

CITY OF STAFFORD, TEXAS
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2014
with Report of Independent Auditors

CITY OF STAFFORD, TEXAS
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CITY OF STAFFORD, TEXAS
PRINCIPAL OFFICIALS

Elected Officials

Leonard Scarcella	Mayor
Wen Guerra	Mayor Pro Tem
A.J. Honore	Council Member
Fred Woolridge	Council Member
Ken Mathew	Council Member
Robert Sorbet	Council Member
Cecil Willis	Council Member

Appointed Officials

Karen Austin	Director of Finance and Human Resources
Bonnie Baiamonte	City Secretary
Chris Riggs	Director of Permits and Nuisance Abatement/ Zoning Administrator
Carolyn Entricht	Director of Television Production
Bonny Krahn	Chief of Police
Nicole Nguyen	Director of Municipal Court
Susan Ricks	Contract Administrator Stafford Centre and Director of Civic Center and Recreation
Charles Russell	City Engineer

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

To The Honorable Mayor and
Members of City Council
City of Stafford, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stafford Municipal School District, a discretely presented component unit of the City which reflects 87% of total assets and 89% of total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for that discretely presented component unit is based solely on the report of the other auditors. 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.

To The Honorable Mayor and
Members of City Council
City of Stafford, Texas

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, and the budgetary schedules and retirement system information on pages 42 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, other supplementary information, and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules, other supplementary information, and budgetary comparison schedules 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 statements and schedules, other supplementary information, and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Whitely Penn LLP

Houston, Texas
February 4, 2015

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Stafford (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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 and administration, public safety, public works, and parks and recreation. The City currently does not have any business-type activities.

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

The government-wide financial statements can be found on pages 13 through 15 of this report.

Fund Financial Statements

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

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 eleven (11) 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 the Hotel Occupancy Tax Special Revenue Fund which are considered to be major funds. Data for the other nine (9) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 16 through 19 of this report.

Proprietary Funds / Internal Service Fund

Internal service funds are maintained on the same basis of accounting as the government-wide financial statements described earlier. The City uses the internal service fund to report activities for its self-funded health insurance program to accumulate and allocate costs internally among the various governmental functions.

The basic internal service fund financial statements can be found on pages 20 through 22 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* -- Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for both the General Fund and Hotel Occupancy Tax Special Revenue Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 42 through 45 of this report.

The *other supplemental information* is presented following the required supplementary information. These combining and individual statements and schedules can be found on pages 48 through 52 of this report.

CITY OF STAFFORD, TEXAS**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)****Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Stafford, assets exceeded liabilities by \$76.9 million as of September 30, 2014.

By far the largest portion of the City's net position, 78 percent reflects its net investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CONDENSED SCHEDULE OF NET POSITION

September 30, 2014 and 2013

	Governmental Activities		Change	
	2014	2013	Amount	Percent
Current and other assets	\$22,170,510	\$22,881,223	\$ (710,713)	-3%
Capital assets	61,005,992	62,266,118	(1,260,126)	-2%
Total Assets	83,176,502	85,147,341	(1,970,839)	-2%
Current and other liabilities	1,720,762	1,315,403	405,359	31%
Long-term liabilities	4,539,637	4,902,007	(362,370)	-7%
Total Liabilities	6,260,399	6,217,410	42,989	1%
Net position:				
Net investment in capital assets	60,329,532	60,431,234	(101,702)	0%
Restricted	5,853,450	5,612,236	241,214	4%
Unrestricted	10,733,121	12,886,461	(2,153,340)	-17%
Total Net Position	\$76,916,103	\$78,929,931	\$ (2,013,828)	-3%

An additional 8 percent portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$10.7 million may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2014, the City is able to report positive balances in all three categories of net position.

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

The following table provides a summary of the City's operations for the year ended September 30, 2014:

CONDENSED STATEMENT OF ACTIVITIES

For the Years Ended September 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Change</u>	
	<u>2014</u>	<u>2013</u>	<u>Amount</u>	<u>Percent</u>
Revenues				
Program revenue:				
Charges for services	\$ 4,478,113	\$ 4,753,075	\$ (274,962)	-6%
Operating grants and contributions	73,026	35,362	37,664	107%
Capital grants and contributions	504,753	622,167	(117,414)	-19%
General revenues:				
Sales and use taxes	12,495,342	12,130,090	365,252	3%
Other taxes	3,145,371	3,112,695	32,676	1%
Unrestricted investment earnings	24,705	39,852	(15,147)	-38%
Miscellaneous	132,801	48,552	84,249	174%
Total Revenues	<u>20,854,111</u>	<u>20,741,793</u>	<u>112,318</u>	<u>1%</u>
Expenses:				
General Administration	2,515,857	2,813,532	(297,675)	-11%
Finance Administration	310,439	298,320	12,119	4%
Municipal Services & Public works	7,727,232	6,436,562	1,290,670	20%
Police and Emergency Services	8,625,207	7,518,145	1,107,062	15%
Recreation and performing arts	1,489,558	1,169,008	320,550	27%
Stafford Centre	1,739,107	1,737,773	1,334	0%
Judicial	432,011	405,209	26,802	7%
Interest on long-term debt	28,528	48,172	(19,644)	-41%
Total Expenses	<u>22,867,939</u>	<u>20,426,721</u>	<u>2,441,218</u>	<u>12%</u>
Change in net position	(2,013,828)	315,072	(2,328,900)	-739%
Net Position - Beginning	<u>78,929,931</u>	<u>78,614,859</u>	<u>315,072</u>	<u>0%</u>
Net Position - Ending	<u>\$76,916,103</u>	<u>\$78,929,931</u>	<u>\$ (2,013,828)</u>	<u>-3%</u>

