovernmental	1,164	-	-	1,164
Contributions and donations	104,642	-	3,460	108,102
Total revenues	<u>2,627,676</u>	<u>426,596</u>	<u>19,629</u>	<u>3,073,901</u>
EXPENDITURES				
Current:				
General government	417,421	-	-	417,421
Public safety	1,431,557	-	14,401	1,445,958
Streets	126,479	-	-	126,479
Cultural and recreational	27,320	-	4,000	31,320
Solid waste	198,260	-	-	198,260
Debt service:				
Principal retirement	-	293,360	-	293,360
Interest and fiscal charges	-	169,444	-	169,444
Total expenditures	<u>2,201,037</u>	<u>462,804</u>	<u>18,401</u>	<u>2,682,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>426,639</u>	<u>(36,208)</u>	<u>1,228</u>	<u>391,659</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	96,782	-	-	96,782
Transfers in	108,318	12,009	-	120,327
Total other financing sources (uses)	<u>205,100</u>	<u>12,009</u>	<u>-</u>	<u>217,109</u>
Net change in fund balances	631,739	(24,199)	1,228	608,768
Fund balances-beginning of year	<u>1,623,421</u>	<u>83,418</u>	<u>60,669</u>	<u>1,767,508</u>
Fund balances-end of year	<u>\$ 2,255,160</u>	<u>\$ 59,219</u>	<u>\$ 61,897</u>	<u>\$ 2,376,276</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net Change in Fund Balances - total governmental funds (page 16)		\$ 608,768
<p>Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period.</p>		
	23,543	
<p>The net effect of various transactions involving capital assets (i.e., asset retirements/disposals) is to decrease net position.</p>		
	(19,118)	
<p>Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.</p>		
	(195,991)	
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Bond principal repayments	\$ 293,360	
Amortization of bond discount	(773)	
Amortization of bond premium	7,162	299,749
<p>Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.</p>		
	734	
<p>Some property tax will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in unavailable revenue on fund statements.</p>		
	(4,530)	
<p>Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension amounts.</p>		
Deferred outflows - contributions	17,049	
Deferred outflows - investment experience	14,014	
Deferred outflows - actuarial experience	15,736	46,799
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Compensated absences	9,237	
Net pension asset	(20,942)	(11,705)
Change in net position of governmental activities (page 14)		\$ 748,249

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2014

	Business-type Activities - Enterprise (Water and Sewer) Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 786,119
Investments	1,145
Receivables (net of allowance for uncollectibles)	340,859
Inventories	15,367
Prepaid items	28,696
Total current assets	1,172,186
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	223,095
Investments	4,858
Total restricted assets	227,953
Net pension asset	1,298
Capital assets (net, where applicable of accumulated depreciation)	2,626,811
Total noncurrent assets	2,856,062
Total assets	4,028,248
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - contributions	17,154
Deferred outflows - investment experience	5,188
Deferred outflows - actuarial experience	5,826
Total deferred outflows of resources	28,168
LIABILITIES	
Current liabilities:	
Accounts payable and other current liabilities	55,403
Accrued payroll payable	11,816
Due to other funds	64,415
Accrued interest payable	4,981
Compensated absences	14,844
Customer deposits payable	67,770
Bonds payable	73,602
Total current liabilities	292,831
Noncurrent liabilities:	
Bonds payable	1,090,377
Total noncurrent liabilities	1,090,377
Total liabilities	1,383,208
NET POSITION	
Net investment in capital assets	1,594,590
Restricted for infrastructure improvements	96,195
Unrestricted	982,423
Total net position	\$ 2,673,208

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2015

	Business-type Activities - Enterprise (Water and Sewer) Fund
OPERATING REVENUES	
Water sales	\$ 900,264
Sewer service charge	394,755
Miscellaneous	32,432
Total operating revenues	1,327,451
OPERATING EXPENSES	
Water administration	145,761
Water	596,040
Sewer	390,566
Depreciation	177,524
Total operating expenses	1,309,891
Operating income	17,560
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	3,465
Interest and fiscal charges	(39,430)
Total nonoperating revenue (expenses)	(35,965)
Income before contributions and transfers	(18,405)
Capital contributions	148,496
Transfer out	(120,327)
Change in net position	9,764
Net position - beginning, as restated	2,663,444
Net position - ending	\$ 2,673,208

