



**CITY OF NACOGDOCHES, TEXAS**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

For the Year Ended  
September 30, 2015

As Prepared By:  
Finance Department  
City of Nacogdoches, Texas

**CITY OF NACOGDOCHES, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED SEPTEMBER 30, 2015**

**Prepared by: Finance Department  
City of Nacogdoches, Texas**

**CITY OF NACOGDOCHES, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**SEPTEMBER 30, 2015**

	<b><u>Page Number</u></b>
 <b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i – iv
Certificate of Achievement for Excellence in Financial Reporting.....	v
Organization Chart.....	vi
List of Principal Officials.....	vii
 <b>FINANCIAL SECTION</b>	
Independent Auditors’ Report.....	1 – 3
Management’s Discussion and Analysis .....	4 – 13
 Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	14
Statement of Activities.....	15 – 16
 Fund Financial Statements	
Balance Sheet – Governmental Funds .....	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	19

**CITY OF NACOGDOCHES, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2015**

	<b><u>Page Number</u></b>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Net Position – Proprietary Funds.....	21 – 22
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds .....	23 – 24
Statement of Cash Flows – Proprietary Funds.....	25 – 26
Statement of Fiduciary Net Position – Fiduciary Funds.....	27
Notes to Financial Statements.....	28 – 55
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	56 – 57
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual – Special Grants Fund – Special Revenue Fund.....	58
Schedule of Changes in Net Pension Liability and Related Ratios .....	59
Schedule of Contributions.....	60
Schedule of Funding Progress – Post-Retirement Health Care Benefit Plan .....	61
Notes to Required Supplementary Information .....	62
<b>Combining and Individual Fund Statements and Schedules</b>	
<b>Nonmajor Governmental Funds</b>	
Combining Balance Sheet.....	63 – 66

**CITY OF NACOGDOCHES, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**SEPTEMBER 30, 2015**

	<b><u>Page</u></b> <b><u>Number</u></b>
Budgetary Comparison Schedule – Economic Development Fund	67
Budgetary Comparison Schedule – Community Development Fund.....	68
Budgetary Comparison Schedule – Special Airport Fund.....	69
Budgetary Comparison Schedule – Forfeiture Fund .....	70
Budgetary Comparison Schedule – Historical Fund.....	71
Budgetary Comparison Schedule – Hotel and Motel Fund .....	72
Budgetary Comparison Schedule – Public Safety Fund .....	73
Budgetary Comparison Schedule – Mayor’s Committee On Disabilities Fund.....	74
Budgetary Comparison Schedule – Debt Service Fund.....	75
Budgetary Comparison Schedule – Sunset Cemetery Fund .....	76
 Internal Service Funds	
Combining Statement of Net Position Internal Service Funds .....	77
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Internal Service Funds .....	78
Combining Statements of Cash Flows Internal Service Funds .....	79
Combining Statement of Changes in Assets and Liabilities All Agency Funds .....	80

**CITY OF NACOGDOCHES, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**SEPTEMBER 30, 2015**

**STATISTICAL SECTION (Unaudited)**

	<u><b>Table</b></u>	<u><b>Page Number</b></u>
Net Position by Component .....	1	81 – 82
Changes in Net Position.....	2	83 – 86
Fund Balances of Governmental Funds .....	3	87 – 88
Changes in Fund Balances – Governmental Funds .....	4	89 – 90
Tax Revenues by Sources – Governmental Funds .....	5	91
Assessed Value and Estimated Actual Value of Taxable Property .....	6	92
Direct and Overlapping Property Tax Rates .....	7	93 – 94
Principal Property Tax Payers .....	8	95
Property Tax Levies and Collections .....	9	96
Direct and Overlapping Sales Tax Rates .....	10	97
Ratios of Outstanding Debt by Type .....	11	98 – 99
Ratios of General Bonded Debt Outstanding.....	12	100
Estimated General Obligation Overlapping Debt Statement .....	13	101
Pledged-Revenue Coverage .....	14	102
Legal Debt Margin Information .....	15	103
Demographic and Economic Statistics .....	16	104
Principal Employers.....	17	105
Full-Time-Equivalent City Government Employees by Function.....	18	106
Operating Indicators by Function .....	19	107 – 108
Capital Asset Statistics by Function .....	20	109

**CITY OF NACOGDOCHES, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
**SEPTEMBER 30, 2015**

	<u><b>Table</b></u>	<u><b>Page</b></u> <u><b>Number</b></u>
<b>INTERNAL CONTROL AND COMPLIANCE SECTION</b>		
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....		110 – 111
Independent Auditors’ Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....		112 – 113
Schedule of Expenditures of Federal Awards.....		114
Notes to Schedule of Expenditures of Federal Awards .....		115
Schedule of Findings and Questioned Costs.....		116
Summary Schedule of Prior Audit Findings.....		117

# **INTRODUCTORY SECTION**



March 15, 2016

To the Honorable Mayor, members of the City Council and the Citizens of the City of Nacogdoches, Texas

The comprehensive annual financial report of the City of Nacogdoches, Texas for the fiscal year ended September 30, 2015 is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Nacogdoches issue an annual report on its financial position and activities in conformity with U.S. generally accepted accounting principles (GAAP), and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Pattillo, Brown and Hill, LLP, Certified Public Accountants, have issued an unqualified opinion on the City of Nacogdoches, Texas' financial statements for the fiscal year ended September 30, 2015. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Nacogdoches' MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of Nacogdoches, incorporated in 1929, is located in Texas Forest Country at the intersections of U.S. Highway 59, State Highway 21, and State Highway 7. The City of Nacogdoches is 65 miles south of Interstate 20 and is located approximately 140 miles northeast of Houston, Texas, 90 miles southwest of Shreveport, Louisiana, and 160 miles southeast of Dallas, Texas. It also serves as the county seat for Nacogdoches County. The City currently has a land area of 27.01 square miles and a population of 32,996 according to the 2010 census. It is empowered to levy a property tax on both real and personal property located within its boundaries and has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City operates under a council-manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a mayor, elected at large, and four council members, elected by ward. Council members and the mayor are elected on a non-partisan basis, for two-year staggered terms with two councilmen elected on even years and two councilmen and the mayor elected on odd years. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations, and appointing the City department heads.

The City of Nacogdoches provides a full range of services, including: police and fire protection, the construction and maintenance of streets, water and sewer utilities, and solid waste disposal and recycling.

The annual budget serves as the foundation for the City of Nacogdoches' financial planning and control over spending. All city departments are expected to submit a request for appropriation to the City prior to the end of May each year. The City Manager uses these requests as a starting point for developing a proposed budget. The City Manager presents the proposed budget to the City Council for review prior to September 1. The Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 27, three days before the close of the City of Nacogdoches' fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g. police). The City Manager may make transfers of budgeted amounts within a department. The City Council must approve any revisions that alter the total appropriated budget of any department. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the General Fund, this comparison is presented as part of the basic financial statements. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the combining and individual fund statements and schedules.

### **Local economy**

The City currently enjoys a stable economy and although there was a downturn in sales tax revenue in 2013 and early 2014, there was a modest recovery in 2015. The economy of the region is dominated by timber, cattle, oil and gas production, poultry production, and manufacturing. The City is also the home of Stephen F. Austin State University, which has an enrollment of approximately 12,800. Pilgrim's Pride is the top employer in the city.

### **Long-term financial planning**

City Council established the following goals and objectives to be carried out during the next several years.

- Provide a sufficient and high quality work force.
  - Maintain a competitive pay scale to ensure the City retains its employees and is able to recruit a high quality work force.
  - Provide a competitive employee benefit package.

- Improve existing services to the citizens of Nacogdoches
  - Continue to explore and develop programs to reduce crime
  - Promote proactive programs and agreements to provide public safety
  - Provide quality leisure opportunities by:
    - Continuing trail development
    - Providing more recreational programs
    - Addressing aquatic facility needs
    - Expanding offering of free computer services
    - Increasing availability of public Internet access
    - Creating City historic sites education programs
  - Provide water supply to meet future needs including:
    - Improvements to distribution system
    - Rehabilitation of wells and tanks
  - Maintain water quality at a high standard
- Maintain and improve financial integrity of the City of Nacogdoches
  - Retain high bond rating and financial reputation
  - Maintain an unallocated fund balance of at least 25% of annual expenditures in the General, Utility, and Sanitation Funds
  - Explore new and innovative revenue sources
  - Improve plan for replacement of fixed assets
  - Improve purchase system
  - Maintain competitive rates
- Strong commitment to providing capital equipment and capital improvements
  - Provide a funding level for capital equipment that meets the need of the City of Nacogdoches
  - Utilize a conservative portion of the City's unallocated reserve to fund needed capital improvements
  - Continue to set aside funds for the replacement of existing equipment
  - Continue to schedule out future capital equipment and capital improvement needs as funds are available

## **Financial Policies**

The City has adopted a set of financial policies to guide the financial operations of the City. Included in the policies are guidelines for accumulating and maintaining an operating position in certain budgeted governmental funds such that annual expenditures shall not exceed annual resources, including fund balances. The City shall accumulate and maintain an operating position in all proprietary funds such that annual expenses shall not exceed annual resources, including working cash balances. Other funds shall be fully self-supporting to the extent that the fund balance or retained earnings of each fund shall be zero or greater. The City has also adopted a policy to maintain an uncommitted cash balance reserve in an amount equal or greater than 25% of the annual operating budget for the General Fund, Utility Fund and Sanitation Fund.

At September 30, 2015 the City of Nacogdoches has accumulated the following amounts in support of these policies

Fund	Policy Amount	Reserve Total
Governmental Funds		
General Fund – 25%	\$ 5,646,392	\$ 10,460,715
Proprietary Funds:		
Utility Fund – 25%	\$ 2,846,554	\$ 2,834,816*
Sanitation Fund – 25%	\$ 1,079,927	\$ 2,390,032

\*Reserve was below reserve requirement by less than 1% due to unseasonal rain resulting in lower water consumption than anticipated and an associated decrease in revenue.

**Major initiatives**

Major improvements to the City’s water distribution system should be completed in FY 2015, which will address capacity and pressure issues.

In FY 2015 the City will continue construction on improvements to its wastewater collection system, which will reduce the number of overflows.

The City is in the early stages of addressing drainage issues along the Lanana creek by acquiring property in the floodway to reduce the impact of flood loss to private property owners.

The City is in the early stages of improving its trail system by expanding the trail system to include a trail along the Banita creek, which will connect to the Lanana Creek Trail.

**Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Nacogdoches for its comprehensive annual financial report for the fiscal year ended September 30, 2013. This is the fifth consecutive year that the City has received the award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance department. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectively submitted,



Jim Jeffers  
City Manager



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Nacogdoches  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2014**

Executive Director/CEO

# Staff Organizational Chart

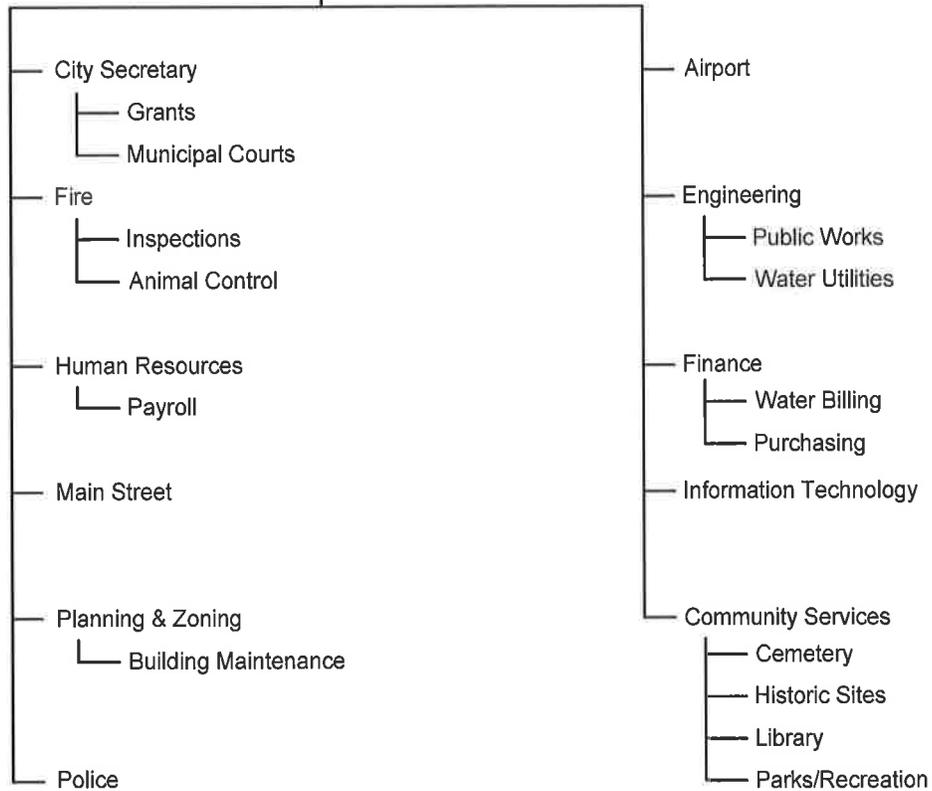
Nacogdoches Citizens

Mayor & City Council

Boards & Commissions

Health Officer

City Manager ----- City Attorney



# CITY OF NACOGDOCHES, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

## Elected Officials

---

<u>Name</u>	<u>Office</u>
Roger Van Horn	Mayor
Shelley Brophy	Mayor Pro-Tem
Ray Bolden	Vice Mayor Pro-Tem
Mike Keller	Council Member
David Norton	Council Member

## Appointed Officials

---

<u>Name</u>	<u>Position</u>
Jim Jeffers	City Manager
Jan Vinson	City Secretary
Pamela Curbow	Director of Finance

# **FINANCIAL SECTION**



P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### ***Opinions***

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

### ***Change in Accounting Principle***

As discussed in Note II to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, schedule of contributions, and the schedule of funding progress – post-retirement health care benefit plan on pages 4 through 13 and 56 through 61 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Nacogdoches, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, statistical section and the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016, on our consideration of the City of Nacogdoches, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Nacogdoches, Texas' internal control over financial reporting and compliance.

*Pattillo, Brown + Hill, L.L.P.*

Waco, Texas  
March 8, 2016

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Nacogdoches (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, 2015.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$113,474,239 (net position). Of this amount, \$22,668,602 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$4,365,911 for the year ended September 30, 2015 from operations, compared to an increase of \$3,092,975 for the year ended September 30, 2014. There were also prior period adjustments for the implementation of GASB 68 that decreased net position by \$6,913,599 for FY 2015.
- As the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,735,444.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$10,264,994 or 48% of total General Fund expenditures.
- The City's total debt increased by (\$4,967,527) during the current fiscal year. This was mainly due to the implementation of GASB 68 which includes the City's net unfunded pension liability.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information 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 City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, health and welfare, culture and recreation, highways and streets. The business-type activities of the City include a water and sewer operation and a sanitation collection and disposal operation.

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

**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 current sources and uses 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, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 12 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 debt service fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

**Proprietary funds** — The City maintains two different types of proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operation, for its sanitation collection and disposal operation, and for its airport fuel operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the city's various functions. The City uses internal service funds to account for its purchase of equipment for the general fund and its self-funded health insurance plan. Because this service benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operation and for the sanitation collection and disposal operation, both of which are considered to be major funds of the City. Conversely, the internal service fund is a single, aggregated presentation in the proprietary fund financial statements. Data for the internal service fund is provided in the form of combining statements elsewhere in this report.

**Notes to the financial statements** — The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Combining statements** — The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Analysis of the City’s Financial Position —

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. As of September 30, 2015, the City’s assets exceeded liabilities by \$113,474,239.

The largest portion of the City’s net position (72%) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in 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.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 18,328,410	\$ 18,009,267	\$ 30,913,626	\$ 30,622,478	\$ 49,242,036	\$ 48,631,745
Capital assets	33,832,188	34,947,322	97,957,686	96,685,862	131,789,874	131,633,184
Total assets	<u>52,160,598</u>	<u>52,956,589</u>	<u>128,871,312</u>	<u>127,308,340</u>	<u>181,031,910</u>	<u>180,264,929</u>
Total deferred outflow of resources	<u>2,266,495</u>	<u>412,158</u>	<u>811,589</u>	<u>431,587</u>	<u>3,078,084</u>	<u>843,745</u>
Long-term liabilities	18,022,107	11,536,115	50,422,771	51,940,329	68,444,878	63,476,444
Other liabilities	<u>1,019,678</u>	<u>986,969</u>	<u>537,751</u>	<u>623,334</u>	<u>1,557,429</u>	<u>1,610,303</u>
Total liabilities	<u>19,041,785</u>	<u>12,523,084</u>	<u>50,960,522</u>	<u>52,563,663</u>	<u>70,002,307</u>	<u>65,086,747</u>
Total deferred inflow of resources	<u>519,498</u>	<u>-</u>	<u>113,950</u>	<u>-</u>	<u>633,448</u>	<u>-</u>
Net position:						
Invested in capital assets, net of related debt	27,474,788	25,820,583	54,371,566	45,389,352	81,846,354	71,209,935
Restricted	4,703,439	5,709,616	4,255,844	4,230,285	8,959,283	9,939,901
Unrestricted	<u>2,687,583</u>	<u>9,315,464</u>	<u>19,981,019</u>	<u>25,556,627</u>	<u>22,668,602</u>	<u>34,872,091</u>
Total net position	<u>\$ 34,865,810</u>	<u>\$ 40,845,663</u>	<u>\$ 78,608,429</u>	<u>\$ 75,176,264</u>	<u>\$ 113,474,239</u>	<u>\$ 116,021,927</u>

A portion of the City's net position (8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$22,668,602, may be used to meet the City's ongoing obligations to citizens and creditors.