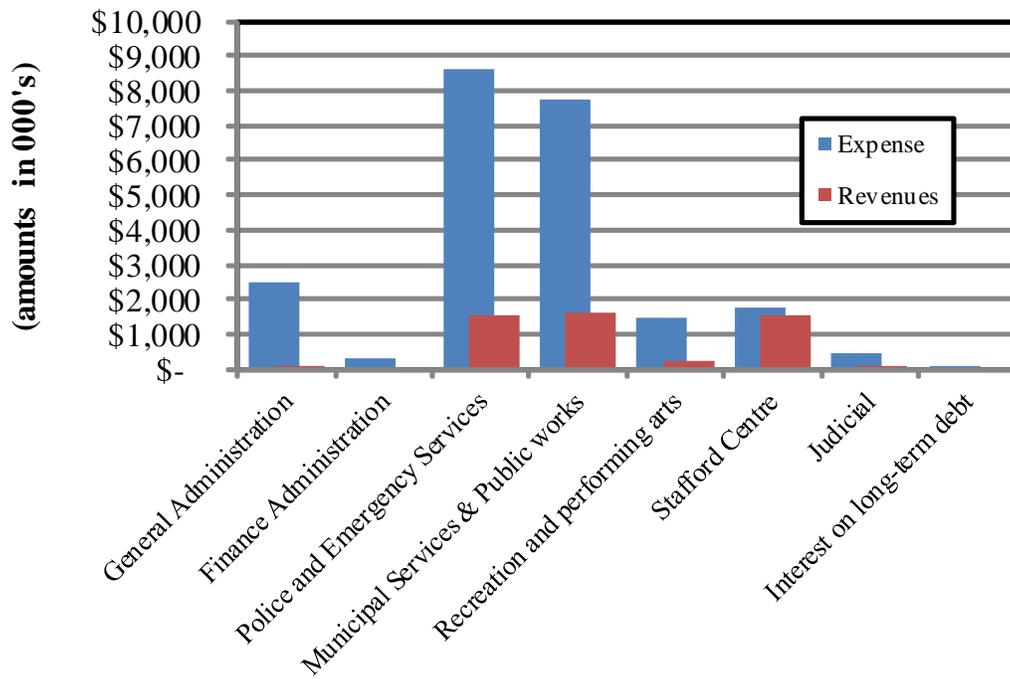
Governmental activities

Governmental activities decreased the City's net position by 2,013,828. The key changes in financial activity from the prior year are as follows:

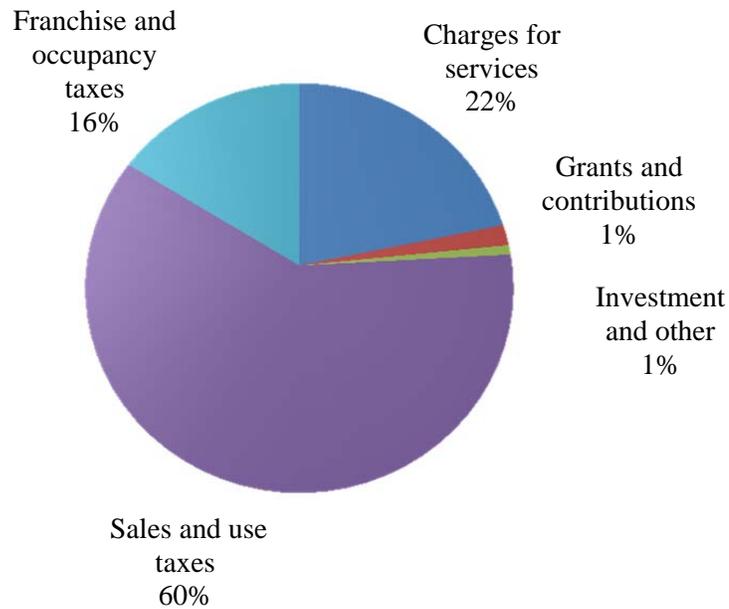
- Charges for services decreased by approximately \$274,962 due primarily to a decrease in total property valuation for new building permits, and a drop in the number of events held at the Stafford Centre.
- Expenses related to public works and municipal services increased by \$1.3 million due to increased expenses related to street repairs.
- Expenses related to police and emergency services increased by \$1.1 million due to department wide pay increases and restructuring of the department.

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

A comparison of program expenses to program revenues follows:



Revenue sources for governmental activities were distributed as follows:



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

Financial Analysis of the City's Funds

As noted earlier, the City of Stafford 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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$19.9 million. A portion of the fund balance (\$5.9 million) is restricted by law or third-party agreements and is not available for general governmental expenditures. The remainder of the governmental fund balance of million is available for any lawful purpose.

The General Fund balance decreased by \$1.1 million in the current fiscal year primarily due to an increase in police and emergency services and capital outlay for the purchase of capital assets.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in an increase in appropriations. This increase was primarily due to \$28,000 for computer licenses, \$130,000 for overtime charged to the Police Department, \$80,750 for fire department restructuring, and \$70,000 for unanticipated vehicle maintenance in the Fire Department. Other increases included amending the budget for encumbrances from the prior year as well as increasing and or decreasing individual line items to meet the needs of the departments.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental activities as of September 30, 2014, amounted to \$61.0 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure.

The following table shows the balances at September 30, 2013 and 2014:

	<u>2014</u>	<u>2013</u>
Capital Assets not being depreciated		
Land	\$ 4,948,125	\$ 4,948,125
Construction in progress	1,991,116	687,503
Capital Assets, net of depreciation		
Buildings	20,976,853	21,768,617
Improvements other than buildings	1,975,723	1,820,571
Machinery and equipment	4,449,738	4,532,875
Infrastructure	<u>26,664,437</u>	<u>28,508,427</u>
Total capital assets - Governmental Activities	<u>\$ 61,005,992</u>	<u>\$ 62,266,118</u>

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

Additional information on the City's capital assets can be found in Note 6 to the financial statements of this report.

Long-term liabilities

At the end of the current fiscal year, the City had a total long-term debt liability of \$4.5 million. This is a decrease from the prior year of approximately \$400,000, primarily due to principal payments made on the outstanding general obligation bonds and capital lease. A schedule of long-term debt at September 30, 2013 and 2014 follows:

	<u>2014</u>	<u>2013</u>
General obligation bonds	\$	\$ 220,000
Capital leases payable	687,815	847,827
Sales Tax obligations	2,133,633	2,252,154
Compensated absences - sick leave	875,205	801,898
Net pension obligation	842,984	780,128
	<u>\$ 4,539,637</u>	<u>\$ 4,902,007</u>

Additional information on the City's long-term debt can be found in Note 7 to the financial statements of this report.

Economic Factors and Next Year's (2014-2015) Budgets and Rates

In the 2014-15 Budget, General Fund revenues are budgeted to increase by approximately 3% from the 2013-14 budget year primarily due to a budgeted increase in sales and use taxes along with expected increases in court fines and fees and Stafford Centre revenues. Appropriations are budgeted to increase by approximately 4% from the 2013-14 budget year.

In preparing the 2014-15 budget, management considered certain economic factors including:

- Increase in salary to all full-time employees
- Sales tax realization
- Ongoing street repair projects
- Falling oil prices

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Stafford, 2610 South Main, Stafford, Texas, 77477.