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2015

	Business-type Activities - Enterprise (Water and Sewer) Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,267,200
Payments to suppliers	(871,431)
Payments to employees	(296,117)
Net cash provided by (used for) operating activities	99,652
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Repayment of advances from other funds	(102,045)
Transfers to other funds	(120,327)
Increase in net pension asset	(9,572)
Net cash provided by (used for) noncapital financing activities	(231,944)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contribution	148,496
Acquisition and construction of capital assets	(110,560)
Principal paid on bond maturities	(71,640)
Interest and fiscal charges paid on bonds	(41,281)
Net cash provided by (used for) capital and related financing activities	(74,985)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	3,465
Net cash provided by investing activities	3,465
Net decrease in cash and cash equivalents	(203,812)
Cash and cash equivalents October 1 (including \$246,575 reported in restricted accounts)	1,219,029
Cash and cash equivalents September 30 (including \$227,953 reported in restricted accounts)	\$ 1,015,217
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income	\$ 17,560
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	177,524
(Increase) decrease in accounts receivable	(72,951)
(Increase) decrease in inventory	1,831
(Increase) decrease in prepaid items	27,303
Increase (decrease) in accounts payable and accrued expenses	(64,315)
Increase (decrease) in customer deposits	12,700
Total adjustments	82,092
Net cash provided by (used for) operating activities	\$ 99,652

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2015

	Insurance Trust Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 177
Total assets	177
LIABILITIES	
	-
NET POSITION	
Restricted for employee benefits	177
Total net position	\$ 177

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Fiscal Year Ended September 30, 2015

	Insurance Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 161,586
Revenues from use of money	10
Total contributions	161,596
Total additions	
DEDUCTIONS	
Benefits	172,685
Total deductions	172,685
Change in net position	(11,089)
Net position - beginning	11,266
Net position - ending	\$ 177

The notes to the financial statements are an integral part of this statement.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The City of Ovilla, Texas (the "City") is a general law municipality and was incorporated in 1963. The accompanying financial statements present the City and its component units, entities for which the government is considered financially accountable. The Corporations described below are included in the City's reporting entity because the City appoints the governing body and the Corporations are fiscally dependent on the City. The Corporations are reported as discretely presented component units since their governing bodies are not substantively the same as the governing body of the City, and they provide services to the citizens of Ovilla and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the City, they are reported in separate columns in the financial statements. Fund information for the component units may be found in the supplementary information in this report.

Discretely presented component units. *The Ovilla 4B Economic Development Corporation* was created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year-end.

The Ovilla Municipal Development District was created in accordance with Chapter 377 of the Texas Local Government Code and is responsible for collecting and disbursing the one-quarter percent sales tax to be used for municipal development within the City. The members of the District's board are appointed by the City. The City can impose its will on the District by significantly influencing the program, projects, activities, or level of service performed by the District. The District is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements for the Corporation and District are not issued.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The statement of net position reports all financial and capital resources. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

As discussed earlier, the City has two discretely presented component units. The Ovilla 4B Economic Development Corporation and Ovilla Municipal Development District are considered to be major component units and are shown in separate columns in the government-wide financial statements.

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

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation - fund financial statements (continued)

The City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the sewage pumping stations and collection systems, and the water distribution system.

The City reports the following fiduciary fund:

The *insurance trust fund* is used to account for the receipt, investment, and distribution of contributions used to pay premiums on insured employee welfare benefit plans.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and insurance trust fund are reported using the economic resources measurement focus and the accrual basis of accounting.

F. Budgetary information

1. Budgetary basis of accounting

Annual budgets for the general, debt service and water and sewer funds are adopted on the budgetary basis of accounting. All annual appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

2. Compliance with finance related legal and contractual provisions

The City has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance

1. Cash and cash equivalents

For purposes of the statement of cash flows the City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with a maturity of three months or less from the date of acquisition.

2. Investments

Investments for the City are reported at fair value (generally based on quoted market prices) except for the position in TexPool and TexSTAR.

In accordance with state law, TexPool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. TexPool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The State Comptroller of Public Accounts oversees TexPool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pools operations under a contract with the Comptroller.

TexPool is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pools seek to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U.S. Government securities, repurchase agreements collateralized by U.S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pools cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool, like its participants, is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAM by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Fund Investment Act for local government investment pools.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

J.P. Morgan Investment Management Inc. ("JPMIM" or the "investment manager") and First Southwest Company ("FSC") serve as co-administrators for TexSTAR. JPMIM provides investment management services, and FSC provides participant services and marketing. Custodial, fund accounting and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc. ("BFDS" or the "Transfer Agent"). Each of JPMIM, FSC, BFDS and JPMorgan Chase Bank, N.A. may provide certain services, including those described herein, through the use of subcontractors and/or delegates.

3. Restricted assets

Certain proceeds of the City's enterprise fund bonds are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "bond construction" account is used to report those proceeds of bond issuances that are restricted for use in construction. The "infrastructure impact fees" account is used to segregate resources accumulated for infrastructure improvements.

4. Receivables and allowances for doubtful accounts

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

5. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

6. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

7. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year.