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

#### **Analysis of the City's Operations—**

Governmental activities – Governmental activities increased the City's net position by \$220,205. Significant reasons for this increase are as follows:

- The increases in property tax assessed values and sales tax collections.
- Increase in charges for services including Inspection Permits and Recreation Fees and the County's contribution to combined dispatch Operations.

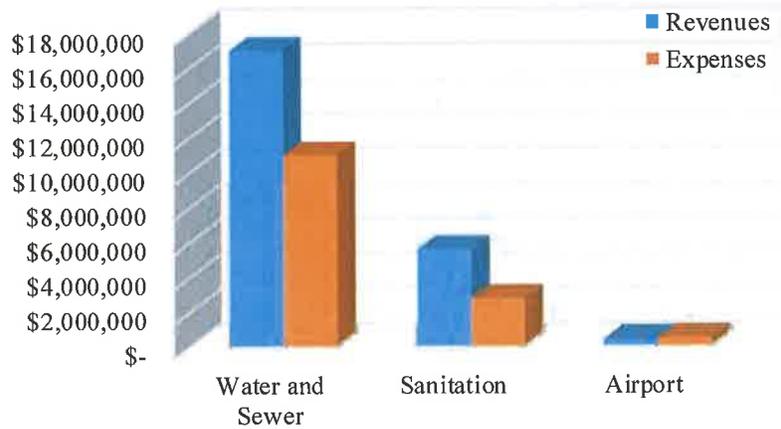
The following table provides a summary of the City's operations for the year ended September 30, 2015, and 2014.

## CITY OF NACOGDOCHES' CHANGES IN NET POSITION

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 2,617,432	\$ 2,373,685	\$ 22,408,028	\$ 21,734,072	\$ 25,025,460	\$ 24,107,757
Operating grants and contributions	535,337	247,111	-	-	535,337	247,111
Capital grants and contributions	58,270	415,309	1,005,188	259,203	1,063,458	674,512
General revenues:						
Property taxes	8,294,720	7,852,946	-	-	8,294,720	7,852,946
Sales taxes	5,724,160	5,460,720	-	-	5,724,160	5,460,720
Franchise taxes	2,505,532	2,575,624	-	-	2,505,532	2,575,624
Other taxes	837,225	799,041	-	-	837,225	799,041
Penalties and interest on taxes	152,406	123,151	-	-	152,406	123,151
Investment earnings	58,165	52,245	82,548	91,937	140,713	144,182
Miscellaneous revenue	101,865	83,709	377,105	364,382	478,970	448,091
Gain on sale of capital assets	543,293	28,740	62,164	22,092	605,457	50,832
Total revenues	<u>21,428,405</u>	<u>20,012,281</u>	<u>23,935,033</u>	<u>22,471,686</u>	<u>45,363,438</u>	<u>42,483,967</u>
Expenses:						
General government	4,443,151	4,635,539	-	-	4,443,151	4,635,539
Public safety	13,977,452	13,996,948	-	-	13,977,452	13,996,948
Highways and streets	2,300,242	2,520,977	-	-	2,300,242	2,520,977
Cultural and recreation	4,953,709	2,422,034	-	-	4,953,709	2,422,034
Economic development	849,113	840,759	-	-	849,113	840,759
Debt service	276,975	289,704	-	-	276,975	289,704
Water and sewer	-	-	10,976,691	11,053,329	10,976,691	11,053,329
Sanitation	-	-	2,769,584	3,092,057	2,769,584	3,092,057
Airport	-	-	450,610	539,645	450,610	539,645
Total expenses	<u>26,800,642</u>	<u>24,705,961</u>	<u>14,196,885</u>	<u>14,685,031</u>	<u>40,997,527</u>	<u>39,390,992</u>
Increase in net position before transfers	( 5,372,237)	( 4,693,680)	9,738,148	7,786,655	4,365,911	3,092,975
Transfers	<u>5,592,442</u>	<u>5,370,715</u>	<u>( 5,592,442)</u>	<u>( 5,370,715)</u>	<u>-</u>	<u>-</u>
Increase in net position	220,205	677,035	4,145,706	2,415,940	4,365,911	3,092,975
Prior period adjustment	( 6,200,058)	( 1,662,861)	( 713,541)	( 1,029,252)	( 6,913,599)	( 2,692,113)
Net position - beginning	<u>40,845,663</u>	<u>41,831,489</u>	<u>75,176,264</u>	<u>73,789,576</u>	<u>116,021,927</u>	<u>115,621,065</u>
Net position - ending	<u>\$ 34,865,810</u>	<u>\$ 40,845,663</u>	<u>\$ 78,608,429</u>	<u>\$ 75,176,264</u>	<u>\$ 113,474,239</u>	<u>\$ 116,021,927</u>

Business-type activities. Business type activities increased the City’s net position by \$4,145,706. Key elements of this increase are as follows:

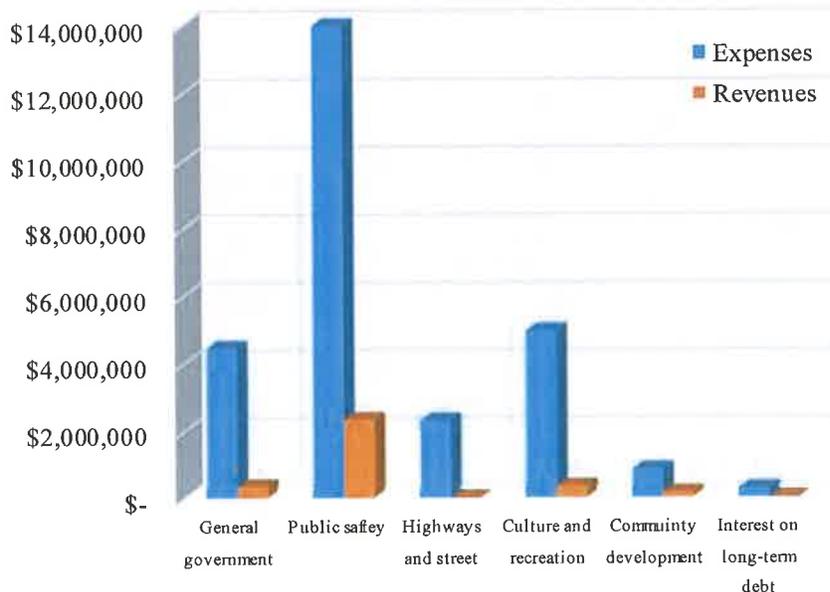
**PROGRAM REVENUES AND EXPENSES -  
BUSINESS-TYPE ACTIVITIES**



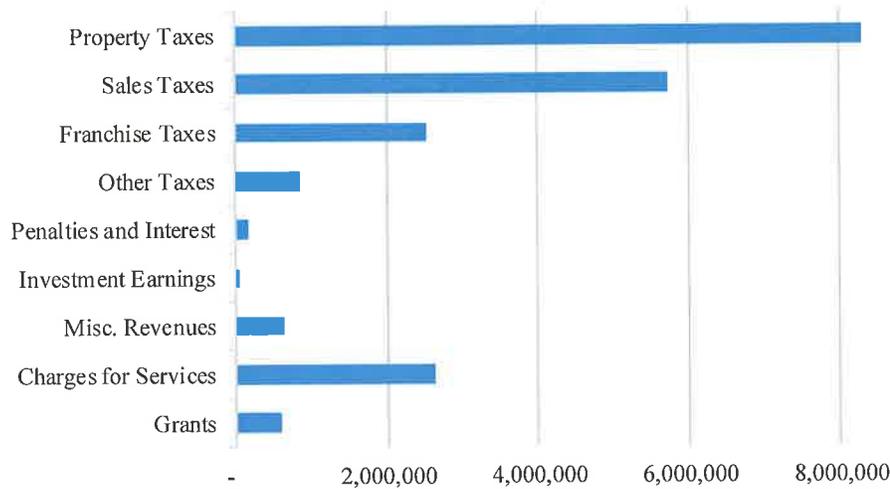
**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

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 financial 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.

**PROGRAM REVENUES AND EXPENSES -  
GOVERNMENTAL ACTIVITIES**



## REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



At September 30, 2015, The City's governmental funds reported combined ending fund balances of \$13,735,444. Of the fiscal year 2015 total fund balance, \$452,953 (3%) is classified as nonspendable because it is invested in long-term loans receivable and prepaid items and, therefore, is not in spendable form, \$3,157,262 (23%) is classified as restricted to indicate that it can only be spent for specific purposes as stipulated by external resource providers (for example, through debt covenants, grant agreements, or by laws or regulations of other governments), \$59,585 is classified as committed to indicate that it has been set aside for specific purposes by resolution of the City Council, and the remaining \$10,065,644 is unassigned. Unassigned fund balances are technically available for any purpose, but are maintained at targeted levels in accordance with sound financial management practices.

The general fund is the chief operating fund of the City of Nacogdoches. At the end of the current fiscal year, unassigned fund balance of the general fund was \$10,264,994, while total fund balance reached \$10,993,415. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 48% of total general fund expenditures, while total fund balance represents 52% of that same amount.

A comparison of key governmental revenues follows:

	Revenues	
	Governmental Funds	
	2015	2014
Property tax	\$ 8,323,689	\$ 7,802,983
Sales tax	5,724,160	5,460,720
Franchise tax	2,505,532	2,575,624
Hotel and motel tax	752,383	713,537
Licenses and permits	328,624	245,491
Fines and forfeitures	922,397	963,481
Charges for services	311,837	296,262
Intergovernmental	744,179	854,670
Investment earnings	48,315	41,865
Miscellaneous	955,828	740,548
<b>Total</b>	<b>\$ 20,616,944</b>	<b>\$ 19,695,181</b>

- Property tax revenue increased as a result of an increase in assessed values.
- Sales tax revenue reflected an increase which is a reflection of the local economy.
- Hotel taxes increased as a result of the a slight improvement in the local economy.

The fund balance of the City's general fund increased by \$1,568,398 during the current fiscal year. The key factor in this increase was as follows:

- An increase in property tax receipts.
- An increase in sale tax receipts.
- Not filling vacant positions and replacing retiring employees at lower salaries.
- Department Directors made budgetary cuts within their line items so that the amount spent in the fiscal year was less than the original budget.

The debt service fund had a total fund balance of \$216,054, all of which is reserved for payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$101.

#### Proprietary Funds –

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

Unrestricted net position of the water and sewer operations at the end of the year amounted to \$17,907,552, total unrestricted net position for the sanitation operation amounted to \$2,115,157, and total unrestricted net position for the airport operation amounted to (\$41,690). The total change in net position for all three funds were \$3,368,727, \$756,635, and \$20,344 , respectively, before prior period adjustments. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

#### **General Fund Budgetary Highlights**

The difference between total expenditures and the final amended budget was \$2,813,173 as a result of adjustments to the city's contribution to the employees retirement system in the general fund during the year ended September 30, 2015.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets**—The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2015 and September 30, 2014, amounted to \$131,789,874 and \$131,633,184 (net of accumulated depreciation), respectively. This investment in capital assets includes land, building and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total net increase in the Major capital asset events during the current fiscal year included the following:

- Continuing construction on new sewer line, which is estimated to cost \$2.5 million.
- Continuing rehab and construction on water wells, which is estimated to cost \$2.9 million.
- Continuing construction on pump station, water storage tank improvements, and water line improvements, which is estimated to cost \$5 million.

### CITY OF NACOGDOCHES’ CAPITAL ASSETS AT YEAR-END

	Capital Assets					
	Governmental Activities		Business-Type Activites		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 3,653,682	\$ 3,611,982	\$ 1,606,403	\$ 1,606,403	\$ 5,260,085	\$ 5,218,385
Buildings and systems	15,457,275	15,310,934	137,571,845	136,332,238	153,029,120	151,643,172
Improvements other than buildings	3,256,936	3,201,808	6,199,176	2,924,080	9,456,112	6,125,888
Machinery and equipment	13,562,372	12,939,652	13,067,686	12,066,528	26,630,058	25,006,180
Infrastructure	46,600,919	46,600,919	-	-	46,600,919	46,600,919
Construction in progress	917,299	917,299	20,815,320	20,874,350	21,732,619	21,791,649
Accumulated depreciation	(49,616,295)	(47,635,272)	( 81,302,744)	( 77,117,737)	( 130,919,039)	( 124,753,009)
Total assets	<u>\$ 33,832,188</u>	<u>\$ 34,947,322</u>	<u>\$ 97,957,686</u>	<u>\$ 96,685,862</u>	<u>\$ 131,789,874</u>	<u>\$ 131,633,184</u>

Additional information on the City’s capital assets can be found in Note 5 in the notes to the financial statements.

**Long-term debt**—At the end of the current fiscal year, the City had total bonded debt outstanding of \$48,065,000.

### CITY OF NACOGDOCHES’ OUTSTANDING LONG-TERM OBLIGATIONS

	Outstanding Long-Term Obligations					
	Governmental Activites		Business-Type Activites		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 6,370,000	\$ 7,255,000	\$ -	\$ -	\$ 6,370,000	\$ 7,255,000
Revenues bonds	-	-	41,695,000	44,720,000	41,695,000	44,720,000
Capital leases	-	-	660,316	-	660,316	-
Bond premium (discount)	326,912	403,192	1,619,715	1,759,448	1,946,627	2,162,640
Compensated absences payable	1,715,251	1,641,729	247,090	234,018	1,962,341	1,875,747
OPEB liability	174,675	169,706	35,838	32,856	210,513	202,562
Net pension obligation	9,435,269	2,066,488	2,069,602	400,090	11,504,871	2,466,578
Landfill closure and post-closure	-	-	4,117,448	4,817,062	4,117,448	4,817,062
Total long-term obligations	<u>\$ 18,022,107</u>	<u>\$ 11,536,115</u>	<u>\$ 50,445,009</u>	<u>\$ 51,963,474</u>	<u>\$ 68,467,116</u>	<u>\$ 63,499,589</u>

The City's total debt decreased by (\$4,967,527) during the current fiscal year. The main cause of increase in long-term debt was due to the inclusion of the unfunded net pension liability. This has been included due to the application of GASB 68. Additional information on the City's long-term obligations can be found in Note H - Long-Term Obligations in the financial statements.

The City of Nacogdoches maintained an "AA-" rating for general obligation bonds and an "A+" rating for revenue bonds from Standard & Poor's.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Nacogdoches considered many factors when setting the fiscal year 2015-2016 budget, tax rates, and fees that would be charges for business-type activities. One of these factors was the economy. With a recent history of an increase in local sales tax receipts, the City budgeted sales tax receipts for FY 2015-2016 approximately four percent (4%) higher than FY 2014-2015. The City adopted a property tax rate of \$0.5681/\$100 valuations which is equivalent to the effective tax rate. The City's 2015-2016 budget appropriate reserve funds to replace or repair aging infrastructure, and at the same time, still maintain a 25% reserve requirement.

The 2015-2016 General Fund operating expenditures budget increased by 1.9% or \$435,423 from FY 2014-2015 adopted budget.

The 2015-2016 budget for the Water and Sewer fund did not include a fee increased for Water or Sewer but noted that a mid-year rate study would be completed and the results taken to Council for consideration of a rate increase, if needed.

The 2015-2016 budget for the Sanitation Fund did not include a fee increase for Sanitation charges but noted that mid-year rate study would be completed and the results taken to Council for consideration of a rate increase, if needed.

The total operating budget for 2015-2016 is on target for both revenues and expenditures at the issuance of these statements.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Finance Director, 202 E. Pilar, City of Nacogdoches, Texas 75961.