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BASIC FINANCIAL STATEMENTS

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

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Stafford Economic Development Corporation</u>	<u>Stafford Municipal School District</u>
Assets			
Cash and cash equivalents	\$ 18,773,365	\$ 12,538,924	\$ 17,020,087
Receivables (Net of Allowance for Uncollectibles)	3,373,630	838,216	1,192,174
Inventories	17,355		
Prepaid expenditures	6,160		109,438
Capital assets, not subject to depreciation:			
Land	4,948,125		657,500
Construction in progress	1,991,116		5,068,412
Capital assets, net of depreciation:			
Infrastructure	26,664,437		
Buildings and improvements	22,952,576		59,019,837
Machinery and equipment	4,449,738		2,673,391
Total Capital Assets	<u>61,005,992</u>		<u>67,419,140</u>
Total Assets	<u>83,176,502</u>	<u>13,377,140</u>	<u>85,740,839</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding		1,634,347	673,871
Total Deferred Outflows of Resources		<u>1,634,347</u>	<u>673,871</u>
Liabilities			
Accounts payable and accrued expenses	1,348,490	211,036	2,061,622
Due to component units	84,660		
Unearned revenues	287,612		17,722
Long-term liabilities:			
Due within one year	315,916	904,332	1,582,913
Due in more than one year	4,223,721	21,419,638	61,302,557
Total Liabilities	<u>6,260,399</u>	<u>22,535,006</u>	<u>64,964,814</u>
Net Position			
Net investment in capital assets	60,329,532		7,582,157
Restricted for:			
Grants			399,893
Debt service		474,952	1,550,353
Municipal courts	129,540		
Public safety	68,863		
Community projects	133,233		
Tourism	5,521,814		
Unrestricted	10,733,121	(7,998,471)	11,917,493
Total Net Position	<u>\$ 76,916,103</u>	<u>\$ (7,523,519)</u>	<u>\$ 21,449,896</u>

See Notes To Basic Financial Statements.

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

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General Administration	\$ 2,515,857	\$ 15,923	\$ 25,572	\$
Finance Administration	310,439			
Municipal Services & Public works	7,727,232	1,361,304		265,284
Police and Emergency Services	8,625,207	1,525,481	47,454	
Recreation and performing arts	1,489,558	217,296		
Stafford Centre	1,739,107	1,307,974		239,469
Judicial	432,011	50,135		
Interest on long-term debt	28,528			
Total governmental activities	<u>22,867,939</u>	<u>4,478,113</u>	<u>73,026</u>	<u>504,753</u>
Component Units				
Stafford Economic Development Corporation	2,034,828			
Stafford Municipal School District	36,188,990	919,891	4,013,466	
Total component units	<u>38,223,818</u>	<u>919,891</u>	<u>4,013,466</u>	
Total	<u>\$ 61,091,757</u>	<u>\$ 5,398,004</u>	<u>\$ 4,086,492</u>	<u>\$ 504,753</u>

General revenues:

Taxes:

Sales and use tax

Franchise taxes

Occupancy and other taxes

Property taxes

Unrestricted investment earnings

Grants and contributions not restricted

Miscellaneous

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Position

<u>Primary Government</u>	<u>Component Units</u>	
<u>Governmental Activities</u>	<u>Stafford Economic Development Corporation</u>	<u>Stafford Municipal School District</u>
\$ (2,474,362)		
(310,439)		
(6,100,644)		
(7,052,272)		
(1,272,262)		
(191,664)		
(381,876)		
(28,528)		
<u>(17,812,047)</u>		
	\$ (2,034,828)	\$
		(31,255,633)
	<u>(2,034,828)</u>	<u>(31,255,633)</u>
<u>\$ (17,812,047)</u>	<u>\$ (2,034,828)</u>	<u>\$ (31,255,633)</u>
12,495,342	4,082,868	
1,802,752		
1,342,619		
		26,021,794
24,705	17,226	17,924
		3,495,115
132,801	122,260	367,885
<u>15,798,219</u>	<u>4,222,354</u>	<u>29,902,718</u>
(2,013,828)	2,187,526	(1,352,915)
78,929,931	(9,711,045)	22,802,811
<u>\$ 76,916,103</u>	<u>\$ (7,523,519)</u>	<u>\$ 21,449,896</u>

CITY OF STAFFORD, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	<u>General Fund</u>	<u>Hotel Occupancy Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 12,578,895	\$ 5,495,478	\$ 219,905	\$ 18,294,278
Taxes receivable, net	2,260,669	165,351	28,631	2,454,651
Other receivables	488,634			488,634
Due from other governments	428,812			428,812
Due from other funds	317,289		135,969	453,258
Inventories	17,355			17,355
Prepaid expenses	6,160	5,000		11,160
Total Assets	<u>\$ 16,097,814</u>	<u>\$ 5,665,829</u>	<u>\$ 384,505</u>	<u>\$ 22,148,148</u>
Liabilities				
Accounts payable	\$ 1,067,600	\$	\$ 400	\$ 1,068,000
Accrued expenditures	102,229			102,229
Due to other funds	138,544	103,290	6,195	248,029
Due to component unit	84,660			84,660
Unearned revenue	287,612			287,612
Total Liabilities	<u>1,680,645</u>	<u>103,290</u>	<u>6,595</u>	<u>1,790,530</u>
Deferred Inflows of Resources				
Unavailable revenues - fines and fees	344,364		28,631	372,995
Unavailable revenues - stafford centre		40,725		40,725
Total Deferred Inflows of Resources	<u>344,364</u>	<u>40,725</u>	<u>28,631</u>	<u>413,720</u>
Fund balances				
Nonspendable	23,515			23,515
Restricted for:				
Debt service			6,288	6,288
Capital Projects			11,355	11,355
Municipal court programs			129,540	129,540
Public safety programs			68,863	68,863
Municipal services			133,233	133,233
Tourism		5,521,814		5,521,814
Assigned				
Unassigned	14,049,290			14,049,290
Total Fund Balances	<u>14,072,805</u>	<u>5,521,814</u>	<u>349,279</u>	<u>19,943,898</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 16,097,814</u>	<u>\$ 5,665,829</u>	<u>\$ 384,505</u>	<u>\$ 22,148,148</u>

See Notes to Basic Financial Statements.

CITY OF STAFFORD, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
September 30, 2014**

Total fund balance, governmental funds \$ 19,943,898

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 61,005,992

Uncollected fines and forfeitures and other long-term receivables are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 413,720

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

Capital leases (687,815)

Net pension obligation (842,984)

Excess sales tax due to State (2,133,633)

Accrued long-term interest (19,947)

Accrued compensated absences (875,205)

Net Position of Internal Service Fund not reported in governmental funds 112,077

Net Position of Governmental Activities in the Statement of Net Position \$76,916,103

See Notes to Basic Financial Statements.