As the City constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. No interest was capitalized during 2015.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	30-40
Improvements	5-40
Machinery and equipment	3-15
Infrastructure	10-40

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (2) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit fund and (3) deferred outflows of resources related to the difference between expected and actual experience data used by the actuary.. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. Deferred outflow of resources is attributed to pension expense over a total of 3.68 years, including the current year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet.

9. Net position flow assumption

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

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

10. Fund balance flow assumption

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

11. Fund balance policies

The governmental fund financial statement present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as inventories) are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

The City's goal is to maintain an unassigned fund balance in the general fund equal to twenty-five percent of budgeted expenditures less budgeted capital equipment items and any amounts budgeted as reserves.

H. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st on the assessed value listed as of the prior January 1st for all real and personal property. Appraised values are established by the Ellis Appraisal District as market value and assessed at 100% of appraised value. The Ellis County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

3. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation pay benefits. The liability for such unused vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused vacation shall be taken during the year following its accumulation.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. Operating expenses for the water and sewer fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

5. Long-term obligations

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

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

6. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Revenues and expenditures/expenses (continued)

I. New GASB pronouncement

The Governmental Accounting Standards Board has issued a new pronouncement that the City has reviewed for application to their accounting and reporting.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for periods beginning after June 15, 2014, replaces the requirements of GASB Statements No. 27 as it relates to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the City's bank balance was \$3,508,625. Of the bank balance, \$716,539 was covered by federal depository insurance and the remaining balance, \$2,792,086 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately \$4,273,000.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

B. Investments

Public funds of the City of Ovilla may be invested in the following obligations: (1) obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities and including or any obligation fully guaranteed or insured by the FDIC, (2) direct obligations of the State of Texas, or its agencies and instrumentalities, (3) other obligations which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, excluding mortgage-related securities, (4) fully insured or collateralized certificates of deposits at a national or state bank with FDIC membership, domiciled within the State of Texas, (5) investment pools meeting the criteria established by section 2256.016 of the Texas Government Code, (6) repurchase agreements, reverse repurchase agreements, bankers' acceptances, and commercial paper provided these instruments are authorized for the City to the extent that they are contained in the portfolios of approved public funds investment pools in which the City invests, and (7) regulated no-load money market mutual funds.

The State Treasurer's Investment Pools (TexPool and TexSTAR) operate in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note 1.G.2, Investments, for a discussion of how the shares in the Pool are valued. The Pools have a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool and TexSTAR invest in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

<u>Investment Type</u>	<u>Fair Value</u>
TexPool	\$ 308
TexSTAR	10,351
Certificates of deposit	301,027
	<u>\$ 311,686</u>

Generally, *credit risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of September 30, 2015, the City's investment in both TexPool and TexSTAR are rated AAAM by Standard & Poor's.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in authorized local government investment pools.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

C. Restricted assets

The balances of the restricted asset accounts in the proprietary fund are as follows:

Bond construction account	\$ 131,758
Infrastructure impact fees	96,195
	\$ 227,953

D. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general, debt service, and water and sewer funds, including the applicable allowances for uncollectible accounts:

<u>Receivables:</u>	General	Debt Service	Water and Sewer	Total
Taxes	\$ 91,167	\$ 7,587	\$ -	\$ 98,754
Accounts	26,565	-	349,860	376,425
Gross receivables	117,732	7,587	349,860	475,179
Less: allowance for uncollectibles	(13,696)	(5,102)	(9,001)	(27,799)
Net total receivables	\$ 104,036	\$ 2,485	\$ 340,859	\$ 447,380

E. Capital assets

Capital asset activity for the year ended September 30, 2015, was as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 147,035	\$ -	\$ -	\$ 147,035
Total capital assets not being depreciated	147,035	-	-	147,035
Capital assets being depreciated:				
Buildings	317,819	-	-	317,819
Machinery and equipment	2,708,760	23,543	(116,604)	2,615,699
Infrastructure	1,122,134	-	-	1,122,134
Totals capital assets being depreciated	4,148,713	23,543	(116,604)	4,055,652
Less accumulated depreciation for:				
Buildings	(153,978)	(10,594)	-	(164,572)
Machinery and equipment	(2,216,123)	(149,723)	97,486	(2,268,360)
Infrastructure	(286,169)	(35,674)	-	(321,843)
Total accumulated depreciation	(2,656,270)	(195,991)	97,486	(2,754,775)
Total capital assets, being depreciated, net	1,492,443	(172,448)	(19,118)	1,300,877
Governmental activities capital assets, net	\$ 1,639,478	\$ (172,448)	\$ (19,118)	\$ 1,447,912

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets (continued)

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

Governmental activities:

General government	\$ 10,685
Public safety	128,832
Streets	54,582
Cultural and recreational	1,892
Total depreciation expense - governmental activities	\$ 195,991