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF NACOGDOCHES, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 13,519,761	\$ 20,171,667	\$ 33,691,428
Receivables (net of allowance for uncollectible):			
Property Taxes	496,129	-	496,129
Customer accounts	234,041	2,714,080	2,948,121
Intergovernmental	515,235	673,258	1,188,493
Internal balances	( 125,000)	125,000	-
Inventories	-	34,286	34,286
Prepaid items	12,864	42,704	55,568
Advances for economic development	427,225	-	427,225
Long-term prepaid software fees	12,864	37,104	49,968
Restricted Assets:			
Cash and Cash equivalents	3,235,291	7,115,527	10,350,818
Capital Assets (net of accumulated depreciation):			
Land	3,653,682	1,606,403	5,260,085
Utility system and buildings	9,195,830	66,302,982	75,498,812
Improvements other than buildings	1,240,724	4,678,755	5,919,479
Machinery and equipment	2,213,681	4,554,226	6,767,907
Infrastructure	16,610,972	-	16,610,972
Construction in progress	917,299	20,815,320	21,732,619
Total Assets	<u>52,160,598</u>	<u>128,871,312</u>	<u>181,031,910</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	1,926,983	422,678	2,349,661
Deferred charge on refunding	339,512	388,911	728,423
Total Deferred Outflows of Resources	<u>2,266,495</u>	<u>811,589</u>	<u>3,078,084</u>
<b>LIABILITIES</b>			
Accounts payable	86,674	180,584	267,258
Accrued expenses	810,936	195,013	1,005,949
Accrued interest payable	21,238	123,703	144,941
Unearned revenues	-	16,213	16,213
Other liabilities	100,830	22,238	123,068
Noncurrent Liabilities:			
Amounts due within one year	1,022,712	2,913,001	3,935,713
Amount due within more than one year	16,999,395	47,509,770	64,509,165
Total Liabilities	<u>19,041,785</u>	<u>50,960,522</u>	<u>70,002,307</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	519,498	113,950	633,448
Total Deferred Inflows of Resources	<u>519,498</u>	<u>113,950</u>	<u>633,448</u>
<b>NET POSITION</b>			
Net Investment in capital assets	27,474,788	54,371,566	81,846,354
Restricted for:			
Debt service	1,762,231	2,786,803	4,549,034
Construction	-	1,469,041	1,469,041
Law enforcement	624,101	-	624,101
Public access channel	455,698	-	455,698
Promotion of tourism	1,289,883	-	1,289,883
Economic development	293,658	-	293,658
Cemetery trust			
Spendable	277,868	-	277,868
Unrestricted	2,687,583	19,981,019	22,668,602
Total Net Position	<u>\$ 34,865,810</u>	<u>\$ 78,608,429</u>	<u>\$ 113,474,239</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF NACOGDOCHES, TEXAS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 4,443,151	\$ 316,525	\$ -	\$ 41,700
Public safety	13,977,452	1,946,627	366,337	16,570
Highways and streets	2,300,242	-	-	-
Culture and recreation	4,953,709	354,280	-	-
Community development	849,113	-	169,000	-
Interest on long-term debt	276,975	-	-	-
Total governmental activities	<u>26,800,642</u>	<u>2,617,432</u>	<u>535,337</u>	<u>58,270</u>
Business-type activities:				
Water and sewer	10,976,691	16,646,161	-	1,005,188
Sanitation	2,769,584	5,398,981	-	-
Airport fuel operations	450,610	362,886	-	-
Total business-type activities	<u>14,196,885</u>	<u>22,408,028</u>	<u>-</u>	<u>1,005,188</u>
Total primary government	<u>\$ 40,997,527</u>	<u>\$ 25,025,460</u>	<u>\$ 535,337</u>	<u>\$ 1,063,458</u>

**General revenues:**

- Property Taxes
- Sales Taxes
- Franchise Taxes
- Other Taxes
- Penalties and Interest
- Investment Earnings
- Gain on Sale of Capital Assets
- Miscellaneous Revenue
- Transfers
- Total General Revenues and Transfers
- Change in Net Position
- Net Position- Beginning
- Prior Period Adjustment
- Net Position- Ending

**The accompanying notes are an integral part of these financial statements.**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 4,084,926)	\$ -	\$( 4,084,926)
( 11,647,918)	-	( 11,647,918)
( 2,300,242)	-	( 2,300,242)
( 4,599,429)	-	( 4,599,429)
( 680,113)	-	( 680,113)
( 276,975)	-	( 276,975)
<u>( 23,589,603)</u>	<u>-</u>	<u>( 23,589,603)</u>
-	6,674,658	6,674,658
-	2,629,397	2,629,397
-	( 87,724)	( 87,724)
<u>-</u>	<u>9,216,331</u>	<u>9,216,331</u>
<u>( 23,589,603)</u>	<u>9,216,331</u>	<u>( 14,373,272)</u>
8,294,720	-	8,294,720
5,724,160	-	5,724,160
2,505,532	-	2,505,532
837,225	-	837,225
152,406	-	152,406
58,165	82,548	140,713
543,293	62,164	605,457
101,865	377,105	478,970
<u>5,592,442</u>	<u>( 5,592,442)</u>	<u>-</u>
<u>23,809,808</u>	<u>( 5,070,625)</u>	<u>18,739,183</u>
220,205	4,145,706	4,365,911
40,845,663	75,176,264	116,021,927
<u>( 6,200,058)</u>	<u>( 713,541)</u>	<u>( 6,913,599)</u>
<u>\$ 34,865,810</u>	<u>\$ 78,608,429</u>	<u>\$ 113,474,239</u>

**CITY OF NACOGDOCHES TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 10,458,950	\$ -	\$ -	\$ 33,672	\$ 10,492,622
Property taxes receivable	418,993	77,136	-	-	496,129
Accounts receivable	229,233	-	-	4,808	234,041
Due from other governments	475,007	-	18,967	21,261	515,235
Due from other funds	127,805	-	-	-	127,805
Advances for economic development	-	-	-	427,225	427,225
Prepaid and other assets	12,864	-	-	-	12,864
Prepaid software fees	12,864	-	-	-	12,864
Restricted cash	709,607	216,054	37,946	2,271,684	3,235,291
Total Assets	<u>12,445,323</u>	<u>293,190</u>	<u>56,913</u>	<u>2,758,650</u>	<u>15,554,076</u>
<b>LIABILITIES</b>					
Accounts payable	53,349	-	-	33,325	86,674
Accrued expenditures	661,793	-	3,458	-	665,251
Due to other funds	-	-	252,805	-	252,805
Due to other governments	100,830	-	-	-	100,830
Total Liabilities	<u>815,972</u>	<u>-</u>	<u>256,263</u>	<u>33,325</u>	<u>1,105,560</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	418,993	77,136	-	-	496,129
Unavailable revenue - court fines	216,943	-	-	-	216,943
Total Deferred Inflows of Resources	<u>635,936</u>	<u>77,136</u>	<u>-</u>	<u>-</u>	<u>713,072</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Long-term loans receivable	-	-	-	427,225	427,225
Prepaid items	25,728	-	-	-	25,728
Restricted:					
Retirement of long-term debt	-	216,054	-	-	216,054
Public access channel	455,698	-	-	-	455,698
Court appointed balances	246,995	-	-	377,106	624,101
Promotion of tourism	-	-	-	1,289,883	1,289,883
Economic development	-	-	-	293,658	293,658
Sunset trust	-	-	-	277,868	277,868
Committed:					
Health and welfare	-	-	-	4,652	4,652
Airport	-	-	-	54,933	54,933
Unassigned	10,264,994	-	( 199,350)	-	10,065,644
Total Fund balances	<u>10,993,415</u>	<u>216,054</u>	<u>( 199,350)</u>	<u>2,725,325</u>	<u>13,735,444</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,445,323</u>	<u>\$ 293,190</u>	<u>\$ 56,913</u>	<u>\$ 2,758,650</u>	<u>\$ 15,554,076</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF NACOGDOCHES, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Total fund balances - governmental funds	\$	13,735,444
Amounts reported for governmental activities in the statements of net position ("SNP") are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		32,899,918
Other long-term assets are not available as current period resources and are not reported in the funds.		
Property taxes receivable, net of allowance for uncollectible amounts		496,129
Court fines receivable, net of allowance for uncollectible amounts		216,943
Deferred charge on refunding		339,512
An internal service fund is used to charge the cost of health insurance to individual funds. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		624,673
An internal service fund is used for equipment acquisition and replacement. The governmental funds' share of the assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		3,189,051
Long-term liabilities are not payable in the current period and are not reported		
Bonds payable	(	6,370,000)
Unamortized bond premiums (discounts)	(	326,912)
Compensated absences	(	1,715,251)
Net pension obligation	(	9,435,269)
Deferred resources related to pensions		1,407,485
Net OPEB obligation	(	174,675)
Interest payable	(	<u>21,238</u> )
Net position of governmental activities	\$	<u>34,865,810</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF NACOGDOCHES, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	Special Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 7,158,372	\$ 1,165,317	\$ -	\$ -	\$ 8,323,689
General sale taxes	5,724,160	-	-	-	5,724,160
Franchise taxes	2,505,532	-	-	-	2,505,532
Hotel/motel occupancy taxes	-	-	-	752,383	752,383
Mixed beverage taxes	84,842	-	-	-	84,842
Licenses and permits	328,624	-	-	-	328,624
Fines and forfeitures	850,420	-	-	71,977	922,397
Charges for services	311,837	-	-	-	311,837
Penalties on tax collections	152,406	-	-	-	152,406
Investment earnings	31,377	2,734	2,418	11,786	48,315
Intergovernmental	375,738	-	341,317	27,124	744,179
Miscellaneous	181,725	-	590,785	183,318	955,828
Total revenues	<u>17,705,033</u>	<u>1,168,051</u>	<u>934,520</u>	<u>1,046,588</u>	<u>20,854,192</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,155,035	-	-	42,522	4,197,557
Public safety	13,053,085	-	186,366	16,809	13,256,260
Highways and streets	1,610,945	-	-	-	1,610,945
Culture and recreation	2,170,905	-	2,489,535	4,725	4,665,165
Community development	-	-	-	837,041	837,041
Principal	-	885,000	-	-	885,000
Interest	-	282,950	-	-	282,950
Capital Outlay	301,742	-	148,166	80,182	530,090
Total Expenditures	<u>21,291,712</u>	<u>1,167,950</u>	<u>2,824,067</u>	<u>981,279</u>	<u>26,265,008</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>( 3,586,679)</u>	<u>101</u>	<u>( 1,889,547)</u>	<u>65,309</u>	<u>( 5,410,816)</u>
Other financing sources (uses):					
Transfers in	5,458,383	-	360,000	103,306	5,921,689
Transfers out	( 303,306)	-	-	( 25,941)	( 329,247)
Sale of Capital Assets	-	-	500,288	-	500,288
Total other financial sources (uses)	<u>5,155,077</u>	<u>-</u>	<u>860,288</u>	<u>77,365</u>	<u>6,092,730</u>
Net change in Fund Balances	1,568,398	101	( 1,029,259)	142,674	681,914
Fund Balances - Beginning	<u>9,425,017</u>	<u>215,953</u>	<u>829,909</u>	<u>2,582,651</u>	<u>13,053,530</u>
Fund Balance - Ending	<u>\$ 10,993,415</u>	<u>\$ 216,054</u>	<u>\$( 199,350)</u>	<u>\$ 2,725,325</u>	<u>\$ 13,735,444</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF NACOGDOCHES, 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, 2015**

Net change in fund balances - total governmental funds	\$	681,914
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		577,427
The depreciation of capital assets used in governmental activities is not reported in the funds.	(	1,760,073)
The gain or loss on the sale of capital assets is not reported in the funds.	(	8,219)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(	28,969)
Certain municipal court revenues are deferred in the funds. This is the change in these amounts this year.		8,339
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		885,000
The net pension obligation is not recorded in the funds but is an expense in the SOA.		168,481
The OPEB obligation is not recorded in the funds, but is an expense in the SOA.	(	4,969)
The accretion of bond premiums, net of discounts, is not reported in the funds.		3,634
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(	73,522)
(Increase) decrease in accrued interest from beginning of period to end of period.		2,341
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	(	301,460)
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows or inflow. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability are amortized.		70,281
Change in net position of governmental activities	\$	220,205

**The accompanying notes are an integral part of these financial statements.**

**CITY OF NACOGDOCHES, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**

	Business-type Activities			Governmental Activities	
	Enterprise Fund	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
	Water and Sewer Fund	Sanitation Fund	Airport Fuel Operations Fund		
Current assets:					
Cash and cash equivalents	\$ 16,607,661	\$ 3,550,526	\$ 13,480	\$ 20,171,667	\$ 3,027,139
Receivables (net of allowance for uncollectible)					
Accounts	2,291,441	419,661	2,978	2,714,080	-
Intergovernmental	652,758	20,500	-	673,258	-
Due from other funds	125,000	-	-	125,000	-
Prepaid items	24,152	18,552	-	42,704	-
Inventories	-	-	34,286	34,286	-
Total Current Assets	<u>19,701,012</u>	<u>4,009,239</u>	<u>50,744</u>	<u>23,760,995</u>	<u>3,027,139</u>
Noncurrent assets:					
Restricted assets:					
Construction Funds:					
Cash and cash equivalents	1,469,041	-	-	1,469,041	-
Revenue Bond Interest and Sinking Funds:					
Cash and cash equivalents	1,464,410	-	-	1,464,410	-
Revenue Bond Reserve Funds:					
Cash and cash equivalents	1,322,393	-	-	1,322,393	-
Landfill:					
Cash and cash equivalents	-	2,859,683	-	2,859,683	-
Total Restricted Assets	<u>4,255,844</u>	<u>2,859,683</u>	<u>-</u>	<u>7,115,527</u>	<u>-</u>
Long-term prepaid software fees	18,552	18,552	-	37,104	-
Unamortized bond charges	-	-	-	-	-
Capital Assets (net of accumulated depreciation):					
Land	717,701	888,702	-	1,606,403	-
Water systems, building, and equipment	104,271,542	-	-	104,271,542	-
Sewer systems, building, and equipment	33,300,303	-	-	33,300,303	-
Buildings	-	6,199,176	-	6,199,176	-
Machinery and equipment	5,522,346	6,399,856	183,766	12,105,968	4,182,557
Dumpsters	-	961,718	-	961,718	-
Construction in progress	20,805,336	9,984	-	20,815,320	-
Less accumulated depreciation	<u>( 75,520,360)</u>	<u>( 5,683,248)</u>	<u>( 99,136)</u>	<u>( 81,302,744)</u>	<u>( 3,250,287)</u>
Total Capital Assets	<u>89,096,868</u>	<u>8,776,188</u>	<u>84,630</u>	<u>97,957,686</u>	<u>932,270</u>
Total Noncurrent Assets	<u>93,371,264</u>	<u>11,654,423</u>	<u>84,630</u>	<u>105,110,317</u>	<u>932,270</u>
Total Assets	<u>\$ 113,072,276</u>	<u>\$ 15,663,662</u>	<u>\$ 135,374</u>	<u>\$ 128,871,312</u>	<u>\$ 3,959,409</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions	292,329	115,527	14,822	422,678	-
Deferred charge on refunding	388,911	-	-	388,911	-
Total Deferred Outflow of Resources	<u>681,240</u>	<u>115,527</u>	<u>14,822</u>	<u>811,589</u>	<u>-</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF NACOGDOCHES, TEXAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-type Activities			Governmental	
	Enterprise Fund	Enterprise Fund	Nonmajor	Internal Service Funds	
			Enterprise Fund		Total
	Water and Sewer Fund	Sanitation Fund	Airport Fuel Operations Fund	Enterprise Funds	
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 169,202	\$ 11,382	\$ -	\$ 180,584	\$ -
Accrued expenses	108,311	79,982	6,720	195,013	145,685
Accrued compensated absences	14,141	7,400	697	22,238	-
Unearned revenue	-	-	16,213	16,213	-
Total Unrestricted Current Liabilities	<u>291,654</u>	<u>98,764</u>	<u>23,630</u>	<u>414,048</u>	<u>145,685</u>
Current Liabilities Payable from Restricted Assets:					
Revenue bonds payable	2,807,030	-	-	2,807,030	-
Capital leases payable	-	105,971	-	105,971	-
Accrued interest payable	123,703	-	-	123,703	-
Total current Liabilities Payable					
From Restricted Assets	<u>2,930,733</u>	<u>105,971</u>	<u>-</u>	<u>3,036,704</u>	<u>-</u>
Total Current Liabilities	<u>3,222,387</u>	<u>204,735</u>	<u>23,630</u>	<u>3,450,752</u>	<u>145,685</u>
Noncurrent liabilities:					
Revenue bonds payable	40,507,685	-	-	40,507,685	-
Capital leases payable	-	554,345	-	554,345	-
Accrued compensated absences	142,980	74,820	7,052	224,852	-
OPEB liability	35,838	-	-	35,838	-
Net pension liability	1,431,357	565,667	72,578	2,069,602	-
Landfill closure costs	-	4,117,448	-	4,117,448	-
Total Noncurrent Liabilities	<u>42,117,860</u>	<u>5,312,280</u>	<u>79,630</u>	<u>47,509,770</u>	<u>-</u>
Total Liabilities	<u>45,340,247</u>	<u>5,517,015</u>	<u>103,260</u>	<u>50,960,522</u>	<u>145,685</u>
<b>DEFERRED INFLOWS</b>					
Deferred inflows related to pensions	78,809	31,145	3,996	113,950	-
Total Deferred Inflows of Resources	<u>78,809</u>	<u>31,145</u>	<u>3,996</u>	<u>113,950</u>	<u>-</u>
<b>NET POSITION</b>					
Net Investment in capital assets	46,171,064	8,115,872	84,630	54,371,566	932,270
Restricted for debt service	2,786,803	-	-	2,786,803	-
Restricted for construction	1,469,041	-	-	1,469,041	-
Unrestricted	17,907,552	2,115,157	( 41,690)	19,981,019	2,881,454
Total Net Position	<u>\$ 68,334,460</u>	<u>\$ 10,231,029</u>	<u>\$ 42,940</u>	<u>\$ 78,608,429</u>	<u>\$ 3,813,724</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF NACOGDOCHES, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-type Activities - Enterprise Fund	
	Enterprise Fund Water and Sewer Fund	Enterprise Fund Sanitation Fund
<b>OPERATING REVENUES</b>		
Charges for sales and services:		
Water	\$ 8,201,869	\$ -
Sewer treatment	8,001,176	-
Sanitation charges	-	4,907,222
Landfill gate receipts	-	471,259
Charges for sales and services:	89,882	-
Equipment rental	-	-
Intergovernmental	-	20,500
Employer premiums	-	-
Employee premiums	-	-
Total charges for sales and services	16,292,927	5,398,981
Other:		
Tapping fees- water	45,763	-
Tapping fees- sewer	5,185	-
Late fees	260,181	-
Inspections	42,105	-
Miscellaneous revenue	282,147	91,958
Total Operating Revenues	16,928,308	5,490,939
<b>OPERATING EXPENSES</b>		
Customer service	973,048	-
Water production	1,474,577	-
Water distribution and collection	1,050,185	-
Wastewater treatment	2,111,256	-
Sanitation collection	-	1,094,228
Sanitation disposal	-	590,321
Cost of fuel	-	-
Non-departmental	370,939	311,737
Depreciation and amortization	3,628,929	757,657
Total Operating Expenses	9,608,934	2,753,943
Operating Income	7,319,374	2,736,996
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest revenue	64,878	17,602
Gain on sale of assets	-	62,164
Interest expense	( 1,367,757)	( 15,641)
Total Non-operating Revenues (Expenses)	( 1,302,879)	64,125
Income before Transfers and Capital Contributions	6,016,495	2,801,121
Capital Contributions	1,005,188	-
Transfers in	-	-
Transfers out	( 3,652,956)	( 2,044,486)
Change in Net Position	3,368,727	756,635
Net Position- Beginning	65,951,070	9,157,427
Prior Period Adjustment	( 985,337)	316,967
Net Position- Ending	\$ 68,334,460	\$ 10,231,029