CITY OF STAFFORD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Hotel Occupancy Tax Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes:				
Sales and use tax	\$ 12,495,342	\$ 1,337,214	\$	\$ 13,832,556
Franchise taxes	1,802,752			1,802,752
Fines and forfeitures	1,036,957		50,135	1,087,092
Licenses and permits	467,610			467,610
Intergovernmental	1,020,309		10,000	1,030,309
Charges for services	2,034,882			2,034,882
Interest	16,706	6,532	555	23,793
Miscellaneous	186,175	13,479	82,779	282,433
Total Revenues	<u>19,060,733</u>	<u>1,357,225</u>	<u>143,469</u>	<u>20,561,427</u>
Expenditures				
Current:				
General administration	2,243,449			2,243,449
Financial administration	310,439			310,439
Municipal services and public works	5,541,596		191,109	5,732,705
Police and emergency services	7,581,778		52,543	7,634,321
Recreation and performing arts	448,203	657,696		1,105,899
Stafford Centre	1,307,973			1,307,973
Judicial	405,210		32,443	437,653
Capital Outlay	2,057,022	81,829	35,295	2,174,146
Debt Service:				
Principal	278,533		220,000	498,533
Interest and other charges	24,587		8,580	33,167
Total Expenditures	<u>20,198,790</u>	<u>739,525</u>	<u>539,970</u>	<u>21,478,285</u>
Revenues over (under) expenditures	<u>(1,138,057)</u>	<u>617,700</u>	<u>(396,501)</u>	<u>(916,858)</u>
Other Financing Sources (Uses)				
Proceeds from sale of assets	21,072			21,072
Total other financing sources (uses)	<u>21,072</u>			<u>21,072</u>
Net Changes in Fund Balances	(1,116,985)	617,700	(396,501)	(895,786)
Fund Balances - Beginning of Year	<u>15,189,790</u>	<u>4,904,114</u>	<u>745,780</u>	<u>20,839,684</u>
Fund Balances - End of Year	<u>\$ 14,072,805</u>	<u>\$ 5,521,814</u>	<u>\$ 349,279</u>	<u>\$ 19,943,898</u>

See Notes to Basic Financial Statements.

CITY OF STAFFORD, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2014

Net change in fund balances - total governmental funds: \$ (895,786)

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

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

This is the amount by which capital outlay of \$2,615,875 was exceeded by depreciation of \$4,093,133 in the current period. (1,477,258)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Governmental activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold. (22,337)

Governmental funds do not present revenues (uncollected fines and forfeitures) that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 42,466

Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt. 498,533

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

Accrued interest not reflected in Governmental funds 4,640
Compensated absences (73,307)
Net pension obligation (62,856)

Operations of Internal Service Funds not reported in Governmental Fund activities (267,392)

Change in net position of governmental activities \$ (2,013,828)

See Notes to Basic Financial Statements.

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

	Governmental Activities
	Internal Service Fund
Assets	
Cash and cash equivalents	\$ 479,087
Accounts receivable, net	1,533
Due from other funds	<u>2,575</u>
Total Assets	<u>483,195</u>
Liabilities	
Claims payable	163,314
Due to other funds	<u>207,804</u>
Total Liabilities	<u>371,118</u>
Net Position	
Unrestricted	<u>112,077</u>
Total Net Position	<u>\$ 112,077</u>

See Notes to Basic Financial Statements.

CITY OF STAFFORD, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended September 30, 2014

	Governmental Activities
	Internal Service Fund
Operating Revenues	
Health Insurance Premiums	\$ 1,583,754
Total Operating Revenues	<u>1,583,754</u>
Operating Expenses	
Health Claims	1,439,761
Administrative Fees	412,297
Total Operating Expenses	<u>1,852,058</u>
Operating income (loss)	<u>(268,304)</u>
Non-Operating Revenues	
Earnings on Investments	912
Total Non-Operating Revenues	<u>912</u>
Change in Net Position	(267,392)
Total Net Position - Beginning of Year	<u>379,469</u>
Total Net Position - End of Year	<u>\$ 112,077</u>

See Notes to Basic Financial Statements.

CITY OF STAFFORD, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2014

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash received from premiums	\$ 1,654,140
Cash paid for claims	(1,378,332)
Cash paid for administrative fees	(414,872)
Net cash provided by operating activities	<u>(139,064)</u>
Cash Flows From Investing Activities	
Interest received	912
Net cash used by investing activities	<u>912</u>
Net increase (decrease) in cash and cash equivalents	(138,152)
Cash and cash equivalents - beginning of year	<u>617,239</u>
Cash and cash equivalents - end of year	<u>\$ 479,087</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating Income	\$ (268,304)
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in other receivables	4,774
(Increase) decrease in interfund receivables	(2,575)
Increase (decrease) in claims payable	61,429
Increase (decrease) in interfund payables	65,612
Net cash provided by operating activities	<u>\$ (139,064)</u>

See Notes to Basic Financial Statements.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization

The City of Stafford, Texas (the “City”) is an independent political subdivision of the State of Texas governed by an elected six (6) member council and a mayor. The City provides services to the citizens of the City as authorized in its charter. Presently these services include police and fire protection, building and code inspection, planning, zoning, engineering, drainage, street repair and maintenance, park maintenance, recreation facilities, municipal court and general administrative services.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Stafford Economic Development Corporation (“SEDC”)

In 1999, the City of Stafford formed the Stafford Economic Development Corporation (a 4B corporation), which was created by voters approving an additional sales tax to be used for economic development. State law (4B) allows the City to collect sales tax to assist in the promotion and development activities of the City. The Stafford Economic Development Corporation has been included as a discretely presented component unit in the City’s financial statements in accordance with generally accepted accounting principles for governments. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City.

The Financial Statements for the Stafford Economic Development Corporation can be obtained from the Director of Finance, City of Stafford, Texas.

Stafford Municipal School District

The Stafford Municipal School District (SMSD) was created by the City of Stafford in 1977, SMSD has been included as a discretely presented component unit in the City’s financial statements in accordance with generally accepted accounting principles for governments. SMSD has a separately elected Board of Trustees and is a separate legal entity. However, the City approves the District’s tax rate and budget, and must approve any debt issuance made by SMSD. In 2003, the City received legislative authority from the state for the council to have voting authority with the SMSD Board over the adoption of SMSD’s annual budget. Therefore, the City Council approval is required for annual budgets and for bonded debt issuance making the District a component unit of the City.

SMSD has a fiscal year end (August 31st) that differs from the City’s fiscal year end (September 30th). However, the year ends are treated consistently each year. The Financial Statements of SMSD can be obtained from the Chief Financial Officer of Stafford Municipal School District, 1625 Staffordshire, Stafford, Texas 77477.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

The City has an agreement with SMSD concerning its share of construction, maintenance and operating costs of a maintenance facility, and the costs of routine maintenance operations as more fully described in Note 11 of the financial statements.

The component units identified are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations' boards and is either able to impose its will on them or a financial benefit/burden exists.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

The definition of a reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and the internal service fund are reported as separate columns in the fund financial statements. Non-major governmental funds are combined and reported in a separate column in the fund financial statements. The City has only one proprietary fund.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus, as are the proprietary fund financial statements. The government-wide statements and proprietary fund statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes and franchise fees are recognized as revenues in the year that gives rise to the transaction. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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 City, except those required to be accounted for in another fund. The *General Fund* is made up of the City's General sub-fund and its Municipal Sales Tax sub-fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Hotel/Motel Occupancy Tax Fund* accounts for taxes collected from local hotels and motels and can only be used for special purposes as allowed by the State to promote tourism and benefit the City in attracting visitors to the City.