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 86,700	\$ -	\$ -	\$ 86,700
Construction in progress	14,740	-	(14,740)	-
Total capital assets not being depreciated	101,440	-	(14,740)	86,700
Capital assets being depreciated:				
Buildings	85,084	-	-	85,084
Improvements	4,885,025	99,530	-	4,984,555
Machinery and equipment	255,476	25,770	-	281,246
Total capital assets being depreciated	5,225,585	125,300	-	5,350,885
Less accumulated depreciation for:				
Buildings	(25,296)	(2,331)	-	(27,627)
Improvements	(2,444,514)	(159,189)	-	(2,603,703)
Machinery and equipment	(163,440)	(16,004)	-	(179,444)
Total accumulated depreciation	(2,633,250)	(177,524)	-	(2,810,774)
Total capital assets being depreciated, net	2,592,335	(52,224)	-	2,540,111
Business-type capital assets, net	\$ 2,693,775	\$ (52,224)	\$ (14,740)	\$ 2,626,811

F. Significant commitments

The City has entered into a memorandum of agreement with the City of Dallas, Texas to purchase treated water for a term of thirty years, expiring in 2039. The City pays for water based on the volume received at a flat rate as determined under the contract. The City of Dallas agrees to provide potable water to meet volume and demand requirements of the City. Delivery of potable water are subject to and limited to available system supply and system deliverability, as determined by the Director of Water Utilities of Dallas. If the City ceases to take water from the City of Dallas because other surface water supplies have been developed or acquired, the City shall for five years or the balance of this contract, whichever is less, remain liable for demand charges at the billing level in effect at such cessation.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Significant commitments (continued)

Expenses incurred for the year ended September 30, 2015 were \$355,262.

The City has entered into a contract with the Trinity River Authority of Texas - Red Oak Creek Regional Wastewater System to obtain wastewater treatment services, expiring in 2017. In the contract, the Authority agreed to acquire and construct a regional wastewater treatment system to serve the City and other contractual parties, in the area of the watershed or drainage basin of Red Oak Creek, being a tributary of the Trinity River, and located in Ellis and Dallas Counties, Texas. The Trinity River Authority (TRA) is a governmental agency, which is controlled by directors appointed by the governor.

The City is responsible for a proportionate share of the system's annual operation, maintenance and debt service costs for the term of the contract. These costs are determined annually and are payable in monthly installments. A current schedule of estimated future contractual payments due to the Authority is shown below:

Year Ending September 30	Amount
2016	\$ 270,806
2017	22,567
	\$ 293,373

Expenses incurred for the year ended September 30, 2015 were \$257,941.

The payments to be received from the City of Ovilla, Texas are used as collateral for the bonds issued by TRA to construct the facility.

Complete separate financial statements for the Trinity River Authority may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76004.

The City has entered into a contract with Progressive Waste Solutions of TX, Inc. that grants the exclusive right to operate and maintain the collection, transportation and recycling or disposal of municipal solid waste, expiring in 2018. At which time there is an option for a one-year renewal for each of the two following years.

Expenses incurred for the year ended September 30, 2015 were \$203,600.

The City has entered into an agreement with the Texas Department of Transportation for the City's contribution of right-of-away funds for the improvement of FM664 in the amount of \$77,855 due in three incremental payments. The City made a payment of \$30,000 during 2015 and has a remaining commitment of \$23,928 due in 2016 and 2017, respectively.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

G. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

H. Long-term liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition, construction and maintenance of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2015 are as follows:

Governmental Activities:

<u>Series</u>	<u>Maturity Issue Amount</u>	<u>Interest Date</u>	<u>Year-end Rate</u>	<u>Balances</u>
2011 - Refunding	\$ 5,959,638	8/15/2029	2%-4%	<u>\$ 4,669,656</u>

Business-type Activities:

<u>Series</u>	<u>Maturity Issue Amount</u>	<u>Interest Date</u>	<u>Year-end Rate</u>	<u>Balances</u>
2011 - Refunding	\$ 1,455,362	8/15/2029	2%-4%	<u>\$ 1,140,344</u>

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities (continued)

Changes in long-term liabilities

Changes in the City's long-term liabilities for the year ended September 30, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation refunding bonds	\$ 4,963,016	\$ -	\$ (293,360)	\$ 4,669,656	\$ 301,398
Less deferred amounts:					
For issuance discount	(8,119)	-	773	(7,346)	-
For issuance premium	107,436	-	(7,162)	100,274	-
Total bonds payable	5,062,333	-	(299,749)	4,762,584	301,398
Compensated absences	39,689	23,561	(32,798)	30,452	30,452
Governmental activity Long-term liabilities	<u>\$ 5,102,022</u>	<u>\$ 23,561</u>	<u>\$ (332,547)</u>	<u>\$ 4,793,036</u>	<u>\$ 331,850</u>