**The accompanying notes are an integral part of these financial statements.**

Business-Type Activities - Enterprise Fund		Governmental Activities
Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Airport Fuel Operations Fund		
\$ -	\$ 8,201,869	\$ -
-	8,001,176	-
-	4,907,222	-
-	471,259	-
362,886	452,768	3,562
-	-	427,273
-	20,500	-
-	-	1,545,836
-	-	589,942
<u>362,886</u>	<u>22,054,794</u>	<u>2,566,613</u>
-	45,763	-
-	5,185	-
-	260,181	-
-	42,105	-
<u>3,000</u>	<u>377,105</u>	<u>841</u>
<u>365,886</u>	<u>22,785,133</u>	<u>2,567,454</u>
-	973,048	-
-	1,474,577	-
-	1,050,185	-
-	2,111,256	-
-	1,094,228	-
-	590,321	-
437,472	437,472	-
-	682,676	2,585,914
<u>13,138</u>	<u>4,399,724</u>	<u>335,855</u>
<u>450,610</u>	<u>12,813,487</u>	<u>2,921,769</u>
<u>( 84,724)</u>	<u>9,971,646</u>	<u>( 354,315)</u>
68	82,548	9,850
-	62,164	43,005
-	<u>( 1,383,398)</u>	-
<u>68</u>	<u>( 1,238,686)</u>	<u>52,855</u>
( 84,656)	8,732,960	( 301,460)
-	1,005,188	-
105,000	105,000	-
-	( 5,697,442)	-
20,344	4,145,706	( 301,460)
67,767	75,176,264	4,115,184
<u>( 45,171)</u>	<u>( 713,541)</u>	<u>-</u>
<u>\$ 42,940</u>	<u>\$ 78,608,429</u>	<u>\$ 3,813,724</u>

**CITY OF NACOGDOCHES, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Business-type Activities	
	Enterprise Fund	Enterprise Fund
	Water and Sewer Fund	Sanitation Fund
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 15,849,294	\$ 5,424,686
Receipts from interfund charges for fleet management services	-	-
Receipts from interfund charges for risk management services	-	-
Cash payments to employees for services	( 2,483,984)	( 1,030,508)
Cash payments to suppliers for goods and services	( 3,556,109)	( 938,981)
Net Cash Provided (Used) by Operating Activities	<u>9,809,201</u>	<u>3,455,197</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Cash paid to other funds	( 125,000)	-
Transfers from other funds	-	-
Transfers to other funds	( 3,652,956)	( 2,044,486)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>( 3,777,956)</u>	<u>( 2,044,486)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Principal and interest paid	( 4,537,485)	( 15,641)
Acquisition or construction of capital assets	( 4,782,926)	( 888,622)
Proceeds from capital lease	-	746,507
Proceeds from sale of capital assets	-	62,164
Capital contribution	1,005,188	-
Change in long-term landfill closures costs	-	( 86,191)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>( 8,315,223)</u>	<u>( 181,783)</u>
<b>Cash Flows from Investing Activities:</b>		
Interest and dividends on investments	64,878	17,602
Net Cash Provided (Used) for Investing Activities	64,878	17,602
Net Increase (Decrease) in Cash and Cash Equivalents	( 2,219,100)	1,246,530
Cash and Cash Equivalents at Beginning of Year	<u>23,082,605</u>	<u>5,163,679</u>
Cash and Cash Equivalents at End of Year	<u>20,863,505</u>	<u>6,410,209</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	7,319,374	2,736,996
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	3,628,929	757,657
<b>Change in Assets and Liabilities:</b>		
Decrease (increase) in receivables	( 1,079,014)	( 66,253)
Decrease (increase) in prepaid items	18,552	18,552
Decrease (increase) in inventories	-	-
Decrease (increase) in deferred outflows	( 292,329)	( 115,527)
Increase (decrease) in accounts payable	( 89,179)	6,801
Increase (decrease) in accrued wages payable	-	-
Increase (decrease) in accrued expenses	6,575	8,093
Increase (decrease) in unearned revenue	-	-
Increase (decrease) in OPEB payable	35,838	-
Increase (decrease) in net pension obligation	177,299	70,068
Increase (decrease) in deferred outflows	78,809	31,145
Increase (decrease) in compensated absences	4,347	7,665
Total Adjustments	<u>2,489,827</u>	<u>718,201</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,809,201</u>	<u>\$ 3,455,197</u>

**The accompanying notes are an integral part of these financial statements.**

Business-Type Activities		Governmental Activities
Nonmajor Enterprise Fund		
Airport Fuel Operations Fund	Total Enterprise Fund	Internal Service Fund
\$ 363,029	\$ 21,637,009	\$ -
-	-	431,676
-	-	2,135,778
( 139,838)	( 3,654,330)	-
( 292,880)	( 4,787,970)	( 2,503,285)
( 69,689)	13,194,709	64,169
( 35,000)	( 160,000)	-
105,000	105,000	-
-	( 5,697,442)	-
70,000	( 5,752,442)	-
-	( 4,553,126)	-
-	( 5,671,548)	( 411,586)
-	746,507	-
-	62,164	43,005
-	1,005,188	-
-	( 86,191)	-
-	( 8,497,006)	( 368,581)
68	82,548	9,850
68	82,548	9,850
379	( 972,191)	( 294,562)
13,101	28,259,385	3,321,701
13,480	27,287,194	3,027,139
( 84,724)	9,971,646	( 354,315)
13,138	4,399,724	335,855
350	( 1,144,917)	-
-	37,104	-
4,474	4,474	-
( 14,822)	( 422,678)	-
-	( 82,378)	-
1,056	1,056	-
-	14,668	82,629
( 3,207)	( 3,207)	-
-	35,838	-
8,990	256,357	-
3,996	113,950	-
1,060	13,072	-
15,035	3,223,063	418,484
\$( 69,689)	\$ 13,194,709	\$ 64,169

**CITY OF NACOGDOCHES, TEXAS**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

**SEPTEMBER 30, 2015**

	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,030
Total Assets	<u>9,030</u>
<b>LIABILITIES</b>	
Accrued expenses	<u>9,030</u>
Total Liabilities	<u>9,030</u>
Total Liabilities and Net Position	<u>\$ 9,030</u>

**The accompanying notes are an integral part of these financial statements.**

# CITY OF NACOGDOCHES, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The combined financial statements of the City of Nacogdoches, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### A. Reporting Entity

The City is a municipal corporation governed by an elected major and four member governing council (council). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financial accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Currently, the City has no blended or discretely presented component units. Additionally, the City is not a component unit of any other reporting entity.

### 2. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

#### A. Government-wide Fund Financial Statements

The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financial through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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 ***Debt Service Fund*** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The ***Special Grants Fund*** is used to account for grant and donation receipts and expenditures

The City reports the following major enterprise funds:

The ***Water and Sewer Fund*** is used to account for the water and sewer system operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The ***Sanitation Fund*** is used to account for the garbage collection and landfill operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

In addition, the City reports the following fund types:

***Special Revenue Fund:*** Accounts for transactions related to resources received and used for restricted or specific purposes.

***Permanent Funds:*** Accounts for transactions of the sunset Trust Fund, whose principal must remain intact and whose income is used to benefit the Sunset Cemetery.

**Internal Services Funds:** These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement as is. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

**Agency Fund:** This fund is used to account for activities of the City's cafeteria plan. This fund has not equity; assets are equal to liabilities and do not include revenues and expenditures for general operations of the City. The Agency Fund accounts for resources held in a custodial capacity by the City, and consists of monies that are the property of employees and cannot be used by the City in operations.

**Fiduciary Funds:** These funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support city programs, these funds are not included in the government-wide statements.

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

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund level 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. Property tax revenues received from the State are recognized under the susceptible-to-actual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

### **D. Financial Statement Amounts**

#### **1. Cash and Investments**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

## 2. Receivables and Payables Balances

At September 30, 2015, there were net receivables in the Governmental Funds totaling \$427,225, which are scheduled for collection beyond one year. The balance of these receivables constitutes part of non-spendable equity.

## 3. Property Taxes and Other Receivables

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the city is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The total allowance for uncollectible taxes was \$278,304 at September 30, 2015.

## 4. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

## 5. Capital Assets

Purchases or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$1,500 is used.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	50
Water and sewer system	40-50
Buildings	50
Building improvements	15
Vehicles	3-15
Equipment	3-15
Motor vehicles	3-10

## 6. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

## 7. Compensated Absences

Accumulated vacation and sick leave is accrued, when incurred, in the government-wide and proprietary fund financials. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements. On retirement or death of certain employees, the City pays 25% of accrued sick leave and any vacation in a lump case payment to such employee or his/her estate.

## 8. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefitting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

## 9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – 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.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

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

- Difference in expected actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

#### 10. Net Position Flow Assumption

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

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### 11. Fund Balance Classification

The balances of the governmental funds are classified as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or City Manager.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

## 12. Fund Balance Flow Assumption

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

## 13. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

14. Prior Period Adjustment – Change in Accounting Principles

The GASB has issued Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,” which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restated of beginning net position for the elimination of the previously reported net pension obligation, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying these changes results in the adjustments below along with other prior period adjustments mentioned above.

	Government-Wide Statement of Activities		Fund Level		
			Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund		
	Governmental Activities	Business-Type Activities	Water & Sewer Fund	Sanitation Fund	Airport Fund
Net position at September 30, 2014, as previously reported	\$ 40,845,663	\$ 75,176,264	\$ 65,951,070	\$ 9,157,427	\$ 67,767
Elimination of net pension obligation as of September 30, 2014	2,066,488	400,090	268,721	112,952	18,417
Recording of net pension liability as of September 30, 2014	( 9,603,750)	( 2,106,558)	( 1,456,916)	( 575,768)	( 73,874)
Deferral for pension contributions made after the measurement date	<u>1,337,204</u>	<u>293,313</u>	<u>202,858</u>	<u>80,169</u>	<u>10,286</u>
Net position at September 30, 2014 as restated	<u>\$ 34,645,605</u>	<u>\$ 73,763,109</u>	<u>\$ 64,965,733</u>	<u>\$ 8,774,780</u>	<u>\$ 22,596</u>

**3. DEPOSITS AND INVESTMENTS**

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

**A. Cash Deposits with Financial Institutions**

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s policy requires all deposits in financial institutions to be fully collateralized by the U.S. Government Securities or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, \$250,000 of the City’s \$44,670,072 deposit balance was covered by FDIC insurance. The remaining balance, \$44,420,072, was collateralized with securities held by the pledging financial institution.

**B. Investments**

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity’s funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies. Investment practices of the City were in accordance with their investment policy.

The Act determines the types of investments which are allowable for the city. These include, with certain restrictions (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City’s investments at September 30, 2015 are shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 200	40
Total portfolio	\$ 200	
Portfolio weighted average maturity (days)		40

**C. Analysis of Specific Deposit and Investment Risks**

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than 365 days.

*Credit Risk.* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2015, the City’s investments, other than those which are obligations of or guaranteed by the United States Government, are rated as to credit quality as follows:

TexPool Investment Pool – rated AAAM by Standard & Poor’s

*Concentration of Credit Risk.* This risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Risk is controlled through portfolio diversification that shall be achieved by the following general guidelines:

- Limiting investments to avoid overconcentration in investments from a specific issuer or business sector (excluding U.S. Treasury securities and certificates of deposit that are fully insured and collateralized in accordance with state and federal law),
- Limiting investment in investments that have higher credit risks (example: commercial paper),
- Investing in investments with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

The following maximum limits, by instrument, are established for the City’s total portfolio:

1. Depository Interest-Bearing Accounts	100%
2. U.S. Treasury Securities	100%
3. Certificates of Deposit (fully insured & collateralized)	50%
4. Repurchase Agreements	20%
5. Money Market Mutual Funds	50%
6. Authorized Pools	50%

*Custodial Credit Risk.* Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty’s trust department or agent but not in the City’s name. All of the City’s deposits are in fully collateralized financial institutions or in local government investment pools.

**Investment Accounting Policy.** The City’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

**Public Funds Investment Pools.** Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City’s investments in Pools are reported at an amount determined by the fair value per share of the pool’s underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the investment Company Act of 1940.

#### 4. RECEIVABLES

The disaggregation of receivables is summarized as follows:

	Governmental Funds	Proprietary Funds
Property taxes, net of allowance of \$278,304	\$ 496,129	\$ -
Court fines, net of allowance of \$1,953,136	234,041	-
Customer accounts, net of allowance of \$224,071	-	1,592,408
Unbilled utility receivable	-	1,121,672
Due from State government for sales taxes	450,855	-
Due from other governments for grants	64,380	673,258
Economic development loans, net of allowance of \$135,458	427,225	-
	<hr/>	<hr/>
Total	\$ 1,672,630	\$ 3,387,338

The City has been the recipient of grants from the State and Federal governments for economic development in accordance with the terms of the grants, funds have been loaned to specific entities at interest rates varying from zero percent to two percent. Under the terms of the grants, the City is required to utilize repaid funds exclusively in the City of Nacogdoches for eligible economic development activities in accordance with the provisions of Title I of the Housing and community Development Act of 1974, as amended.

In 2007, the City abated \$2,883,237 in Economic Development Loans. As a result, the city entered into an agreement with the Texas Office of Rural Community Affairs (ORCA) to pay \$1,255,347 into a Revolving Loan (Economic Development Fund) over 22 years. This fund will only be used for economic development loans in the future. A balance of \$700,000 remains as September 30, 2015. Future transfers into the Revolving Loan Fund are:

<u>Year Ending September 30,</u>	<u>Transfer</u>
2016	\$ 50,000
2017	75,000
2018	100,000
2019	100,000
2020	100,000
2021-2025	<u>275,000</u>
	<u>\$ 700,000</u>

The activity of the City's outstanding Revolving Loans at September 30, 2015:

	<u>Balance at Beginning of Fiscal Year</u>	<u>New Loans</u>	<u>Debt Repayments</u>	<u>Balance at End of Fiscal Year</u>
Effective Teleservices, Inc.	\$ -	\$ 350,000	\$ 16,481	\$ 333,519
Southwest Scooters	135,458	-	-	135,458
Less allowance for collection	( 135,458)	-	-	( 135,458)
T-Rex	114,214	-	20,508	93,706
Totals	<u>\$ 114,214</u>	<u>\$ 350,000</u>	<u>\$ 36,989</u>	<u>\$ 427,225</u>

The balance of unpaid principal receivable, net of the allowance for uncollectable amounts, is shown as "Nonspendable" Fund Balance.