The City has one proprietary fund that is not considered a major fund:

The *Internal Service Fund* accounts for the City's self-funded medical insurance plan provided for the benefit of eligible employees. The revenues of this fund are received from both the general and special revenue funds and City employees, and the expenses are comprised of claims paid on behalf of the City and its employees. The general fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the various self-insurance activities of the City. See Note 9 for additional discussion of the City's self-insurance plan.

The medical insurance plan is intended to be self-supporting and contributions for premiums are increased periodically to cover the cost of claims, insurance premiums and administrative fees.

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.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

D. Cash and Cash Equivalents

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

E. Investments

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

F. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

G. Inventory

Inventory is valued at cost and consists primarily of fuel and supplies. The consumption method of inventory is employed by the City, whereby the purchases of these supplies are charged directly to inventory for control and then expended as consumed.

H. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress, are reported in the applicable governmental type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental-type activities is not included as part of the capitalized value of the assets constructed.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset</u>	
Buildings	50 Years
Improvements other than buildings	20 Years
Machinery and equipment	4-20 Years
Infrastructure	20-65 Years

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

I. Compensated Absences

The City's sick leave policy provides ten sick leave days per year. Employees may accumulate up to 180 sick leave days. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for a maximum of 30 days accumulated sick leave at their base salary in effect at date of termination.

Nonexempt employees are allowed to take compensation time off for hours worked in excess of 40 hours during a week. The City has established limits of 40 hours of compensation time that can be accumulated which must be taken (or paid to the employee as compensation) before the end of the fiscal year.

Employees are allowed to earn up to 20 vacation leave days per year based on their length of employment with the City. No payment in lieu of taking vacation leave days is available for continuing employees. However, in the case of termination due to voluntary termination, discharge, retirement, or death of an employee, the employee or their estate shall be paid for the accrued but unused vacation leave as of the effective date of termination. The maximum amount of vacation leave paid upon termination, regardless of the amount accrued but unused, shall not exceed the total of vacation hours the employee is eligible to earn during the year in which termination occurs.

The compensated absences are funded from the General Fund when due and payable.

J. Deferred Outflows/Inflows of Resources

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

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

K. Use of Estimates

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

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Fund Equity

As of September 30, 2014, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Assigned – amounts that reflect the City’s intended use of resources. In the general fund, these are amounts that represent open encumbrances that roll into the following budget year.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City of Stafford has not adopted a minimum fund balance policy for the General Fund.

N. Net Position

Net position represents the differences between assets and liabilities. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Deposits and Investments

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. At September 30, 2014, the City had no investments reported.

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of all balances.

Under Texas state law, a bank serving as the depository must have a bond or in lieu thereof, deposited or pledged securities (or letters of credit) with the City or an independent third-party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less any applicable FDIC insurance.

At September 30, 2014, in addition to petty cash, the carrying amount of the City's cash, savings, and time deposits of \$18.8 million was entirely covered by federal depository insurance and collateral pledged in the City's name. The collateral was held in the safekeeping department of another bank, which acts as the pledging bank's agent.

Investment Policy

The City held no investments at September 30, 2014. The City is not exposed to custodial credit risk.

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City's Investment Officer submits an investment report each quarter to the Council. The report details the investment positions of the City and the compliance of the investment portfolios as they relate to both the adopted investment strategy statements and Texas State law.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Deposits and Investments (continued)

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations and in order to meet anticipated cash flow requirements, the Investment Policy requires that unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two years from the date of purchase.

Note 4 - Receivables and Allowance for Uncollectible Accounts

Receivables are evaluated and an allowance for uncollectible accounts is set up when the collections are doubtful. Receivables as of September 30, 2014, are as follows:

	<u>General Fund</u>	<u>Hotel Occupancy Tax Fund</u>	<u>Non-major Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total</u>
Receivables:					
Sales and use taxes	\$ 2,260,669	\$ 165,351	\$	\$	\$ 2,426,020
Fines and Forfeitures	3,448,565				3,448,565
Special assessments			28,631		28,631
Franchise taxes	144,270				144,270
Grants	428,812				428,812
Other				1,533	1,533
Gross Receivables	<u>6,282,316</u>	<u>165,351</u>	<u>28,631</u>	<u>1,533</u>	<u>6,477,831</u>
Less: allowance for uncollectibles	<u>(3,104,201)</u>				<u>(3,104,201)</u>
Net Total Receivables	<u>\$ 3,178,115</u>	<u>\$ 165,351</u>	<u>\$ 28,631</u>	<u>\$ 1,533</u>	<u>\$ 3,373,630</u>

The City completed special work in a subdivision within the City which was financed by general obligation bonds. The City financed the project out of the capital projects fund and has assessed the owners of the property \$481,000 to be reimbursed to the City over seven years. The impact fees are recorded in the capital project fund as revenue when the payments are received from homeowners.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Interfund Receivables, Payables and Transfers

Interfund balances at September 30, 2014, consisted of the following individual fund receivables and payables:

<u>Payable Fund</u>	<u>Receivable Fund</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	<u>Internal Service Fund</u>	
General Fund	\$	\$ 135,969	\$ 2,575	\$ 138,544
Hotel Occupancy Fund	103,290			103,290
Non-Major Governmental Funds	6,195			6,195
Internal Service Fund	207,804			207,804
Total	\$ 317,289	\$ 135,969	\$ 2,575	\$ 455,833

Amounts reported as interfund receivables/payables are considered temporary loans needed for normal operations and will be repaid during the following fiscal year.

There were no interfund transfers for the year ended September 30, 2014.

Note 6 - Capital Assets

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

	<u>Balance 9/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2014</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 4,948,125	\$	\$	\$ 4,948,125
Construction in progress	687,503	1,303,613		1,991,116
Total capital assets, not being depreciated	5,635,628	1,303,613		6,939,241
Capital assets being depreciated:				
Buildings	31,670,565			31,670,565
Improvements other than buildings	3,509,338	408,430		3,917,768
Machinery and equipment	13,243,478	1,143,301	(307,900)	14,078,879
Infrastructure	63,431,716			63,431,716
Total capital assets being depreciated	111,855,097	1,551,731	(307,900)	113,098,928
Less accumulated depreciation for:				
Buildings	(9,901,948)	(791,764)		(10,693,712)
Improvements other than buildings	(1,688,767)	(253,278)		(1,942,045)
Machinery and equipment	(8,710,603)	(1,204,101)	285,563	(9,629,141)
Infrastructure	(34,923,289)	(1,843,990)		(36,767,279)
Total accumulated depreciation	(55,224,607)	(4,093,133)	285,563	(59,032,177)
Total capital assets being depreciated, net	56,630,490	(2,541,402)	(22,337)	54,066,751
Governmental Activities Capital Assets, Net	\$ 62,266,118	\$ (1,237,789)	\$ (22,337)	\$ 61,005,992