General obligation refunding bonds issued for governmental activity purposes are liquidated by the debt service fund. Governmental compensated absences will be liquidated by the general fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation refunding bonds	\$ 1,211,984	\$ -	\$ (71,640)	\$ 1,140,344	\$ 73,602
Less deferred amounts:					
For issuance discount	(929)	-	77	(852)	-
For issuance premium	26,236	-	(1,749)	24,487	-
Total bonds payable	1,237,291	-	(73,312)	1,163,979	73,602
Compensated absences	10,611	15,476	(11,243)	14,844	14,844
Business-type activity Long-term liabilities	<u>\$ 1,247,902</u>	<u>\$ 15,476</u>	<u>\$ (84,555)</u>	<u>\$ 1,178,823</u>	<u>\$ 88,446</u>

General obligation refunding bonds issued for business-type activities are repaid from those activities. Business-type compensated absences will be liquidated by those activities.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Long-term liabilities (continued)

The debt service requirements for the City's bonds payable are as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	General Obligation Refunding Bonds		General Obligation Refunding Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 301,398	\$ 163,178	\$ 73,602	\$ 39,848
2017	301,398	157,150	73,602	38,376
2018	313,454	149,614	76,546	38,536
2019	321,491	140,210	78,509	32,240
2020	333,547	130,566	81,453	31,885
2021-2025	1,812,405	477,253	442,595	116,547
2026-2029	1,285,963	104,645	314,037	25,555
	<u>\$ 4,669,656</u>	<u>\$ 1,322,616</u>	<u>\$ 1,140,344</u>	<u>\$ 322,987</u>

I. Interfund receivables and payables

The composition of interfund balances as of September 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 400
General	Nonmajor governmental funds	989
General	Water and sewer	33,182
Debt service	Water and sewer	31,233
		<u>\$ 65,804</u>

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

J. Interfund transfers

The composition of interfund transfers as of September 30, 2015 is as follows:

Transfer out:	Transfer In:		
	General	Debt Service	Total
Water and Sewer	\$ 108,318	\$ 12,009	\$ 120,327
	<u>\$ 108,318</u>	<u>\$ 12,009</u>	<u>\$ 120,327</u>

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

J. Interfund transfers (continued)

Transfers were primarily used to move funds from the Water and Sewer Fund to the Debt Service Fund for the payment of bonds and from the Water and Sewer Fund to the General Fund for operations.

K. Discretely presented component units

1. Ovilla 4B Economic Development Corporation

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the governmental entity's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end the bank balance of Ovilla 4B Economic Development Corporation's deposits at year end was \$431,463. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance of \$181,463 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately \$352,000.

2. Ovilla Municipal Development District

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the governmental entity's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end the bank balance of Ovilla Municipal Development District's deposits was \$126,351. Of the bank balance, \$126,351 was covered by federal depository insurance.

L. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor 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.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 2 - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Subsequent events

Subsequent to year end, the City approved the following items:

- Infrastructure improvements of approximately \$324,000.
- Interlocal agreement with Midlothian ISD for infrastructure improvements of approximately \$95,000.

N. Prior period adjustment

Corrections have been made to the governmental activities and business-type activities beginning net position in the government-wide financial statements and to the net position in the fund financial statements due to the implementation of GASB Statement No. 68 discussed in note 1.I. resulting in an understatement of assets and deferred outflows of resources, and an understatement of net position. Corrections have been made to the business-type activities beginning net position to account for an understatement of prepaid items in the prior period. The changes to the beginning net position as of October 1, 2014 are summarized as follows:

	<u>Government-wide Financial Statements</u>		<u>Fund Financial Statements</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Utility Fund</u>
As previously reported, October 1, 2014	\$ (1,702,852)	\$ 2,587,551	\$ 2,587,551
Correct understatement of net pension asset	24,448	9,052	9,052
Correct understatement of prepaid items	-	55,999	55,999
Correct understatement of deferred outflows of resources	29,284	10,842	10,842
Restated, October 1, 2014	<u>\$ (1,649,120)</u>	<u>\$ 2,663,444</u>	<u>\$ 2,663,444</u>
Effect of restatement on operations for the year ended September 30, 2014		<u>\$ 55,999</u>	<u>\$ 55,999</u>

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A. Plan description

The City of Ovilla, Texas participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits provided (continued)

	Plan Provisions
Employee deposit rate	7%
Municipal current matching ratio	2 - 1
Updated service credits:	
Rate (%)	100 T
Year effective	2012R
Buyback effective date	11-12-07
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	1-92
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	13.50%

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	34
Active employees	25
	70

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

C. Contributions (continued)

Employees for the City of Ovilla, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Ovilla, Texas were 5.54% and 8.77% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$76,327, and were equal to the required contributions.