## 5. CAPITAL ASSETS

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

### Primary Government

	Beginning Balance 10/1/2014	Transfers and Additions	Transfers and Retirements	Ending Balance 9/30/2015
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,611,982	\$ 41,700	\$ -	\$ 3,653,682
Construction in progress	917,299	-	-	917,299
Total assets not being depreciated	<u>4,529,281</u>	<u>41,700</u>	<u>-</u>	<u>4,570,981</u>
Capital assets, being depreciated:				
Buildings	15,310,934	146,341	-	15,457,275
Improvement other than buildings	3,201,808	55,128	-	3,256,936
Machinery and equipment	12,939,652	770,457	( 147,737)	13,562,372
Infrastructure	46,600,919	-	-	46,600,919
Total capital assets being depreciated	<u>78,053,313</u>	<u>971,926</u>	<u>( 147,737)</u>	<u>78,877,502</u>
Less accumulated depreciation:				
Buildings	( 5,865,057)	( 396,388)	-	( 6,261,445)
Improvement other than buildings	( 1,898,198)	( 118,014)	-	( 2,016,212)
Machinery and equipment	( 10,736,991)	( 751,218)	139,518	( 11,348,691)
Infrastructure	( 29,135,026)	( 854,921)	-	( 29,989,947)
Total accumulated depreciation	<u>( 47,635,272)</u>	<u>( 2,120,541)</u>	<u>139,518</u>	<u>( 49,616,295)</u>
Total capital assets being depreciated, net	<u>30,418,041</u>	<u>( 1,148,615)</u>	<u>( 8,219)</u>	<u>29,261,207</u>
Governmental activities capital assets, net	<u>\$ 34,947,322</u>	<u>\$( 1,106,915)</u>	<u>\$( 8,219)</u>	<u>\$ 33,832,188</u>

	Beginning Balance 10/1/2014	Transfers and Additions	Transfers and Retirements	Ending Balance 9/30/2015
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,606,403	\$ -	\$ -	\$ 1,606,403
Construction in progress	20,874,350	3,250,931	( 3,309,961)	20,815,320
Total assets not being depreciated	<u>22,480,753</u>	<u>3,250,931</u>	<u>( 3,309,961)</u>	<u>22,421,723</u>
Capital assets, being depreciated:				
Utility system and buildings	136,571,931	1,270,308	( 30,701)	137,811,538
Improvement other than buildings	2,684,387	3,275,096	-	5,959,483
Machinery and equipment	12,066,528	1,293,889	( 292,731)	13,067,686
Total capital assets being depreciated	<u>151,322,846</u>	<u>5,839,293</u>	<u>( 323,432)</u>	<u>156,838,707</u>
Less accumulated depreciation:				
Utility system and buildings	( 68,310,018)	( 3,198,538)	-	( 71,508,556)
Improvement other than buildings	( 1,247,880)	( 32,848)	-	( 1,280,728)
Machinery and equipment	( 7,559,839)	( 1,167,421)	213,800	( 8,513,460)
Total accumulated depreciation	<u>( 77,117,737)</u>	<u>( 4,398,807)</u>	<u>213,800</u>	<u>( 81,302,744)</u>
Total capital assets being depreciated, net	<u>74,205,109</u>	<u>1,440,486</u>	<u>( 109,632)</u>	<u>75,535,963</u>
Business-type activities capital assets, net	<u>\$ 96,685,862</u>	<u>\$ 4,691,417</u>	<u>\$( 3,419,593)</u>	<u>\$ 97,957,686</u>

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

General Government	\$ 231,053
Public safety	615,081
Highways and streets	1,037,840
Culture and recreation	236,567
	<u>\$ 2,120,541</u>

The City's commitments as of September 30, 2015 on active construction projects are summarized as follows:

Project	Total Cost	Spent to Date	Remaining Commitment
East Starr Utility Relocation	\$ 600,000	\$ 91,389	\$ 508,611
South Street Utility Relocation	2,165,000	1,611,846	553,154
Grit Removal System	1,250,000	43,900	1,206,100
Beltpress Installation	1,200,000	68,865	1,131,135
Generators - CDB6/GLO Grant	2,250,000	945,358	1,304,642
Sewer Lines/Lift Station			
Replacements - 2004 SRF	10,000,000	9,943,280	56,720
SW Pump Station Improvements - 2006 SRF	4,200,000	3,782,563	417,437
Groundwater Utilization/Well Improvements	6,350,000	3,508,280	2,841,720
Totals	<u>\$ 28,015,000</u>	<u>\$ 19,995,481</u>	<u>\$ 8,019,519</u>

## 6. INTERFUND BALANCES AND ACTIVITY

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

### A. Due to/from Other Funds

<u>Due from Fund</u>	<u>Due to Fund</u>	<u>Amount</u>	<u>Purpose</u>
Special Grants Fund	General Fund	\$ 127,805	Cash advance for development agreement
Special Grants Fund	Water and Sewer Fund	125,000	Cash advance for development agreement
	Total	<u>\$ 252,805</u>	

All amounts due are scheduled to be repaid within one year. In addition to the amounts above, there is \$154,373 due from Governmental Activities to Business-Type Activities resulting from the split of the Health Insurance Internal Service Fund equity between governmental activities and business-type activities.

### B. Transfers To and From Other Funds

The primary purpose of interfund transfers is the transfer of funds from one fund to support expenditures of another fund in accordance with the authority established for the individual fund. A summary of interfund transfers by fund type is as follows:

<u>Transfers From</u>	<u>Tranfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Nonmajor governmental	\$ 78,306	Supplemental sources of funds and to fund the ORCA economic development agreement for \$25,000
General Fund	Special Grants Fund	120,000	Economic development
General Fund	Airport fuel operations	105,000	Supplemnt other funds sources
Water and Sewer Fund	General Fund	3,532,956	Supplement sources of funds and remit franchise fees
Water and Sewer Fund	Special Grants Fund	120,000	Economic development
Sanitation Fund	General Fund	1,924,486	Supplement sources of funds and remit franchise fees
Sanitation Fund	Special Grants Fund	120,000	Economic development
Nonmajor governmental	General Fund	941	Supplement other funds sources
Nonmajor governmental	Nonmajor governmental	25,000	Supplement other funds sources
	Total	<u>\$ 6,026,689</u>	

## 7. LONG-TERM OBLIGATIONS

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

**A. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 7,255,000	\$ -	\$ 885,000	\$ 6,370,000	\$ 795,000
Bond premium (discount)	403,192	-	76,280	326,912	73,339
Net pension obligation	8,266,546	2,558,695	1,389,972	9,435,269	-
OPEB liability	169,706	4,969	-	174,675	-
Compensated absences	1,641,729	106,103	32,581	1,715,251	154,373
Total Governmental Activities	\$ 17,736,173	\$ 2,669,767	\$ 2,383,833	\$ 18,022,107	\$ 1,022,712
<b>Business-type Activities:</b>					
General obligation bonds	\$ 44,720,000	\$ 455,000	\$ 3,480,000	\$ 41,695,000	\$ 2,675,000
Capital lease	-	746,507	86,191	660,316	105,971
Bond premium (discount)	1,759,448	-	139,733	1,619,715	132,030
Net pension obligation	1,813,245	561,665	305,308	2,069,602	-
OPEB liability	32,856	2,982	-	35,838	-
Compensated absences	234,018	34,022	20,950	247,090	22,238
Landfill closure costs	4,817,062	-	699,614	4,117,448	-
Total Business-Type Activities	\$ 53,376,629	\$ 1,800,176	\$ 4,731,796	\$ 50,445,009	\$ 2,935,239

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activities Type	Fund
Compensated absences	Governmental	General Fund
Compensated absences	Business-type	Water and Sewer and Sanitation Funds
Landfill closure costs	Business-type	Sanitation Fund

Debt consisted of the following issues at September 30, 2015:

Series	Interest Rates	Date Issued	Maturity Date	Original Amount	Principal Outstanding
<b>Governmental Activities:</b>					
2009 Refunding	4.60-6.50%	May 2002	Sep 2017	\$ 6,800,000	\$ 650,000
2010 Refunding	2.00-4.00%	Oct 2009	Sep 2017	3,206,000	410,000
2012 Refunding	2.00-5.00%	Apr 2012	Sep 2022	5,590,000	5,310,000
Total					\$ 6,370,000
<b>Business-type Activities:</b>					
2004 Water and Sewer SRF	1.05-2.65%	Mar 2004	Mar 2025	10,365,000	\$ 5,455,000
2006 Water and Sewer SRF	2.15-2.42%	Mar 2006	Mar 2024	8,210,000	4,830,000
2010 Refunding	2.00-3.00%	May 2010	Sep 2018	2,840,000	1,105,000
2012 Refunding	2.00-5.00%	Apr 2012	Sep 2034	33,890,000	30,305,000
Total					\$ 41,695,000

SRF – Debts issued by the State Revolving Fund of Texas.

## B. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 795,000	\$ 254,850	\$ 1,049,850
2017	830,000	225,050	1,055,050
2018	875,000	199,750	1,074,750
2019	925,000	156,000	1,081,000
2020	950,000	128,250	1,078,250
2021-2025	1,995,000	150,750	2,145,750
Total	\$ 6,370,000	\$ 1,114,650	\$ 7,484,650

Year Ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 2,675,000	\$ 1,394,163	\$ 4,069,163
2017	2,760,000	1,308,957	4,068,957
2018	2,820,000	1,245,852	4,065,852
2019	2,945,000	1,140,609	4,085,609
2020	3,020,000	1,057,474	4,077,474
2021-2025	14,395,000	3,640,269	18,035,269
2026-2030	9,530,000	1,640,881	11,170,881
2031-2035	3,550,000	331,875	3,881,875
Total	\$ 41,695,000	\$ 11,760,080	\$ 53,455,080

Future capital lease requirements are as follows:

Year Ending September 30,	Business-Type Activities
2016	\$ 122,198
2017	122,198
2018	122,198
2019	122,198
2020	219,553
Total Minimum Rentals	708,345
Less: amount representing interest	( 48,029)
Future minimum lease payments	\$ 660,316

## C. Prior Year Defeasance of Debt

In prior years, the City defeased general obligation and revenue bonds by placing the proceeds of the net bonds in an irrevocable trust account to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the government's financial statements. At September 30, 2015, the City had no defeased bonds outstanding.

**D. Continuing Disclosure**

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 25c2-12 to enable investors to analyze the financial condition and operations of the City.

**E. Bonds Authorized and Unissued**

At September 30, 2015, the City had \$580,000 remaining in the 2006 Water & Sewer Revenue Bonds, which were authorized and unissued.

**F. Revenue Bonds**

Revenue bonds are used to finance the acquisition and construction of major capital improvements for the water and sewer system and related facilities. These revenue bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The City collected in excess of \$16.9 million in water revenues with the coverage debt service of the revenue bonds being \$4,944,814.

**G. Compensated Absences**

Compensated absences represented the estimated liability for employees' accrued vacation and sick leave for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Enterprise Funds based on the assignment of an employee termination.

**8. COMMITMENTS UNDER NONCAPITALIZED LEASES**

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2015 as follows:

<u>Year Ending September 30,</u>	
2016	\$ 18,828
2017	18,828
2018	11,628
2019	<u>2,214</u>
Total Minimum Rentals	51,498
Rental Expenditures 2015	\$ <u>57,489</u>

## 9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). Operating as a common risk management a TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

The City has entered into an agreement with Blue Cross Blue Shield of Texas to administer its employee health benefit plan. Under the terms of the agreement, the administrator (1) reviews claims for benefits under the plan and determines whether they have been properly filed and determines the amount, if any, which is due and payable with respect thereto, (2) on behalf of the City, disburses claim payments that it determines to be due in accordance with the provisions of the plan to the eligible individual or assignee of such eligible individual entitled thereto, and (3) takes all reasonable steps to process claims and disburse claim payments expeditiously.

The Plan provides coverage of up to \$100,000 for each individual. The City has a reinsurance agreement for the plan that provides coverage per individual claim in excess of \$100,000 per year. In addition, the reinsurance agreement provides unlimited coverage when aggregate claims exceed a threshold, calculated based on a minimum attachment point of \$2,202,976.

Under the terms of the plan, eligible claims and related expenses are paid from premiums paid by covered employees and the various funds of the City in which they are employed. During the year ended September 30, 2008, the City began providing health care benefits to its employees under a self-insurance plan (“Medical Plan”). In prior years, the City purchased commercial health insurance for this benefit. The City accounts for the transactions of the plan in the Health Insurance Fund, an Internal Service Fund. At September 30, 2015, the City had recorded a liability of \$145,685 for claims incurred but not paid at that date. This liability was based on a review of claims paid subsequent to the end of the year.

<u>Fiscal Year Ended</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Payments on Claims</u>	<u>End of Fiscal Year Liability</u>
September 30, 2013	\$ 78,786	\$ 1,607,216	\$ 1,622,946	\$ 63,056
September 30, 2014	63,056	2,059,715	2,059,715	63,056
September 30, 2015	63,056	2,104,528	2,021,899	145,685

## 10. DEFINED BENEFIT PENSION POLICIES

### Plan Descriptions

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

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

### Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in over of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

A summary of plan provisions of the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% repeating transfers
Annuity increase to retirees	50% of CPI

### *Employees covered by benefit terms*

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

Inactive employees or beneficiaries currently receiving benefits	180
Inactive employees entitled to but not yet receiving benefits	103
Active employees	<u>299</u>
	<u>582</u>

## Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.05% and 14.33% in calendar years 2014 and 2015, respectively. The city's contributions to TMRS for the year ended September 30, 2015, were \$2,212,042, and were equal to the required contributions.

## Net Pension Liability

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

### *Actuarial assumptions*

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

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.00%

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.0%	

### ***Discount Rate***

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

***Changes in the Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 83,902,812	\$ 72,192,504	\$ 11,710,308
Changes for the year:			
Service cost	2,141,720	-	2,141,720
Interest	5,807,224	-	5,807,224
Difference between expected and actual experience	( 801,914)	-	( 801,914)
Contributions - employer	-	2,232,084	( 2,232,084)
Contributions - employee	-	1,037,405	( 1,037,405)
Net investment income	-	4,129,641	( 4,129,641)
Benefit payments, including refunds of employee contributions	( 4,026,670)	( 4,026,670)	-
Administrative expense	-	( 43,118)	43,118
Other changes	-	( 3,545)	3,545
Net changes	<u>3,120,360</u>	<u>3,325,797</u>	<u>( 205,437)</u>
Balance at 12/31/2014	<u>\$ 87,023,172</u>	<u>\$ 75,518,301</u>	<u>\$ 11,504,871</u>

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

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$ 23,730,180	\$ 11,504,871	\$ 1,468,790

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmr.org](http://www.tmr.org).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** For the year ended September 30, 2015, the City recognized pension expense of \$1,921,028.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 633,448
Difference between projected and actual investment earnings	739,067	-
Contributions subsequent to the measurement date	<u>1,610,594</u>	<u>-</u>
Total	<u>\$ 2,349,661</u>	<u>\$ 633,448</u>

\$1,610,594 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended Dec 31</u>		
2015	\$	16,301
2016		16,301
2017		16,301
2018		<u>56,716</u>
Total	\$	<u>105,619</u>

***Subsequent event***

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be a large as originally projected. While the actual impact on the City's valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

## 11. OTHER POST-EMPLOYMENT BENEFITS

### Plan Summary

The City provides health care benefits through a single-employers defined benefit healthcare plan for all full-time employees and retirees and meet minimum retirement age of 60 and be vested in our retirement plan prior to retirement or have twenty years or more of service at any age. Currently the retiree contributes 100% of the blended healthcare premium for coverage and is also responsible for payment of premiums for any dependent coverage. Retiree contribution rates for fiscal year 2014-2015 ranged from \$427.05 to \$1,087.93 per month depending on coverage levels selected. Survivors of employees who die while actively employed are not eligible for retiree health care benefits. Employees who become disabled are not eligible for retiree health care benefits, unless they meet the City's retirement requirements and they elect to retire from the City. The spouse of a current employee can receive coverage when the employee retires if the retiree elects spousal coverage at the time of retirement, and the retiring employee meets the previously outlined criteria for continued coverage, and the retiring employees continue to elect (and pay for) coverage for the dependent at open enrollments. The spouses of all future retirees can continue to receive coverage under these circumstances, assuming the current policy remains unchanged. Retirees who decide to opt-out of the health care plan are not eligible to opt back in at a later date. For financial reporting purposes, the retiree health plan is accounted for in the City's Self-Insurance Fund. As of September 30, 2015, twenty-eight participants were receiving benefits.

Expenses for post-retirement health care benefits are recognized on a pay-as-you-go basis. During the year, premiums paid by the employees were \$210,231. The retiree claims for fiscal year 2014-2015 was \$277,857.

### Annual OPEB Cost

The City's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement 45. The ARC represents a level of accrual that is projected to recognize the normal cost of each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The annual OPEB cost for the fiscal year ending September 30, 2015, is as follows:

Annual required contribution	\$	131,988
Interest on net OPEB obligation		9,115
Adjustment to annual required contribution	(	8,445)
Annual OPEB cost (expense)		132,658
Contributions made	(	94,780)
Change in OPEB obligation		37,878
Net OPEB obligation (asset) - beginning of year		202,562
Net OPEB obligation (asset) - end of year	\$	240,440

The retirement of net other postemployment benefit obligation is provided by financial resources of the Health Insurance Fund.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014 and the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Costs	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 124,844	71.65%	\$ 165,998
2014	128,693	71.59%	202,562
2015	132,568	71.45%	240,440

### **Funding status and funding progress**

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

Actuarial Valuation Date as Of December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2013	\$ -	\$ 1,531,255	\$ 1,531,255	0.0%	\$ 11,520,289	13.29%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$1,531,255 at December 31, 2013. As of the most recent valuation, the covered payroll was \$11,520,289, and the ratio of the unfunded actuarial accrued liability to annual covered payroll is 13.29%.

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

### **Actuarial methods and assumptions**

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. The anticipated future payments are projected using the plan benefits, the present health premiums and a set of actuarial assumptions. The projected unit credit method then provide for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

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

Actuarial Methods and Assumptions	
	2013
Inflation rate	3.0% per annum
Investment rate or return	4.5%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.0% per annum
Healthcare cost trend rate	Initial rate of 7.25% ultimate rate of 4.5% after 11 years

## 12. COMMITMENTS AND CONTINGENCIES

### A. Contingencies

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

### B. Contingent Liabilities

The City has been named as a defendant or co-defendant in a number of legal actions. While the outcome of these cases is not known at this time, City management believes that any awards to insured parties which must be paid in excess of amounts covered by insurance will not be material to the financial position of the City.

### **13. CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports these closure and postclosure care costs as an operating expense in each period based on landfill acreage subject to closure as of each balance sheet date. The \$4,117,448 reported as landfill closure and postclosure care liability at September 30, 2015, represents the amount calculated as of fiscal year end based on 71.9 acres of landfill area currently subject to closure. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. The actual date of closure is currently unknown. Actual costs may be higher at the closure date due to inflation, changes in technology, or changes in regulations.