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets (continued)

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

Governmental Activities	
General administration	\$ 245,901
Municipal services and public works	2,303,274
Police and emergency services	709,670
Recreation and performing arts	807,284
Judicial	<u>27,004</u>
Total depreciation expense - governmental activities	<u><u>\$ 4,093,133</u></u>

Construction in progress for various projects as of September 30, 2014, is as follows:

Governmental Activities	Authorized Contract	Total in Progress	Remaining Commitment
Staffordshire Road Extension	\$ 3,660,000	\$ 1,081,834	\$ 2,578,166
Brand Lane	950,000	909,282	40,718
	<u><u>\$ 4,610,000</u></u>	<u><u>\$ 1,991,116</u></u>	<u><u>\$ 2,618,884</u></u>

Staffordshire Road Extension

In March 2012, the City entered into an agreement with Texas Department of Transportation (“TXDOT”) for the extension of Staffordshire Road from 5th street to Scanlin/Lexington Road. The City of Stafford will be responsible for 100% of the cost for Environmental work, Engineering (Design), ROW and utilities. All other costs will be allocated based on 80% Federal funding and 20% Local Government funding until the Federal funding reaches the maximum obligated amount of \$2,496,000.

Note 7 - Long-Term Debt

The City issues general obligation bonds, certificates of obligation, permanent improvement bonds and permanent improvement refunding bonds. Payments of principal and interest on the debt are provided primarily from sales taxes. The sales tax for debt payments (0.5 percent) was specifically approved by voters for servicing debt to lower the property taxes required for debt service. According to state law, when a City has sales taxes approved to be used for debt payment and the City does not levy property taxes for debt service, the City is allowed to use sales tax deposits that exceed the amount of revenue needed to pay the current year debt service requirements of the City for municipal purposes consistent with the municipal budget. For the year ended September 30, 2014, the City had excess sales taxes collected of \$4,103,041 over sales tax obligation debt requirements. These amounts have been recorded in the General Fund to be used as approved by City Council. Investment income realized by the Debt Service Fund from investment funds will be used to pay outstanding bond principal and interest.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Debt (continued)

Summary of Long-Term Debt Transactions

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 220,000	\$	\$ (220,000)	\$	\$
Capital leases payable	847,827		(160,012)	687,815	164,652
Sales Tax obligations	2,252,154		(118,521)	2,133,633	118,521
Compensated absences - sick leave	801,898	131,800	(58,493)	875,205	32,743
Net pension obligation	780,128	62,856		842,984	
Governmental Activities					
Long-term Liabilities	\$ 4,902,007	\$ 194,656	\$ (557,026)	\$ 4,539,637	\$ 315,916

Excess Sales Tax Liability

The City negotiated a long-term payout of excess sales tax received in prior years in the amount of approximately \$3.6 million, with the State Comptroller. This amount was collected by the City and the Stafford Economic Development Corporation (SEDC) during the fiscal year periods 2000 through 2007. The total negotiated payout calls for a twenty-five year period with equal prorata amounts deducted each month from City's and the SEDC's sales tax receipts beginning with October 2007. No interest is associated with this long-term liability.

The annual requirements on the City's portion of the Excess Sales Tax liability, as of September 30, 2014, are \$118,521 for fiscal years 2014 through 2032, for a total of \$2.1 million.

Capital Leases

During the year ended September 30, 2012, the City entered into a lease purchase agreement for firefighting equipment (two Custom Pumper Trucks and one Brush Truck) costing \$1,186,906. The lease is for a period of seven years with annual payments of \$184,599 and a stated interest rate of 2.9%. Interest paid on this lease was \$24,587 for the year ended September 30, 2014.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of September 30, 2014:

Year Ending 9/30	Amount
2015	\$ 184,598
2016	184,599
2017	184,599
2018	184,599
Total minimum lease payments	738,395
Less amounts representing interest	<u>(50,580)</u>
Net present value of minimum lease payments	<u>\$ 687,815</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Debt (continued)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Assets:	
Vehicles	\$ 1,728,906
Less: Accumulated Depreciation	<u>(735,386)</u>
Net	<u>\$ 993,520</u>

Note 8 - Employee Retirement System

Plan Description

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

The city also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the 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 that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by TMRS. The report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677. In addition this report is available on TMRS' website at www.TMRS.com.

Benefits

Benefits depend upon the sum of an employee's contribution to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated, with interest, if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution (PLSD).

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Plan Description (continued)

The plan provisions are adopted by the City Council of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the status. Plan provisions for the City were as follows:

	<u>Plan Year 2012</u>	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7%	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

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.

Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2012, valuation is effective for rates beginning in January 2014).

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Contributions (continued)

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

Annual Required Contribution (ARC)	\$ 1,042,715
Interest on Net Pension Obligation	54,609
Adjustment to the ARC	<u>(49,105)</u>
Annual Pension Cost	1,048,219
Contributions Made	<u>(985,363)</u>
Increase in net pension	62,856
Net Pension Obligation, beginning of year	<u>780,128</u>
Net Pension Obligation, end of year	<u><u>\$ 842,984</u></u>

Three-Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
Ending			
2012	\$ 927,319	87.5%	\$ 699,553
2013	943,240	91.5%	780,129
2014	1,048,219	94.0%	842,984

The City's total payroll in fiscal year 2014 was \$6.7 million and the City's contributions were based on a payroll of \$6.7 million. Contributions made by employees totaled \$470,771, and the City made contributions of \$985,363 during the fiscal year ended September 30, 2014.

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 fiscal years ended 2014, 2013 and 2012 were as follows and equaled the required contributions each year:

Fiscal Year	Supplemental Death Benefits	Percent Contributed
2012	\$ 12,116	100%
2013	11,463	100%
2014	12,778	100%

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Funding Policy

Cities are required to contribute at an actuarially determined rate; these rates are provided to the City on an annual basis, following the completion of actuarial valuation. As explained above, there is a time delay between the valuation and when the rate becomes effective -- for example, the January 1, 2014, contribution rate is based on the December 31, 2012, valuation results. If a change in plan provisions is elected by the City, this rate can change. The actuary determines contribution rates on a calendar-year basis. The City discloses the annual pension costs (which equal the required contributions) based on the calculated rate(s) for the City's fiscal year.