D. Net pension (asset) liability

The City's Net Pension (Asset) Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension (Asset) Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension (asset) liability (continued)

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.5%
Total	100%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension (asset) liability (continued)

Changes in the Net Pension (Asset) Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a) - (b)
Balance at 12/31/2013	\$ 1,843,952	\$ 1,877,452	\$ (33,500)
Changes for the year:			
Service cost	133,126	-	133,126
Interest	131,163	-	131,163
Difference between expected and actual experience	30,618	-	30,618
Contributions - employer	-	65,545	(65,545)
Contributions - employee	-	94,459	(94,459)
Net investment income	-	107,420	(107,420)
Benefit payments, including refunds of employee contributions	(73,514)	(73,514)	-
Administrative expense	-	(1,121)	1,121
Other changes	-	(92)	92
Net Changes	221,393	192,697	28,696
Balance at 12/31/2014	<u>\$ 2,065,345</u>	<u>\$ 2,070,149</u>	<u>\$ (4,804)</u>

Sensitivity of the net pension asset to changes in the discount rate -

The following presents the net pension (asset) liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1.0% Decrease in Discount Rate (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1.0% Increase in Discount Rate (8.0%)</u>
City's net pension (asset) liability	\$ 321,942	\$ (4,804)	\$ (269,296)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2015, the City recognized pension expense of \$70,608.

At September 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

		<u>Deferred Outflow of Resources</u>
Differences between expected and actual economic experience	\$	21,562
Difference between projected and actual investment earnings		19,202
Contributions subsequent to the measurement date		63,487
Total	\$	<u>104,251</u>

\$63,487 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	
2016	\$ 13,856
2017	8,250
2018	4,802
Total	<u>\$ 26,908</u>

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

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

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

CITY OF OVILLA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2015

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

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

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$395, \$382 and \$358, respectively, which equaled the required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION

These supplementary schedules are included to supplement the basic financial statements as required by the Governmental Accounting Standards Board.

CITY OF OVILLA, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL FUNDS - GENERAL FUND
For the Fiscal Year Ended September 30, 2015

	Budget Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	
			Basis	Basis	Basis	Final Budget-
REVENUES						
Property taxes	\$ 1,323,820	\$ 1,323,820	\$ 1,340,068	\$ (230)	\$ 1,339,838	\$ 16,018
Sales taxes	247,300	247,300	221,241	(9,118)	212,123	(35,177)
Franchise taxes	150,000	150,000	159,972	(8,366)	151,606	1,606
Licenses and permits	98,050	118,600	183,232	-	183,232	64,632
Fines and forfeitures	89,300	91,200	47,767	-	47,767	(43,433)
Charges for current services	382,645	408,020	439,423	(15,753)	423,670	15,650
Revenues from use of money and property	5,500	5,500	6,629	-	6,629	1,129
Miscellaneous	106,015	110,515	123,538	(6,543)	116,995	6,480
Intergovernmental	1,165	1,165	1,164	-	1,164	(1)
Contributions and donations	3,000	3,000	104,642	(101,642)	3,000	-
Total revenues	<u>2,406,795</u>	<u>2,459,120</u>	<u>2,627,676</u>	<u>(141,652)</u>	<u>2,486,024</u>	<u>26,904</u>
EXPENDITURES						
Current:						
General government	433,171	466,844	417,421	(1,014)	416,407	(50,437)
Public safety:						
Fire protection	662,662	666,522	630,610	(15,541)	615,069	(51,453)
Police protection	668,440	665,804	613,497	(4,541)	608,956	(56,848)
Municipal court	96,637	99,306	63,467	(807)	62,660	(36,646)
Code enforcement	114,558	130,166	123,983	(1,087)	122,896	(7,270)
Total public safety	<u>1,542,297</u>	<u>1,561,798</u>	<u>1,431,557</u>	<u>(21,976)</u>	<u>1,409,581</u>	<u>(152,217)</u>
Streets	491,922	492,841	126,479	(57)	126,422	(366,419)
Cultural and recreational	23,405	25,497	27,320	-	27,320	1,823
Solid waste	204,661	204,661	198,260	5,346	203,606	(1,055)
Total expenditures	<u>2,695,456</u>	<u>2,751,641</u>	<u>2,201,037</u>	<u>(17,701)</u>	<u>2,183,336</u>	<u>(568,305)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(288,661)</u>	<u>(292,521)</u>	<u>426,639</u>	<u>(123,951)</u>	<u>302,688</u>	<u>595,209</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	3,860	96,782	(6,370)	90,412	86,552
Transfers in	125,361	125,361	108,318	17,043	125,361	-
Total other financing sources and uses	<u>125,361</u>	<u>129,221</u>	<u>205,100</u>	<u>10,673</u>	<u>215,773</u>	<u>86,552</u>
Net change in fund balance	<u>\$ (163,300)</u>	<u>\$ (163,300)</u>	<u>\$ 631,739</u>	<u>\$ (113,278)</u>	<u>\$ 518,461</u>	<u>\$ 681,761</u>