The City is required by state and federal laws and regulations to make annual contributions to a restricted bank account to finance closure and postclosure care. The City is in compliance with these requirements, and, at September 30, 2015, a cash balance of \$2,859,683 is held for these purposes. These are reported as restricted assets on the balance sheet. The City expects that future inflation costs will be paid from interest earning on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenue:</b>				
<b>Taxes:</b>				
Property taxes	\$ 7,041,500	\$ 7,041,500	\$ 7,158,372	\$ 116,872
General sales taxes	5,412,000	5,412,000	5,724,160	312,160
Franchise taxes	2,575,000	2,575,000	2,505,532	( 69,468)
Mixed beverage taxes	-	80,000	84,842	4,842
Licenses and permits	333,500	294,600	328,624	34,024
Fines and forfeitures	1,055,000	1,055,000	850,420	( 204,580)
Charges for services	350,000	350,000	311,837	( 38,163)
Penalties on tax collections	126,000	126,000	152,406	26,406
Investments earnings	25,000	25,000	31,377	6,377
Intergovernmental	378,350	378,350	375,738	( 2,612)
Miscellaneous	128,500	162,450	181,725	19,275
Total revenues	<u>17,424,850</u>	<u>17,499,900</u>	<u>17,705,033</u>	<u>205,133</u>
<b>Expenditures:</b>				
<b>General government:</b>				
City Council	21,525	22,895	22,392	503
City Manager	316,435	318,375	313,542	4,833
Municipal Court	307,395	308,915	255,755	53,160
City Secretary/Grant Administrator	200,055	200,610	153,516	47,094
Finance	395,200	397,685	376,952	20,733
Information Technology	284,078	285,408	276,553	8,855
Human Resources	284,045	285,845	275,434	10,411
Legal	248,430	250,150	234,709	15,441
Planning and Zoning	166,870	171,770	167,736	4,034
Building Maintenance	377,975	379,820	311,072	68,748
Main Street	114,780	155,795	143,861	11,934
Vehicle Maintenance	331,285	332,975	319,087	13,888
Non-Departmental	1,344,651	1,421,371	1,259,595	161,776
Restricted	56,710	56,915	44,831	12,084
Total General Government	<u>4,449,434</u>	<u>4,588,529</u>	<u>4,155,035</u>	<u>433,494</u>
<b>Public Safety:</b>				
Police Department	7,344,527	7,389,837	7,102,575	287,262
Fire Protection	5,472,870	5,500,615	5,210,696	289,919
Inspection	331,895	333,415	292,317	41,098
Animal Control	452,890	454,615	447,497	7,118
Total Public Safety	<u>13,602,182</u>	<u>13,678,482</u>	<u>13,053,085</u>	<u>625,397</u>
<b>Highways and Streets:</b>				
Public Works	220,730	221,875	195,682	26,193
Street Maintenance	1,155,710	1,160,195	953,328	206,867
Engineering	515,610	517,760	461,935	55,825
Total Highways and Streets	<u>1,892,050</u>	<u>1,899,830</u>	<u>1,610,945</u>	<u>288,885</u>

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Culture and Recreation:				
Historic Sites	\$ 114,485	\$ 115,065	\$ 112,453	\$ 2,612
Library	503,568	505,728	478,001	27,727
Recreation	600,435	602,340	488,532	113,808
Parks	856,365	859,480	808,484	50,996
Cemetery	320,760	322,205	283,435	38,770
Total Cultural and Recreation	<u>2,395,613</u>	<u>2,404,818</u>	<u>2,170,905</u>	<u>233,913</u>
Capital Outlay	<u>1,248,150</u>	<u>1,533,226</u>	<u>301,742</u>	<u>1,231,484</u>
Total Expenditures	<u>23,587,429</u>	<u>24,104,885</u>	<u>21,291,712</u>	<u>2,813,173</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>( 6,162,579)</u>	<u>( 6,604,985)</u>	<u>( 3,586,679)</u>	<u>3,018,306</u>
Other Financing Sources (Uses):				
Transfers in	5,458,442	5,458,442	5,458,383	( 59)
Transfers out	<u>( 303,000)</u>	<u>( 303,000)</u>	<u>( 303,306)</u>	<u>( 306)</u>
Total other financing sources (uses)	<u>5,155,442</u>	<u>5,155,442</u>	<u>5,155,077</u>	<u>( 365)</u>
Net Change in Fund Balances	<u>( 1,007,137)</u>	<u>( 1,449,543)</u>	<u>1,568,398</u>	<u>3,017,941</u>
Fund Balances - Beginning	<u>9,425,017</u>	<u>9,425,017</u>	<u>9,425,017</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 8,417,880</u>	<u>\$ 7,975,474</u>	<u>\$ 10,993,415</u>	<u>\$ 3,017,941</u>

**CITY OF NACOGDOCHES, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET**  
**(GAAP BASIS) AND ACTUAL**  
**SPECIAL GRANTS FUND**  
**SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ -	\$ 2,418	\$ 2,418
Intergovernmental	584,673	341,317	( 243,356)
Miscellaneous	<u>1,136,700</u>	<u>590,785</u>	<u>( 545,915)</u>
Total revenues	<u>1,721,373</u>	<u>934,520</u>	<u>( 786,853)</u>
Expenditures:			
Public Safety:			
Police Department	189,034	180,653	8,381
Fire Protection	<u>5,915</u>	<u>5,713</u>	<u>202</u>
Total Public Safety	<u>194,949</u>	<u>186,366</u>	<u>8,583</u>
Culture and Recreation:			
Library	15,000	8,801	6,199
Parks	<u>2,500,000</u>	<u>2,480,734</u>	<u>19,266</u>
Total Culture and Recreation	<u>2,515,000</u>	<u>2,489,535</u>	<u>25,465</u>
Capital Outlay	<u>378,544</u>	<u>148,166</u>	<u>230,378</u>
Total Expenditures	<u>3,088,493</u>	<u>2,824,067</u>	<u>264,426</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>( 1,367,120)</u>	<u>( 1,889,547)</u>	<u>( 522,427)</u>
Other financing sources (uses)			
Transfers in	360,000	360,000	-
Sale of capital assets	<u>500,000</u>	<u>500,288</u>	<u>288</u>
Total Other Financing Sources (Uses)	<u>860,000</u>	<u>860,288</u>	<u>288</u>
Net Change in Fund Balances	<u>( 507,120)</u>	<u>( 1,029,259)</u>	<u>( 522,139)</u>
Fund Balances - Beginning	<u>829,909</u>	<u>829,909</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 322,789</u>	<u>\$ ( 199,350)</u>	<u>\$ ( 522,139)</u>

**CITY OF NACOGDOCHES, TEXAS**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Plan Year</b>	<u><b>2014</b></u>
<b>A. Total pension liability</b>	
Service Cost	\$ 2,141,720
Interest (on the Total Pension Liability)	5,807,224
Actuarial determined contribution	-
Difference between expected and actual experience	( 801,914)
Contributions in relation to the actuarially determined contribution	-
Benefit payments, including refunds of employee contributions	( 4,026,670)
Net change in total pension liability	3,120,360
Total pension liability - beginning	<u>83,902,812</u>
Total pension liability - ending (a)	<u>87,023,172</u>
<b>B. Plan fiduciary net position</b>	
Contributions - Employer	2,232,084
Contributions - Employee	1,037,405
Net Investment Income	4,129,641
Benefit payments, including refunds of employee contributions	( 4,026,670)
Administrative Expenses	( 43,118)
Other	<u>( 3,545)</u>
Net change in plan fiduciary net position	3,325,797
Plan fiduciary net position - beginning	<u>72,192,504</u>
Plan fiduciary net position - ending (b)	<u>75,518,301</u>
<b>C. Net pension liability - ending (a) - (b)</b>	<u><b>\$ 11,504,871</b></u>
<b>D. Plan fiduciary net position as a percentage of total pension liability</b>	86.78%
<b>E. Covered employee payroll</b>	\$ 14,807,220
<b>F. Net position liability as a percentage of covered employee payroll</b>	77.70%

**CITY OF NACOGDOCHES, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2015**

<b>Fiscal Year</b>	<u><b>2014</b></u>	<u><b>2015</b></u>
Actuarial determined contribution	\$ <u>2,253,284</u>	\$ <u>2,212,042</u>
Contributions in relation to the actuarially determined contribution	\$ <u>2,253,284</u>	\$ <u>2,212,042</u>
Contribution deficiency (excess)	-	-
Covered employee payroll	14,891,202	14,807,220
Contributions as a percentage of covered employee payroll	15.13%	14.94%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

**Other Information:**

Notes There were no benefit changes during the year.

**CITY OF NACOGDOCHES**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
POST-RETIREMENT HEALTH CARE BENEFIT PLAN**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)(c)
12/31/2013	0	\$ 1,531,255	0%	\$ 1,531,255	\$ 11,520,289	13.29%

Note: This is the second year the City has an actuarial study done for their post-retirement health care benefit plan. Additional years of funding progress will be presented in future year, as they become available.

## CITY OF NACOGDOCHES, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

#### **BUDGETS AND BUDGETARY ACCOUNTING**

Annual appropriated budgets are adopted for the General, Special Revenue, and Debt Service Funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year-end.

Expenditures may not legally exceed budgeted appropriations at the department level. Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Management has the authority to transfer available funds allocated by the budget from one function or activity to another function or activity within the same department.

In cooperation with the department heads of the City, the City Manager and Director of Finance prepare an annual budget for the General, Special Revenue, and Debt Service Funds for the ensuing fiscal year, in a form and style as deemed desirable by Council. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by applicable bond covenants.

**COMBINING AND INDIVIDUAL  
STATEMENTS AND SCHEDULES**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

*Special Revenue Funds* are used to account for revenues that are restricted in nature for a special purpose limited by state law and management intentions for expenditures.

*Economic Development Fund* – to account for economic development loans from the Revolving Loan Program.

*Community Development Fund* – to account for HOME grant and long-term development loans.

*Forfeiture Fund* – to account for seized cash and property, which is designated for law enforcement.

*Special Airport Fund* – to account for grants that pertain to the City airport.

*Historical Fund* – to account for historical grants given by the City for Historical restoration

*Hotel & Motel Fund* – to account for the hotel and motel tax revenues that are restricted for enhancement and promotion of tourism of the City.

*Public Safety Fund* – to account for training expenditures for public safety personnel funded from the State LEOSE program.

*Mayor's Committee on Disabilities Fund* – to account for revenue and expenditures for the mayor's committee on disabilities.

### INTERNAL SERVICES FUND

*Equipment Replacement Fund* – is used to account for the rental of equipment and motor vehicles to other departments, and the purchase of new equipment and related costs.

*Health Insurance Fund* – is used to account for employer contributions, employee premiums, and the cost of health expenditures for employees, retirees and dependents.

### PERMANENT FUND

*Sunset Cemetery Fund* – used to account for the perpetual care and maintenance of cemeteries.

**CITY OF NACOGDOCHES, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2015**

	Special Revenue			
	Economic Development Fund	Community Development Fund	Special Airport Fund	Forfeiture Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 33,672	\$ -
Customers accounts receivable	3,104	-	-	-
Due from other governments	-	-	21,261	-
Advances for economic development	427,225	-	-	-
Restricted cash	290,554	-	-	374,012
<b>Total assets</b>	<u>720,883</u>	<u>-</u>	<u>54,933</u>	<u>374,012</u>
<b>LIABILITIES</b>				
Accounts payable	-	-	-	-
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Long-term loans receivable	427,225	-	-	-
Restricted:				
Court appointed balances	-	-	-	374,012
Promotion of tourism	-	-	-	-
Economic development	293,658	-	-	-
Sunset trust	-	-	-	-
Committed:				
Health and welfare	-	-	-	-
Airport	-	-	54,933	-
<b>Total Fund Balances</b>	<u>720,883</u>	<u>-</u>	<u>54,933</u>	<u>374,012</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 720,883</u>	<u>\$ -</u>	<u>\$ 54,933</u>	<u>\$ 374,012</u>

Historical Fund	Special Revenue			Permanent Fund	Total Nonmajor Governmental Funds
	Hotel and Motel Fund	Public Safety Fund	Mayor's Committee on Disabilities	Sunset Cemetery Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,672
-	1,704	-	-	-	4,808
-	-	-	-	-	21,261
-	-	-	-	-	427,225
<u>94,112</u>	<u>1,227,392</u>	<u>3,094</u>	<u>4,652</u>	<u>277,868</u>	<u>2,271,684</u>
<u>94,112</u>	<u>1,229,096</u>	<u>3,094</u>	<u>4,652</u>	<u>277,868</u>	<u>2,758,650</u>
<u>9,575</u>	<u>23,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,325</u>
<u>9,575</u>	<u>23,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,325</u>
-	-	-	-	-	427,225
-	-	3,094	-	-	377,106
84,537	1,205,346	-	-	-	1,289,883
-	-	-	-	-	293,658
-	-	-	-	277,868	277,868
-	-	-	4,652	-	4,652
-	-	-	-	-	54,933
<u>84,537</u>	<u>1,205,346</u>	<u>3,094</u>	<u>4,652</u>	<u>277,868</u>	<u>2,725,325</u>
<u>\$ 94,112</u>	<u>\$ 1,229,096</u>	<u>\$ 3,094</u>	<u>\$ 4,652</u>	<u>\$ 277,868</u>	<u>\$ 2,758,650</u>

**CITY OF NACOGDOCHES, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue Funds			
	Economic Development Fund	Community Development Fund	Special Airport Fund	Forfeiture Fund
<b>Revenue:</b>				
Taxes:				
Hotel/motel occupancy taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	71,977
Investment earnings	4,978	-	39	1,415
Intergovernmental	-	-	21,261	-
Miscellaneous	-	169,000	9,778	-
Total revenues	<u>4,978</u>	<u>169,000</u>	<u>31,078</u>	<u>73,392</u>
<b>Expenditures:</b>				
Current				
General government	-	-	42,522	-
Public safety	-	-	-	9,400
Culture and recreation	-	-	-	-
Community development	-	169,000	-	-
Capital outlay	-	-	-	80,182
Total expenditures	<u>-</u>	<u>169,000</u>	<u>42,522</u>	<u>89,582</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>4,978</u>	<u>-</u>	<u>( 11,444)</u>	<u>( 16,190)</u>
<b>Other financing sources (uses)</b>				
Transfers in	25,000	-	50,000	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balances	29,978	-	38,556	( 16,190)
Fund Balances - Beginning	<u>690,905</u>	<u>-</u>	<u>16,377</u>	<u>390,202</u>
Fund Balances - Ending	<u>\$ 720,883</u>	<u>\$ -</u>	<u>\$ 54,933</u>	<u>\$ 374,012</u>

Historical Fund	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Hotel and Motel Fund	Public Safety Fund	Mayor's Committee on Disabilities	Sunset Cemetery Fund	
\$ -	\$ 752,383	\$ -	\$ -	\$ -	\$ 752,383
-	-	-	-	-	71,977
260	4,120	21	13	940	11,786
-	-	5,863	-	-	27,124
-	-	-	4,540	-	183,318
<u>260</u>	<u>756,503</u>	<u>5,884</u>	<u>4,553</u>	<u>940</u>	<u>1,046,588</u>
-	-	-	-	-	42,522
-	-	7,409	-	-	16,809
-	-	-	-	4,725	4,725
24,876	636,440	-	6,725	-	837,041
-	-	-	-	-	80,182
<u>24,876</u>	<u>636,440</u>	<u>7,409</u>	<u>6,725</u>	<u>4,725</u>	<u>981,279</u>
( 24,616)	120,063	( 1,525)	( 2,172)	( 3,785)	65,309
25,000	-	-	-	3,306	103,306
-	( 25,000)	-	-	( 941)	( 25,941)
<u>25,000</u>	<u>( 25,000)</u>	<u>-</u>	<u>-</u>	<u>2,365</u>	<u>77,365</u>
384	95,063	( 1,525)	( 2,172)	( 1,420)	142,674
<u>84,153</u>	<u>1,110,283</u>	<u>4,619</u>	<u>6,824</u>	<u>279,288</u>	<u>2,582,651</u>
\$ <u>84,537</u>	\$ <u>1,205,346</u>	\$ <u>3,094</u>	\$ <u>4,652</u>	\$ <u>277,868</u>	\$ <u>2,725,325</u>

**CITY OF NACOGDOCHES, TEXAS**

**ECONOMIC DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Investment earnings	\$ 1,500	\$ 4,978	\$ 3,478
Miscellaneous	<u>21,819</u>	<u>-</u>	<u>( 21,819)</u>
Total revenues	<u>23,319</u>	<u>4,978</u>	<u>( 18,341)</u>
Expenditures:			
Community development	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>23,319</u>	<u>4,978</u>	<u>( 18,341)</u>
Other Financing Sources (Uses):			
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balances	48,319	29,978	( 18,341)
Fund Balances - Beginning	<u>690,905</u>	<u>690,905</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 739,224</u>	<u>\$ 720,883</u>	<u>\$( 18,341)</u>

**CITY OF NACOGDOCHES, TEXAS**

**COMMUNITY DEVELOPMENT FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Miscellaneous	\$ 169,000	\$ 169,000	\$ -
Total revenues	<u>169,000</u>	<u>169,000</u>	<u>-</u>
Expenditures:			
Community Development	<u>169,000</u>	<u>169,000</u>	<u>-</u>
Total Expenditures	<u>169,000</u>	<u>169,000</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF NACOGDOCHES, TEXAS**

**SPECIAL AIRPORT FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**5FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ 50	\$ 39	\$( 11)
Intergovernmental	50,000	21,261	( 28,739)
Miscellaneous	-	9,778	9,778
Total revenues	<u>50,050</u>	<u>31,078</u>	<u>( 18,972)</u>
Expenditures:			
General government:			
Airport	<u>100,000</u>	<u>42,522</u>	<u>57,478</u>
Total General Government	<u>100,000</u>	<u>42,522</u>	<u>57,478</u>
Total Expenditures	<u>100,000</u>	<u>42,522</u>	<u>57,478</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>( 49,950)</u>	<u>( 11,444)</u>	<u>38,506</u>
Other Financing Sources (Uses):			
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balances	50	38,556	38,506
Fund Balances - Beginning	<u>16,377</u>	<u>16,377</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 16,427</u>	<u>\$ 54,933</u>	<u>\$ 38,506</u>