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

Valuation date	December 31, 2011	December 31, 2012	December 31, 2013
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	26.2 years; closed period	25.2 years; closed period	27 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10 year Smoothed Market	10 year Smoothed Market	10 year Smoothed Market
Actuarial Assumptions:			
Investment return *	7.0%	7.0%	7.0%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service
* Includes inflation at	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

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

Actuarial valuation date	December 31, 2013
Actuarial value of plan assets (a)	\$27,057,195
Actuarial accrued liability (AAL) (b)	31,932,860
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL) (b-a)	\$4,875,665
Funded Ratio (a/b)	84.7%
Projected Annual Covered Payroll (c)	6,116,701
UAAL or OAAL as % of covered payroll ((b-a)/c)	79.7%

The schedule of the funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Deferred Compensation Plan

The City also offers its employees a deferred compensation plan (457 Plan) created in accordance with Internal Revenue Code Section 457. The 457 Plan is administered by Nationwide Retirement Solutions, Inc. and is available to all full time employees over the age of eighteen (18) immediately upon becoming employed by the City. The 457 Plan functions for the benefit of the employees and their beneficiaries. Participants may contribute up to the amount allowable under the provisions of the Internal Revenue Code. The City does not match participant contributions. The 457 Plan is not reported in the City’s basic financial statements.

Participant contributions for the year ended September 30, 2014, were \$67,440. The trustee of the plan distributes any benefits provided by the plan from net position available for plan benefits. Contributions made by participants vest immediately in their accounts. Contributions made by the City vest in the participants’ accounts at the time such contribution is made. When a participant retires, terminates employment or becomes disabled, he/she is entitled to receive all amounts in which he/she has a vested interest in either a lump-sum payment, periodic payment by fixed amount, periodic payment by fixed time period, partial lump sum payment, or purchased annuity contract.

Note 9 - Self-Insured Health Care

During the year ended September 30, 2014, employees of the City were covered by a self-funded health insurance plan (the “plan”). Health claim payments are payments by the City on behalf of the employees to pay premiums for dependents’ health insurance processed by a third-party administrator acting on behalf of the City. See Note 1 for additional discussion of the plan.

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Combined Insurance Company of America, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$50,000 and for aggregate loss exceeding \$1,250,000.

These liabilities are based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated.

The latest financial statements available for Bardon Insurance Group, Inc. are filed with the Texas State Board of Insurance, Austin, Texas, and are public records. The City does not provide post-retirement health benefits to its employees.

Changes in the medical claims liability amounts for the last three fiscal years are presented below:

Fiscal Year ended September 30,	Beginning of Fiscal-Year Liability	Annual Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year- End
2012	\$ 155,361	\$ 824,380	\$ 875,219	\$ 104,522
2013	104,522	1,171,969	1,174,606	101,885
2014	101,885	1,439,761	1,378,332	163,314

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City’s risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool. The City has not had any significant reductions in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. At year-end, the City did not have any significant claims.

Note 11 - Agreement with Stafford Municipal School District (“SMSD”) Regarding Maintenance Facility and Routine Maintenance Operations

Under the terms of an agreement, the SMSD paid approximately \$200,000 in a prior year for the construction of a maintenance facility to jointly benefit the City and the SMSD. The facility is owned and operated by the City, and the SMSD’s costs for the facility’s construction, under the terms of the agreement, were recorded by the City as a donation and capitalized as a capital asset.

The agreement provides for the SMSD’s portion of operating costs of the facility, as well as the costs of routine maintenance operations provided to the SMSD by the City, to be paid by the SMSD. The City accumulates these costs and bills the SMSD periodically during the year. The routine maintenance activities provided by the City include all vehicle maintenance and operations and all grounds maintenance and operations. The 2013-2014 annual billing to the SMSD for these City provided services was \$218,527, with \$34,212 recorded as a receivable as of September 30, 2014, in the General Fund. The City also provides SMSD the use of the Civic Center and Police Officers at no charge.

Note 12 - Contributions from Component Unit

During the year ended September 30, 2014, the Stafford Economic Development Corporation contributed a total of \$239,469 to the City. The assets are reflected in the government-wide statement of net position and the contribution has been recorded as capital grants and contributions in the statement of activities.

Note 13 - Participation Agreements

The City has cost participation agreements with various developers pertaining to the purchase and operating costs of street lighting facilities and the construction of street and drainage facilities. Unexpended amounts from participation contributions for use under the terms of these agreements at September 30, 2014, are as follows:

Street lighting participation	\$ 996
Street and drainage participation	<u>51,696</u>
Total	<u>\$ 52,692</u>

Note 14 - Litigation

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STAFFORD, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended September 30, 2014

	2014			Variance
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues				
Taxes	\$ 13,452,400	\$ 13,452,400	\$ 14,298,094	\$ 845,694
Fines and fees	1,000,000	1,000,000	1,036,957	36,957
Licenses and permits	443,000	443,000	467,610	24,610
Intergovernmental	790,500	1,057,431	1,020,309	(37,122)
Charges for services	2,053,410	2,053,410	2,034,882	(18,528)
Interest	29,100	29,100	16,706	(12,394)
Miscellaneous	97,000	97,000	186,175	89,175
Total Revenues	<u>17,865,410</u>	<u>18,132,341</u>	<u>19,060,733</u>	<u>928,392</u>
Expenditures				
Current:				
General administration	2,619,302	2,670,882	2,243,449	427,433
Financial administration	327,311	322,321	310,439	11,882
Municipal Services and public works	6,123,227	6,359,327	5,541,596	817,731
Police and emergency services	7,745,924	8,035,309	7,581,778	453,531
Recreation and performing arts	529,491	547,491	448,203	99,288
Stafford Centre	1,373,410	1,373,410	1,307,973	65,437
Judicial	443,554	444,404	405,210	39,194
Capital Outlay	1,685,291	2,883,040	2,057,022	826,018
Debt Service:				
Principal	302,214	302,214	278,533	23,681
Interest and other charges			24,587	(24,587)
Total Expenditures	<u>21,149,724</u>	<u>22,938,398</u>	<u>20,198,790</u>	<u>2,739,608</u>
Revenues over (under) expenditures	(3,284,314)	(4,806,057)	(1,138,057)	3,668,000
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	10,000	10,000	21,072	11,072
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>21,072</u>	<u>11,072</u>
Changes in fund balance	(3,274,314)	(4,796,057)	(1,116,985)	3,679,072
Fund Balance - Beginning of Year	<u>15,189,790</u>	<u>15,189,790</u>	<u>15,189,790</u>	
Fund Balance - End of Year	<u>\$ 11,915,476</u>	<u>\$ 10,393,733</u>	<u>\$ 14,072,805</u>	<u>\$ 3,679,072</u>

CITY OF STAFFORD, TEXAS
HOTEL OCCUPANCY TAX - SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP BASIS)
For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues				
Hotel occupancy taxes	\$ 1,070,000	\$ 1,070,000	\$ 1,337,214	\$ 267,214
Interest	11,000	11,000	6,532	(4,468)
Miscellaneous	<u> </u>	<u> </u>	13,479	13,479
Total Revenues	<u>1,081,000</u>	<u>1,081,000</u>	<u>1,357,225</u>	<u>276,225</u>
Expenditures				
Current:				
Recreation and performing arts	720,893	689,218	657,696	31,522
Capital Outlay	<u>67,550</u>	<u>132,550</u>	<u>81,829</u>	<u>50,721</u>
Total Expenditures	<u>788,443</u>	<u>821,768</u>	<u>739,525</u>	<u>82,243</u>
Changes in fund balance	292,557	259,232	617,700	358,468
Fund Balance - Beginning of Year	<u>4,904,114</u>	<u>4,904,114</u>	<u>4,904,114</u>	<u> </u>
Fund Balance - End of Year	<u>\$ 5,196,671</u>	<u>\$ 5,163,346</u>	<u>\$ 5,521,814</u>	<u>\$ 358,468</u>

CITY OF STAFFORD, TEXAS

NOTES TO BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2014

All departments of the City submit requests for appropriations to the Mayor so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

Annually, the City adopts budgets for all governmental fund types (General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund). Capital Project Fund budgets are adopted on a project basis and are updated and modified annually. Special Revenue Fund budgets are prepared in aggregate and not on a fund by fund or project by project basis.