CITY OF OVILLA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Calendar Years (will ultimately be displayed)

	2014
Total Pension Liability	
Service Cost	\$ 133,126
Interest (on the Total Pension Liability)	131,163
Difference between expected and actual experience	30,618
Benefit payments, including refunds of employee contributions	(73,514)
Net Change in Total Pension Liability	221,393
Total Pension Liability - Beginning	1,843,952
Total Pension Liability - Ending (a)	\$ 2,065,345
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 65,545
Contributions - Employee	94,459
Net Investment Income	107,420
Benefit payments, including refunds of employee contributions	(73,514)
Administrative Expense	(1,121)
Other	(92)
Net Change in Plan Fiduciary Net Position	192,697
Plan Fiduciary Net Position - Beginning	1,877,452
Plan Fiduciary Net Position - Ending (b)	\$ 2,070,149
 Net Pension (Asset) Liability - Ending (a) - (b)	\$ (4,804)
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 100.23%
 Covered Employee Payroll	 955,646
 Net Pension (Asset) Liability as a Percentage of Covered Employee Payroll	 (0.50%)

Notes to Schedule:

N/A

CITY OF OVILLA, TEXAS
SCHEDULE OF CONTRIBUTIONS
 Last 10 Fiscal Years (will ultimately be displayed)

	2015
Actuarially Determined Contribution	\$ 76,327
Contributions in relation to the actuarially determined contribution	76,327
Contribution deficiency (excess)	-
Covered employee payroll	955,673
Contributions as a percentage of covered employee payroll	7.99%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

Notes There were no benefit changes during the year.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

Fire Department Auxiliary - This fund is used to account for donations to the Fire Department which in turn are spent on education, firefighter awards banquet and community services such as National Night Out and Heritage Day.

Park Impact Fees - This fund is used to account for funds received from an impact fee assessed through new building permits and is used to purchase new park equipment and make improvements to our parks.

Police Department Special - This fund is used to account for donations to the Police Department which in turn are spent on education, protective equipment, police awards and community services such as National Night Out and Heritage Day.

CITY OF OVILLA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2015

	Fire Department Auxiliary	Park Impact Fees	Police Department Special	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 720	\$ 62,886	\$ -	\$ 63,606
Total assets	<u>\$ 720</u>	<u>\$ 62,886</u>	<u>\$ -</u>	<u>\$ 63,606</u>
LIABILITIES				
Accounts payable	\$ 720	\$ -	\$ -	\$ 720
Due to other funds	-	989	-	989
Total liabilities	<u>720</u>	<u>989</u>	<u>-</u>	<u>1,709</u>
FUND BALANCES				
Restricted for:				
Cultural and recreational	-	61,897	-	61,897
Total fund balances	<u>-</u>	<u>61,897</u>	<u>-</u>	<u>61,897</u>
Total liabilities and fund balances	<u>\$ 720</u>	<u>\$ 62,886</u>	<u>\$ -</u>	<u>\$ 63,606</u>

CITY OF OVILLA, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2015

	Fire Department Auxiliary	Park Impact Fees	Police Department Special	Total Nonmajor Governmental Funds
REVENUES				
Revenues from use of money	\$ -	\$ 112	\$ -	\$ 112
Special assessment	-	16,057	-	16,057
Contributions and donations	2,660	-	800	3,460
Total revenues	<u>2,660</u>	<u>16,169</u>	<u>800</u>	<u>19,629</u>
EXPENDITURES				
Current:				
Public safety	6,444	-	7,957	14,401
Cultural and recreational	-	4,000	-	4,000
Total expenditures	<u>6,444</u>	<u>4,000</u>	<u>7,957</u>	<u>18,401</u>
Net change in fund balances	(3,784)	12,169	(7,157)	1,228
Fund balances - beginning	<u>3,784</u>	<u>49,728</u>	<u>7,157</u>	<u>60,669</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 61,897</u>	<u>\$ -</u>	<u>\$ 61,897</u>

DEBT SERVICE FUND

The *debt service fund* is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

CITY OF OVILLA, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended September 30, 2015