**CITY OF NACOGDOCHES, TEXAS**

**FORFEITURE FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Fines and forfeitures	\$ 64,100	\$ 71,977	\$ 7,877
Investment earnings	<u>1,200</u>	<u>1,415</u>	<u>215</u>
Total revenues	<u>65,300</u>	<u>73,392</u>	<u>8,092</u>
Expenditures:			
Public safety	81,426	9,400	72,026
Capital outlay	<u>85,442</u>	<u>80,182</u>	<u>5,260</u>
Total Expenditures	<u>166,868</u>	<u>89,582</u>	<u>77,286</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>( 101,568)</u>	<u>( 16,190)</u>	<u>85,378</u>
Net Change in Fund Balances	<u>( 101,568)</u>	<u>( 16,190)</u>	<u>85,378</u>
Fund Balances - Beginning	<u>390,202</u>	<u>390,202</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 288,634</u>	<u>\$ 374,012</u>	<u>\$ 85,378</u>

**CITY OF NACOGDOCHES, TEXAS**

**HISTORICAL FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
Investment earnings	\$ 200	\$ 260	\$ 60
Total revenues	<u>200</u>	<u>260</u>	<u>60</u>
Expenditures:			
Community Development	<u>25,000</u>	<u>24,876</u>	<u>124</u>
Total Expenditures	<u>25,000</u>	<u>24,876</u>	<u>124</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>( 24,800)</u>	<u>( 24,616)</u>	<u>( 64)</u>
Other Financing Sources (Uses):			
Transfers in	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balances	200	384	( 64)
Fund Balance- Beginning	<u>84,153</u>	<u>84,153</u>	<u>-</u>
Fund Balance- Ending	<u>\$ 84,353</u>	<u>\$ 84,537</u>	<u>\$( 64)</u>

**CITY OF NACOGDOCHES, TEXAS**

**HOTEL AND MOTEL FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Taxes:			
Hotel/motel occupancy taxes	\$ 752,400	\$ 752,383	\$( 17)
Investment earning	<u>2,500</u>	<u>4,120</u>	<u>1,620</u>
Total revenues	<u>754,900</u>	<u>756,503</u>	<u>1,603</u>
Expenditures:			
Community development	<u>658,060</u>	<u>636,440</u>	<u>21,620</u>
Total Expenditures	<u>658,060</u>	<u>636,440</u>	<u>21,620</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>96,840</u>	<u>120,063</u>	<u>23,223</u>
Other Financing Sources (Uses):			
Transfers out	<u>( 25,000)</u>	<u>( 25,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>( 25,000)</u>	<u>( 25,000)</u>	<u>-</u>
Net Change in Fund Balances	71,840	95,063	23,223
Fund Balances - Beginning	<u>1,110,283</u>	<u>1,110,283</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,182,123</u>	<u>\$ 1,205,346</u>	<u>\$ 23,223</u>

**CITY OF NACOGDOCHES, TEXAS**

**PUBLIC SAFETY FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ -	\$ 21	\$ 21
Intergovernmental	<u>5,750</u>	<u>5,863</u>	<u>113</u>
Total revenues	<u>5,750</u>	<u>5,884</u>	<u>134</u>
 Expenditures:			
Public Safety:			
Police Department	4,750	6,137	( 1,387)
Fire Protection	<u>1,000</u>	<u>1,272</u>	<u>( 272)</u>
Total Public Safety	<u>5,750</u>	<u>7,409</u>	<u>( 1,659)</u>
 Total Expenditures	<u>5,750</u>	<u>7,409</u>	<u>( 1,659)</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>( 1,525)</u>	<u>( 1,525)</u>
 Net Change in Fund Balances	-	( 1,525)	( 1,525)
 Fund Balances - Beginning	<u>4,619</u>	<u>4,619</u>	<u>-</u>
 Fund Balances- Ending	<u>\$ 4,619</u>	<u>\$ 3,094</u>	<u>\$( 1,525)</u>

**CITY OF NACOGDOCHES, TEXAS**

**MAYOR'S COMMITTEE ON DISABILITIES FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Investment earnings	\$ 30	\$ 13	\$( 17)
Miscellaneous	<u>2,500</u>	<u>4,540</u>	<u>2,040</u>
Total revenues	<u>2,530</u>	<u>4,553</u>	<u>2,023</u>
Expenditures:			
Community Development	<u>2,530</u>	<u>6,725</u>	<u>( 4,195)</u>
Total Expenditures	<u>2,530</u>	<u>6,725</u>	<u>( 4,195)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>( 2,172)</u>	<u>6,218</u>
Net Change in Fund Balances	-	( 2,172)	6,218
Fund Balances - Beginning	<u>6,824</u>	<u>6,824</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 6,824</u>	<u>\$ 4,652</u>	<u>\$ 6,218</u>

**CITY OF NACOGDOCHES, TEXAS**

**DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Taxes:			
Property taxes	\$ 1,167,950	\$ 1,165,317	\$( 2,633)
Investment earnings	<u>3,000</u>	<u>2,734</u>	<u>( 266)</u>
Total revenues	<u>1,170,950</u>	<u>1,168,051</u>	<u>( 2,899)</u>
Expenditures:			
Debt Services:			
Principal	885,000	885,000	-
Interest	<u>282,950</u>	<u>282,950</u>	<u>-</u>
Total Debt Service	<u>1,167,950</u>	<u>1,167,950</u>	<u>-</u>
Total Expenditures	<u>1,167,950</u>	<u>1,167,950</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,000</u>	<u>101</u>	<u>( 2,899)</u>
Net Change in Fund Balances	3,000	101	( 2,899)
Fund Balances - Beginning	<u>215,953</u>	<u>215,953</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 218,953</u>	<u>\$ 216,054</u>	<u>\$( 2,899)</u>

**CITY OF NACOGDOCHES, TEXAS**

**SUNSET CEMETERY FUND  
PERMANENT FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
Investments earnings	\$ 1,000	\$ 940	\$( 60)
Total revenues	<u>1,000</u>	<u>940</u>	<u>( 60)</u>
Expenditures:			
Culture and recreation	<u>5,100</u>	<u>4,725</u>	<u>( 375)</u>
Total Expenditures	<u>5,100</u>	<u>4,725</u>	<u>( 375)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>( 4,100)</u>	<u>( 3,785)</u>	<u>315</u>
Other Financing Sources (Uses):			
Transfers in	3,000	3,306	306
Transfers out	<u>( 1,000)</u>	<u>( 941)</u>	<u>59</u>
Total other financing sources (uses)	<u>2,000</u>	<u>2,365</u>	<u>365</u>
Net Change in Fund Balances	<u>( 2,100)</u>	<u>( 1,420)</u>	<u>680</u>
Fund Balances - Beginning	<u>279,288</u>	<u>279,288</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 277,188</u>	<u>\$ 277,868</u>	<u>\$ 680</u>

**CITY OF NACOGDOCHES, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Equipment Replacement Fund	Health Insurance Fund	Total Internal Service Funds
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 2,256,781	\$ 770,358	\$ 3,027,139
Total Current Assets	2,256,781	770,358	3,027,139
Noncurrent Assets:			
Capital Assets (net of accumulated depreciation):			
Machinery and equipment	4,182,557	-	4,182,557
Less accumulated depreciation	( 3,250,287)	-	( 3,250,287)
Total Capital Assets	932,270	-	932,270
Total Noncurrent Assets	932,270	-	932,270
Total Assets	3,189,051	770,358	3,959,409
<b>LIABILITIES</b>			
Current Liabilities:			
Accrued expenses	-	145,685	145,685
Total Current Liabilities	-	145,685	145,685
Total Liabilities	-	145,685	145,685
<b>NET POSITION</b>			
Net Investment in capital assets	932,270	-	932,270
Unrestricted	2,256,781	624,673	2,881,454
Total Net Position	3,189,051	624,673	3,813,724
Total Liabilities and Net Position	\$ 3,189,051	\$ 770,358	\$ 3,959,409

# CITY OF NACOGDOCHES, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

### IN FUND NET POSITION -- INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Equipment Replacement Fund</u>	<u>Health Insurance Fund</u>	<u>Total Internal Service Funds</u>
<b>OPERATING REVENUES</b>			
Charges for sales and services	\$ 3,562	\$ -	\$ 3,562
Equipment rental	427,273	-	427,273
Employer premiums	-	1,545,836	1,545,836
Employee premiums	-	589,942	589,942
Total charges for sales and services	<u>430,835</u>	<u>2,135,778</u>	<u>2,566,613</u>
Other:			
Miscellaneous revenue	<u>841</u>	-	<u>841</u>
Total Operating Revenues	<u>431,676</u>	<u>2,135,778</u>	<u>2,567,454</u>
<b>OPERATING EXPENSES</b>			
Non-departmental	-	2,585,914	2,585,914
Depreciation and amortization	<u>335,855</u>	-	<u>335,855</u>
Total Operating Expenses	<u>335,855</u>	<u>2,585,914</u>	<u>2,921,769</u>
Operating Income	<u>95,821</u>	<u>( 450,136)</u>	<u>( 354,315)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	7,528	2,322	9,850
Gain on sales of assets	<u>43,005</u>	-	<u>43,005</u>
Total Non-operating Revenues (Expenses)	<u>50,533</u>	<u>2,322</u>	<u>52,855</u>
Income before Transfers	146,354	( 447,814)	( 301,460)
Transfers out	-	-	-
Change in Net Position	146,354	( 447,814)	( 301,460)
Net Positon - Beginning	<u>3,042,697</u>	<u>1,072,487</u>	<u>4,115,184</u>
Net Positon - Ending	<u>\$ 3,189,051</u>	<u>\$ 624,673</u>	<u>\$ 3,813,724</u>

**CITY OF NACOGDOCHES, TEXAS**

**COMBINING STATEMENTS OF CASH FLOWS  
INTERNAL SERVICE FUNDS**

**FOR THE YEAR ENDED SEPTEMBER, 2015**

	<u>Equipment Replacement Fund</u>	<u>Health Insurance Fund</u>	<u>Total Internal Service Funds</u>
Cash Flows from Operating Activities:			
Receipts from interfund charges for fleet management services	\$ 431,676	\$ -	\$ 431,676
Receipts from interfund charges fro risk management services	-	2,135,778	2,135,778
Cash payments to suppliers for goods and services	<u>-</u>	<u>( 2,503,285)</u>	<u>( 2,503,285)</u>
Net Cash Provided (Used) by Operating Activities	<u>431,676</u>	<u>( 367,507)</u>	<u>64,169</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisitions or construction of capital assets	( 411,586)	-	( 411,586)
Proceeds from sale of capital assets	<u>43,005</u>	<u>-</u>	<u>43,005</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>( 368,581)</u>	<u>-</u>	<u>( 368,581)</u>
Cash Flows from Investing Activities:			
Interest and dividends on investments	<u>7,528</u>	<u>2,322</u>	<u>9,850</u>
Net Cash Provided (Used) for Investing Activities	<u>7,528</u>	<u>2,322</u>	<u>9,850</u>
Net Increase (Decrease) in Cash and Cash Equivalents	70,623	( 365,185)	( 294,562)
Cash and Cash Equivalents at Beginning of Year	<u>2,186,158</u>	<u>1,135,543</u>	<u>3,321,701</u>
Cash and Cash Equivalents at End of Year	<u>2,256,781</u>	<u>770,358</u>	<u>3,027,139</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	95,821	( 450,136)	( 354,315)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	335,855	-	335,855
Change in Assets and Liabilities:			
Increase (decrease) in accrued expenses	<u>-</u>	<u>82,629</u>	<u>82,629</u>
Total Adjustments	<u>335,855</u>	<u>82,629</u>	<u>418,484</u>
Net Cash Provided (Used) Operating Activities	<u>\$ 431,676</u>	<u>\$( 367,507)</u>	<u>\$ 64,169</u>

**CITY OF NACOGDOCHES, TEXAS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</u>
<b>FSA Cafeteria Fund</b>				
Assets				
Cash and Investments	\$ 1,207	\$ 38,288	\$ 30,465	\$ 9,030
Total Assets	<u>1,207</u>	<u>38,288</u>	<u>30,465</u>	<u>9,030</u>
Liabilities				
Accrued Expenses	1,207	38,288	30,465	9,030
Total Liabilities	<u>\$ 1,207</u>	<u>\$ 38,288</u>	<u>\$ 30,465</u>	<u>\$ 9,030</u>

# **STATISTICAL SECTION**

# STATISTICAL SECTION

This part of the City of Nacogdoches' comprehensive annual financial report presents detailed information as a context for understanding that when information in the financial statements, note disclosures, and require supplementary information says about the City's overall financial health.

## Contents

	<b>Page</b>
<b>Financial Trends</b>	81 – 90
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	91 – 97
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	
<b>Debt Capacity</b>	98 – 103
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	104 – 105
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Information</b>	106 – 109
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services the City provides and the activities it performs.	

**CITY OF NACOGDOCHES, TEXAS**

**NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year			
	2006	2007	2008	2009
<b>Governmental activities:</b>				
Net Investment in				
Capital Assets	\$ 26,404,596	\$ 27,402,712	\$ 29,320,667	\$ 29,447,326
Restricted	2,477,435	2,019,237	1,106,353	1,430,278
Unrestricted	<u>5,793,886</u>	<u>6,791,043</u>	<u>6,355,578</u>	<u>7,008,344</u>
Total Governmental Activities Net Position	<u>\$ 34,675,917</u>	<u>\$ 36,212,992</u>	<u>\$ 36,782,598</u>	<u>\$ 37,885,948</u>
<b>Business-type activities:</b>				
Net Investment in				
Capital assets	\$ 21,352,144	\$ 21,362,144	\$ 26,208,024	\$ 30,538,121
Restricted	18,490,756	18,490,756	12,413,601	14,193,349
Unrestricted	<u>5,942,413</u>	<u>5,942,413</u>	<u>13,240,115</u>	<u>13,215,930</u>
Total Business-type Activities Net Position	<u>\$ 45,785,313</u>	<u>\$ 45,795,313</u>	<u>\$ 51,861,740</u>	<u>\$ 57,947,400</u>
<b>Primary Government</b>				
Net Investment in				
Capital Assets	\$ 47,766,740	\$ 47,766,740	\$ 58,528,691	\$ 59,985,447
Restricted	20,968,191	20,968,191	13,519,954	15,623,627
Unrestricted	<u>11,736,299</u>	<u>11,736,299</u>	<u>19,595,693</u>	<u>20,224,274</u>
Total Primary Government Net Position	<u>\$ 80,471,230</u>	<u>\$ 80,471,230</u>	<u>\$ 91,644,338</u>	<u>\$ 95,833,348</u>

Table 1

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 28,032,150	\$ 27,347,322	\$ 27,337,224	\$ 27,241,042	\$ 25,820,583	\$ 27,474,788
1,778,113	3,420,656	4,201,144	4,241,128	5,709,616	4,703,439
<u>8,292,798</u>	<u>8,917,507</u>	<u>9,931,806</u>	<u>10,349,319</u>	<u>9,315,464</u>	<u>2,687,583</u>
<u>\$ 38,103,061</u>	<u>\$ 39,685,485</u>	<u>\$ 41,470,174</u>	<u>\$ 41,831,489</u>	<u>\$ 40,845,663</u>	<u>\$ 34,865,810</u>
\$ 33,003,438	\$ 36,261,278	\$ 40,413,438	\$ 43,734,371	\$ 45,389,352	\$ 54,371,566
11,686,374	9,241,159	8,160,406	5,061,643	4,230,285	4,255,844
<u>18,349,997</u>	<u>22,911,370</u>	<u>23,908,378</u>	<u>25,249,603</u>	<u>25,556,627</u>	<u>19,981,019</u>
<u>\$ 63,039,809</u>	<u>\$ 68,413,807</u>	<u>\$ 72,482,222</u>	<u>\$ 74,045,617</u>	<u>\$ 75,176,264</u>	<u>\$ 78,608,429</u>
\$ 61,035,688	\$ 63,608,600	\$ 67,750,662	\$ 70,975,413	\$ 71,209,935	\$ 81,846,354
13,464,487	12,661,815	12,361,550	9,302,771	9,939,901	8,959,283
<u>26,642,795</u>	<u>31,828,877</u>	<u>33,840,184</u>	<u>35,598,922</u>	<u>34,872,091</u>	<u>22,668,602</u>
<u>\$ 101,142,970</u>	<u>\$ 108,099,292</u>	<u>\$ 113,952,396</u>	<u>\$ 115,877,106</u>	<u>\$ 116,021,927</u>	<u>\$ 113,474,239</u>