The General Fund, Hotel Motel Occupancy Tax Fund and the Debt service Fund budgets are annual appropriations style budgets prepared and typically presented on a GAAP (generally accepted accounting principles) basis.

The City had expenditures exceeding appropriations in the following General Fund categories:

Interest and Other Charges	\$ 24,587
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CITY OF STAFFORD, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
For the year ended September 30, 2014

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)

Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	(UAAL) as a Percentage of Covered Payroll ((b-a)/c)
2011	\$ 23,228,418	\$ 27,063,650	\$3,835,232	85.8%	\$ 5,780,320	66.3%
2012	25,248,877	28,786,626	3,537,749	87.7%	5,874,221	60.2%
2013	27,057,195	31,932,860	4,875,665	84.7%	6,116,701	79.7%

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OTHER SUPPLEMENTAL INFORMATION

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2014

	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Courts Efficiency</u>	<u>Narcotic Seizure</u>
Assets				
Cash and cash equivalents	\$ 6,288	\$ 11,355	\$	\$ 50,513
Taxes receivable, net		28,631		
Due from other funds			7,622	
Total Assets	<u>\$ 6,288</u>	<u>\$ 39,986</u>	<u>\$ 7,622</u>	<u>\$ 50,513</u>
Liabilities				
Accounts payable	\$	\$	\$	\$
Due to other funds			1,222	
Total Liabilities			<u>1,222</u>	
Deferred Inflows of Resources				
Unavailable revenues		28,631		
Total Deferred Inflows of Resources		<u>28,631</u>		
Fund balances				
Restricted for				
Debt service	6,288			
Capital Projects		11,355		
Municipal court programs			6,400	
Public safety programs				50,513
Municipal services				
Total Fund Balances	<u>6,288</u>	<u>11,355</u>	<u>6,400</u>	<u>50,513</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 6,288</u>	<u>\$ 39,986</u>	<u>\$ 7,622</u>	<u>\$ 50,513</u>

<u>Court Security</u>	<u>Court Technology</u>	<u>Child Safety Fees</u>	<u>Police Department Funds</u>	<u>Participation Agreements and Other</u>	<u>Total Non-Major Governmental Funds</u>
\$	\$	\$	\$ 18,116	\$ 133,633	\$ 219,905
					28,631
5,570	117,570	5,207			135,969
<u>\$ 5,570</u>	<u>\$ 117,570</u>	<u>\$ 5,207</u>	<u>\$ 18,116</u>	<u>\$ 133,633</u>	<u>\$ 384,505</u>
\$	\$	\$	\$	\$ 400	\$ 400
			4,973		6,195
			4,973	400	6,595
					28,631
					28,631
					6,288
					11,355
5,570	117,570				129,540
		5,207	13,143		68,863
				133,233	133,233
<u>5,570</u>	<u>117,570</u>	<u>5,207</u>	<u>13,143</u>	<u>133,233</u>	<u>349,279</u>
<u>\$ 5,570</u>	<u>\$ 117,570</u>	<u>\$ 5,207</u>	<u>\$ 18,116</u>	<u>\$ 133,633</u>	<u>\$ 384,505</u>

CITY OF STAFFORD, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Courts Efficiency</u>	<u>Narcotic Seizure</u>
Revenues				
Fines and forfeitures	\$	\$	\$ 1,976	\$
Intergovernmental				
Investment earnings	203	8		39
Miscellaneous	5,405			48,986
Total Revenues	<u>5,608</u>	<u>8</u>	<u>1,976</u>	<u>49,025</u>
Expenditures				
Current:				
Municipal services and public works		1,724		9,335
Police and emergency services			2,782	
Judicial				
Capital Outlay				35,295
Debt Service:				
Principal	220,000			
Interest and other charges	8,580			
Total Expenditures	<u>228,580</u>	<u>1,724</u>	<u>2,782</u>	<u>44,630</u>
Changes in Fund Balance	(222,972)	(1,716)	(806)	4,395
Fund Balances - Beginning of Year	<u>229,260</u>	<u>13,071</u>	<u>7,206</u>	<u>46,118</u>
Fund Balances - End of Year	<u>\$ 6,288</u>	<u>\$ 11,355</u>	<u>\$ 6,400</u>	<u>\$ 50,513</u>

Court Security	Court Technology	Child Safety Fees	Police Department Funds	Participation Agreements and Other	Total Non-Major Governmental Funds
\$ 20,643	\$ 27,516	\$	\$	\$	\$ 50,135
			10,000		10,000
			11	294	555
		20,747		7,641	82,779
<u>20,643</u>	<u>27,516</u>	<u>20,747</u>	<u>10,011</u>	<u>7,935</u>	<u>143,469</u>
			9,051	170,999	191,109
15,073		34,688			52,543
	32,443				32,443
					35,295
					220,000
					8,580
<u>15,073</u>	<u>32,443</u>	<u>34,688</u>	<u>9,051</u>	<u>170,999</u>	<u>539,970</u>
5,570	(4,927)	(13,941)	960	(163,064)	(396,501)
	122,497	19,148	12,183	296,297	745,780
<u>\$ 5,570</u>	<u>\$ 117,570</u>	<u>\$ 5,207</u>	<u>\$ 13,143</u>	<u>\$ 133,233</u>	<u>\$ 349,279</u>

CITY OF STAFFORD, TEXAS

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL (GAAP BASIS)

For the Year Ended September 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Interest	\$	\$ 203	\$ 203
Miscellaneous		5,405	5,405
Total Revenues		<u>5,608</u>	<u>5,608</u>
Expenditures			
Debt Service:			
Principal	220,000	220,000	
Interest and other charges	8,930	8,580	350
Total Expenditures	<u>228,930</u>	<u>228,580</u>	<u>350</u>
Changes in Fund Balance	(228,930)	(222,972)	5,958
Fund Balance - Beginning of Year	<u>229,260</u>	<u>229,260</u>	
Fund Balance - End of Year	<u>\$ 330</u>	<u>\$ 6,288</u>	<u>\$ 5,958</u>