	Original and Final Budgeted Amounts	Actual GAAP Amounts	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget-
REVENUES					
Property tax	\$ 421,625	\$ 426,047	\$ 97	\$ 426,144	\$ (4,519)
Revenues from use of money	770	549	-	549	221
Total revenues	<u>422,395</u>	<u>426,596</u>	<u>97</u>	<u>426,693</u>	<u>(4,298)</u>
EXPENDITURES					
Debt service:					
Principal on bonds	365,000	293,360	71,640	365,000	-
Interest and fiscal charges	210,825	169,444	41,281	210,725	100
Total expenditures	<u>575,825</u>	<u>462,804</u>	<u>112,921</u>	<u>575,725</u>	<u>100</u>
Excess (deficiency) of revenues over expenditures	<u>(153,430)</u>	<u>(36,208)</u>	<u>(112,824)</u>	<u>(149,032)</u>	<u>(4,398)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	124,930	12,009	112,921	124,930	-
Total other financing sources (uses)	<u>124,930</u>	<u>12,009</u>	<u>112,921</u>	<u>124,930</u>	<u>-</u>
Net change in fund balance	<u>\$ (28,500)</u>	<u>\$ (24,199)</u>	<u>\$ 97</u>	<u>\$ (24,102)</u>	<u>\$ (4,398)</u>

PROPRIETARY FUND

ENTERPRISE FUND

Water and Sewer Fund - The City's water and sewer operations are accounted for in this fund.

CITY OF OVILLA, TEXAS
SCHEDULE OF OPERATING REVENUES AND EXPENSES - BUDGET AND ACTUAL
ENTERPRISE FUND - WATER AND SEWER
For the Fiscal Year Ended September 30, 2015

	Budget Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
	Original	Final				
OPERATING REVENUES						
Water sales	\$ 930,000	\$ 930,000	\$ 900,264	\$ (53,931)	\$ 846,333	\$ (83,667)
Sewer service charge	391,569	374,849	394,755	(7,483)	387,272	12,423
Miscellaneous	27,000	28,700	32,432	(485)	31,947	3,247
Total operating revenues	<u>\$1,348,569</u>	<u>\$1,333,549</u>	<u>\$1,327,451</u>	<u>\$ (61,899)</u>	<u>\$1,265,552</u>	<u>\$ (67,997)</u>
OPERATING EXPENSES						
Water administration	\$ 143,758	\$ 147,174	\$ 145,761	\$ 752	\$ 146,513	\$ (661)
Water	719,759	747,567	596,040	103,303	699,343	(48,224)
Sewer	336,961	330,440	390,566	(24,473)	366,093	35,653
Depreciation	-	-	177,524	(177,524)	-	-
Total operating expenses	<u>\$1,200,478</u>	<u>\$1,225,181</u>	<u>\$1,309,891</u>	<u>\$ (97,942)</u>	<u>\$1,211,949</u>	<u>\$ (13,232)</u>

COMPONENT UNITS FINANCIAL STATEMENTS

Ovilla 4B Economic Development Corporation - This fund is used to account for the Ovilla 4B Economic Development Corporation created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended. The Ovilla 4B Economic Development Corporation initiative is to promote economic development in Ovilla and is currently accumulating funds to spend on future projects.

Ovilla Municipal Development District - This fund is used to account for the Ovilla Municipal Development District, a political subdivision of the State of Texas and the City, created in accordance with Chapter 377 of the Texas Local Government Code (the "Act"). The Ovilla Municipal Development District was established for the purpose of developing and financing all permissible projects prescribed by the Act.

CITY OF OVILLA, TEXAS
BALANCE SHEET
COMPONENT UNITS
September 30, 2015

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 431,464	\$ 126,351
Receivables	-	5,976
Due from primary government	22,321	-
Total assets	<u>\$ 453,785</u>	<u>\$ 132,327</u>
 LIABILITIES		
Due to primary government	<u>\$ -</u>	<u>\$ 2,122</u>
Total liabilities	<u>-</u>	<u>2,122</u>
 FUND BALANCES		
Restricted for:		
Economic development	453,785	-
Municipal development	-	130,205
Total fund balances	<u>453,785</u>	<u>130,205</u>
 Total liabilities and fund balances	<u>\$ 453,785</u>	<u>\$ 132,327</u>

CITY OF OVILLA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
COMPONENT UNITS
For the Fiscal Year Ended September 30, 2015

	Ovilla 4B Economic Development Corporation	Ovilla Municipal Development District
REVENUES		
Sales tax	\$ 88,496	\$ 32,908
Revenues from use of money	1,336	363
Total revenues	89,832	33,271
 EXPENDITURES		
Current:		
Economic development	19,166	-
Municipal development	-	2,393
Total expenditures	19,166	2,393
 Net change in fund balances	70,666	30,878
 Fund balances - beginning	383,119	99,327
 Fund balances - ending	\$ 453,785	\$ 130,205

SUPPLEMENTARY FINANCIAL DATA

CITY OF OVILLA, TEXAS
MISCELLANEOUS STATISTICAL FACTS
September 30, 2015

Estimated gallons billed (in thousands)	193,505
Estimated gallons purchased (in thousands)	204,892
Percent billed to purchased	94.44%