**CITY OF NACOGDOCHES, TEXAS**

**CHANGES IN NET POSITION**

**LAST TEN FISCAL YEARS  
(ACCRUAL BASIS OF ACCOUNTING)  
(Unaudited)**

	Fiscal Year			
	2006	2007	2008	2009
<b>EXPENSES</b>				
Governmental Activities:				
General Government	\$ 4,136,440	\$ 4,671,012	\$ 4,710,540	\$ 4,145,739
Public Safety	10,893,961	10,568,566	11,521,875	12,063,000
Highways and Streets	2,312,057	2,428,785	2,489,948	2,706,133
Culture and Recreation	2,151,859	2,229,219	2,368,308	2,520,571
Community Development	904,271	1,263,216	995,125	1,003,611
Interest on Long-Term Debt	<u>671,852</u>	<u>645,773</u>	<u>618,205</u>	<u>589,785</u>
Total Governmental Activities Expenses	<u>21,070,440</u>	<u>21,806,571</u>	<u>22,704,001</u>	<u>23,028,839</u>
Business-type Activities				
Water and Sewer	9,450,585	9,771,736	10,322,517	11,387,995
Sanitation	2,536,706	3,142,314	3,007,332	2,821,980
Airport	-	-	509,238	391,939
Total Business-type Activities Expenses	<u>11,987,291</u>	<u>12,914,050</u>	<u>13,839,087</u>	<u>14,601,914</u>
Total Primary Government Expenses	<u>\$ 33,057,731</u>	<u>\$ 34,720,621</u>	<u>\$ 36,543,088</u>	<u>\$ 37,630,753</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
General Government	\$ -	\$ 26,297	\$ 314,953	\$ -
Public Safety	357,328	254,441	218,115	1,581,121
Culture and Recreation	239,720	274,645	255,668	254,506
Community Development	-	166,916	171,083	-
Operating Grants and Contributions	2,103,987	856,273	452,022	1,311,182
Capital Grants and Contributions	<u>705,049</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities Program Revenues	<u>3,406,084</u>	<u>1,578,572</u>	<u>1,411,841</u>	<u>3,146,809</u>
Business-type Activities:				
Charges for Services:				
Water and Sewer	15,143,298	15,225,096	16,208,899	16,605,772
Sanitation	5,181,120	5,575,512	5,558,991	5,555,373
Airport	-	-	452,477	306,287
Capital Grants and Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type Activities Program Revenues	<u>20,324,418</u>	<u>20,800,608</u>	<u>22,220,367</u>	<u>22,467,432</u>
Total Primary Government Program Revenues	<u>\$ 23,730,502</u>	<u>\$ 22,379,180</u>	<u>\$ 23,632,208</u>	<u>\$ 25,614,241</u>
Net (Expense)/Revenue				
Governmental Activities	\$( 17,664,356)	\$( 20,227,999)	\$( 21,292,160)	\$( 19,882,030)
Business-type Activities	<u>8,337,127</u>	<u>7,886,558</u>	<u>8,381,280</u>	<u>7,865,518</u>
Total Net Expense	<u>\$( 9,327,229)</u>	<u>\$( 12,341,441)</u>	<u>\$( 12,910,880)</u>	<u>\$( 12,016,512)</u>

TABLE 2

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 4,138,182	\$ 4,202,671	\$ 4,464,799	\$ 4,558,649	\$ 4,635,539	\$ 4,443,151
12,479,613	13,162,688	13,042,618	13,548,211	13,996,948	13,977,452
2,629,777	2,658,599	2,577,253	2,699,339	2,520,977	2,300,242
2,557,780	2,451,813	2,321,329	2,414,986	2,422,034	4,953,709
1,045,787	1,245,874	1,450,073	937,155	840,759	849,113
<u>649,443</u>	<u>414,976</u>	<u>411,907</u>	<u>339,722</u>	<u>289,704</u>	<u>276,975</u>
<u>23,500,582</u>	<u>24,136,621</u>	<u>24,267,979</u>	<u>24,498,062</u>	<u>24,705,961</u>	<u>26,800,642</u>
11,245,042	12,119,007	11,774,421	11,790,936	11,053,329	10,976,691
2,459,836	2,774,451	2,820,738	4,239,189	3,092,057	2,769,584
420,505	565,029	562,001	543,860	539,645	450,610
<u>14,125,383</u>	<u>15,458,487</u>	<u>15,157,160</u>	<u>16,573,985</u>	<u>14,685,031</u>	<u>14,196,885</u>
<u>\$ 37,625,965</u>	<u>\$ 39,595,108</u>	<u>\$ 39,425,139</u>	<u>\$ 41,072,047</u>	<u>\$ 39,390,992</u>	<u>\$ 40,997,527</u>
\$ -	\$ -	\$ 21,573	\$ 14,843	\$ 223,352	\$ 316,525
1,596,806	1,819,483	1,607,141	1,827,837	1,821,823	1,946,627
249,601	231,946	247,546	285,233	328,510	354,280
-	-	-	-	-	-
424,056	567,911	779,057	328,443	247,111	535,337
<u>25,997</u>	<u>613,708</u>	<u>78,559</u>	<u>165,078</u>	<u>415,309</u>	<u>58,270</u>
<u>2,296,460</u>	<u>3,233,048</u>	<u>2,733,876</u>	<u>2,621,434</u>	<u>3,036,105</u>	<u>3,211,039</u>
17,439,844	19,139,784	17,066,279	16,481,383	15,878,779	16,646,161
5,611,411	5,683,453	5,639,709	5,661,016	5,437,249	5,398,981
363,358	473,232	494,056	424,000	418,044	362,886
-	-	879,477	64,664	259,203	1,005,188
<u>23,414,613</u>	<u>25,296,469</u>	<u>24,079,521</u>	<u>22,631,063</u>	<u>21,993,275</u>	<u>23,413,216</u>
<u>\$ 25,711,073</u>	<u>\$ 28,529,517</u>	<u>\$ 26,813,397</u>	<u>\$ 25,252,497</u>	<u>\$ 25,029,380</u>	<u>\$ 26,624,255</u>
\$(21,204,122)	\$(20,903,573)	\$(21,534,103)	\$(21,876,628)	\$(21,669,856)	\$(23,589,603)
<u>9,289,230</u>	<u>9,837,982</u>	<u>8,922,361</u>	<u>6,057,078</u>	<u>7,308,244</u>	<u>9,216,331</u>
<u>\$( 11,914,892)</u>	<u>\$( 11,065,591)</u>	<u>\$(12,611,742)</u>	<u>\$( 15,819,550)</u>	<u>\$( 14,361,612)</u>	<u>\$( 14,373,272)</u>

# CITY OF NACOGDOCHES, TEXAS

## CHANGES IN NET POSITION (Continued) LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	Fiscal Year			
	2006	2007	2008	2009
General Revenues and Other Changes in Net Position				
Governmental Activities				
Taxes				
Property Taxes	\$ 6,405,595	\$ 6,577,039	\$ 6,767,951	\$ 7,038,229
Franchise Taxes	2,120,014	2,309,872	2,430,873	2,441,364
Sales Taxes	4,672,339	5,299,060	5,295,485	5,282,325
Other Taxes	636,791	744,963	809,755	1,054,277
Unrestricted Grants and Contributions	-	229,778	109,544	-
Penalties and Interests on Taxes	1,098,292	1,553,071	1,415,563	143,016
Investment Earnings	360,242	431,091	194,198	31,636
Miscellaneous	303,356	104,696	133,889	369,026
Transfers	4,263,123	4,470,800	4,530,848	4,994,900
Gain on Sale of Capital Assets	-	-	( 17,480)	22,058
Total Governmental Activities	<u>19,859,752</u>	<u>21,720,370</u>	<u>21,670,626</u>	<u>21,376,831</u>
Business-type Activities:				
Investment Earnings	1,002,754	1,114,002	628,268	121,565
Miscellaneous	-	-	-	-
Transfers	( 4,263,123)	( 4,470,800)	( 4,530,848)	( 4,994,900)
Gain on Sale of Capital Assets	-	-	( 2,090)	143,477
Total Business-type Activities	<u>( 3,260,369)</u>	<u>( 3,356,798)</u>	<u>( 3,904,670)</u>	<u>( 4,729,858)</u>
Total Primary Government	<u>\$ 16,599,383</u>	<u>\$ 18,363,572</u>	<u>\$ 17,765,956</u>	<u>\$ 16,646,973</u>
Change in Net Position				
Governmental Activities	\$ 2,195,396	\$ 1,492,371	\$ 378,466	\$ 1,494,801
Business-type Activities	<u>5,076,758</u>	<u>4,529,760</u>	<u>4,476,620</u>	<u>3,135,660</u>
Total Primary Government	<u>\$ 7,272,154</u>	<u>\$ 6,022,131</u>	<u>\$ 4,855,086</u>	<u>\$ 4,630,461</u>

TABLE 2

		Fiscal Year											
		2010	2011	2012	2013	2014	2015						
\$	7,387,124	\$	7,550,954	\$	7,688,903	\$	7,729,854	\$	7,852,946	\$	8,294,720		
	5,148,402		5,588,122		5,656,111		5,469,337		2,575,624		2,505,532		
	2,562,889		2,742,062		2,682,979		2,536,335		5,460,720		5,724,160		
	1,030,457		1,264,270		1,085,231		708,537		799,041		837,225		
	-		-		-		-		-		-		
	136,822		141,815		137,135		140,834		123,151		152,406		
	33,509		52,247		33,510		74,526		52,245		58,165		
	429,194		425,130		868,151		604,953		83,709		101,865		
	4,978,443		4,720,686		5,039,470		5,116,050		5,370,715		5,592,442		
	12,451		11,992		272,632		35,137		28,740		543,293		
	<u>21,719,291</u>		<u>22,497,278</u>		<u>23,464,122</u>		<u>22,415,563</u>		<u>22,346,891</u>		<u>23,809,808</u>		
	54,489		96,787		82,296		129,168		91,937		82,548		
	-		-		2,038		5,133		364,382		377,105		
(	4,978,443)	(	4,720,686)	(	5,039,470)	(	5,116,050)	(	5,370,715)	(	5,592,442)	(	5,592,442)
	27,528		137,119		102,741		247,890		22,092		62,164		
(	<u>4,896,426</u> )	(	<u>4,486,780</u> )	(	<u>4,852,395</u> )	(	<u>4,733,859</u> )	(	<u>4,892,304</u> )	(	<u>5,070,625</u> )	(	<u>5,070,625</u> )
\$	<u>16,822,865</u>	\$	<u>18,010,498</u>	\$	<u>18,611,727</u>	\$	<u>17,681,704</u>	\$	<u>17,454,587</u>	\$	<u>18,739,183</u>		
\$	515,169	\$	1,593,705	\$	1,930,019	\$	538,935	\$	677,035	\$	220,205		
	<u>4,392,804</u>		<u>5,351,202</u>		<u>4,069,966</u>		<u>1,324,219</u>		<u>2,415,940</u>		<u>4,145,706</u>		
\$	<u>4,907,973</u>	\$	<u>6,944,907</u>	\$	<u>5,999,985</u>	\$	<u>1,863,154</u>	\$	<u>3,092,975</u>	\$	<u>4,365,911</u>		

**CITY OF NACOGDOCHES, TEXAS**

**FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)**

	Fiscal Year			
	2006	2007	2008	2009
<b>General Fund</b>				
Reserved	\$ 127,599	\$ 190,264	\$ 159,672	\$ 161,114
Unreserved	7,016,497	7,785,248	5,330,208	5,409,703
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Unassigned	-	-	-	-
<b>Total General Fund</b>	<u>\$ 7,144,096</u>	<u>\$ 7,975,512</u>	<u>\$ 5,489,880</u>	<u>\$ 5,570,817</u>
<b>All Other Governmental Funds</b>				
Reserved	\$ 1,205,517	\$ 791,210	\$ 1,109,511	\$ 1,269,163
Unreserved, reported in:				
<b>Special Revenue Funds</b>	252,771	575,928	540,849	904,544
Non-spendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
<b>Total All Other Governmental Funds</b>	<u>\$ 1,458,288</u>	<u>\$ 1,367,138</u>	<u>\$ 1,650,360</u>	<u>\$ 2,173,707</u>

Note:

\* FY 2011 was the first year of implementation of GASB 54.

The FY 2011 column includes the new fund balance categories.

**TABLE 3**

Fiscal Year					
2010	2011*	2012	2013	2014	2015
\$ 196,145	\$ -	\$ -	\$ -	\$ -	\$ -
6,007,062	-	-	-	-	-
-	-	64,320	51,456	38,592	25,728
-	238,785	639,492	735,489	695,887	702,693
-	7,372,947	8,554,470	8,705,190	8,690,538	10,264,994
<u>\$ 6,203,207</u>	<u>\$ 7,611,732</u>	<u>\$ 9,258,282</u>	<u>\$ 9,492,135</u>	<u>\$ 9,425,017</u>	<u>\$ 10,993,415</u>
\$ 1,581,967	\$ -	\$ -	\$ -	\$ -	\$ -
1,076,322	-	-	-	-	-
-	624,864	354,470	266,467	114,214	427,225
-	2,557,007	3,207,182	3,239,172	3,491,098	2,454,569
-	7,999	152,875	43,979	23,201	59,585
<u>\$ 2,658,289</u>	<u>\$ 3,189,870</u>	<u>\$ 3,714,527</u>	<u>\$ 3,549,618</u>	<u>\$ 3,628,513</u>	<u>\$ 2,742,029</u>

# CITY OF NACOGDOCHES, TEXAS

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

### LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING) (UNAUDITED)

	Fiscal Year			
	2006	2007	2008	2009
<b>Revenue</b>				
Taxes:				
General property taxes	\$ 6,607,542	\$ 6,715,161	\$ 7,023,012	\$ 7,030,265
General sales and other taxes	7,429,144	8,353,895	8,536,133	8,777,966
Licenses and permits	347,730	398,409	367,716	308,055
Fines and forfeitures	903,980	1,229,559	1,075,416	1,263,072
Charges for services	284,404	554,314	269,315	264,500
Investment earnings	341,040	410,084	180,968	27,454
Grants	2,640,037	848,781	362,486	1,311,182
Miscellaneous	369,721	303,305	454,897	512,042
<b>Total revenues</b>	<u>18,923,598</u>	<u>18,813,508</u>	<u>18,269,943</u>	<u>19,494,536</u>
<b>Expenditures</b>				
General government	3,993,394	4,532,560	4,401,663	4,102,141
Public safety	10,862,693	10,146,783	11,521,768	12,505,035
Highways and streets	1,415,081	1,475,402	1,869,139	1,795,160
Culture and recreation	2,077,511	2,212,623	2,326,499	2,425,351
Community development	1,673,033	1,448,234	969,843	1,030,252
Debt service:				
Principal	480,000	505,000	520,000	540,000
Interest, fiscal charges, issue cost	636,268	615,378	593,248	570,433
Other capital outlays	1,126,602	1,677,265	3,016,659	646,985
<b>Total expenditures</b>	<u>22,264,582</u>	<u>22,613,245</u>	<u>25,218,819</u>	<u>23,615,357</u>
<b>Other financing sources (uses)</b>				
Refunding bond premium	-	-	-	-
Payment to escrow agent	-	-	-	-
Refunding bonds issued	-	-	-	-
Transfers in	4,351,413	4,611,372	4,782,781	5,278,015
Transfers out	( 63,790)	( 116,072)	( 227,433)	( 286,591)
Proceeds from leases payable	-	-	-	-
Sale of capital assets	-	-	-	27,976
Total other financing sources (uses)	<u>4,287,623</u>	<u>4,495,300</u>	<u>4,555,348</u>	<u>5,019,400</u>
<b>Net changes in fund balances</b>	<u>\$ 946,639</u>	<u>\$ 695,563</u>	<u>\$ ( 2,393,528)</u>	<u>\$ 898,579</u>
<b>Capital outlays included in functions</b>	<u>\$ 1,434,805</u>	<u>\$ 363,284</u>	<u>\$ 406,344</u>	<u>\$ 941,639</u>
Debt service as a percentage of noncapital expenditures calculated as ([a] + [b]) / [c] - [d])	5.36%	5.04%	4.49%	4.90%

TABLE 4

		Fiscal Year										
		2010	2011	2012	2013	2014	2015					
\$	7,349,890	\$	7,537,329	\$	7,703,315	\$	7,734,895	\$	7,802,983	\$	8,323,689	
	8,741,748		9,594,454		9,424,321		8,714,209		8,958,536		9,219,323	
	370,158		330,381		323,367		362,349		245,491		328,624	
	1,216,648		1,489,102		1,283,774		1,131,190		963,481		922,397	
	259,601		231,946		247,546		285,233		296,262		311,837	
	24,151		39,175		28,777		59,025		41,865		48,315	
	450,053		1,181,619		879,189		842,662		854,670		744,179	
	504,181		476,134		817,910		540,932		740,548		955,828	
	<u>18,916,430</u>		<u>20,880,140</u>		<u>20,708,199</u>		<u>19,670,495</u>		<u>19,903,836</u>		<u>20,854,192</u>	
	4,057,726		4,193,276		4,311,234		4,422,642		4,339,520		4,197,557	
	12,302,459		13,021,070		12,631,331		13,373,945		13,500,225		13,256,260	
	1,762,161		1,699,845		1,662,683		1,899,636		1,768,240		1,610,945	
	2,489,884		2,345,598		2,204,851		2,385,704		2,265,852		4,665,165	
	1,002,418		1,227,391		1,446,539		995,717		847,276		837,041	
	625,000		755,000		840,000		825,000		855,000		885,000 a	
	721,601		423,303		410,961		330,365		307,539		282,950 b	
	28,073		6,362		328,247		669,179		1,403,622		530,090	
	<u>22,989,322</u>		<u>23,671,845</u>		<u>23,835,846</u>		<u>24,902,188</u>		<u>25,287,274</u>		<u>26,265,008 c</u>	
	147,453		-		537,252		-		-		-	
(	4,440,000)		-	(	6,064,159)		-		-		-	
	4,565,000		-		5,590,000		-		-		-	
	5,222,434		5,284,748		5,254,750		5,275,763		5,573,228		5,921,689	
(	219,491)	(	539,562)	(	245,217)	(	136,856)	(	178,013)	(	329,247)	
	-		-		-		-		-		-	
	12,821		-		277,948		1,644		-		500,288	
	<u>5,288,217</u>		<u>4,745,186</u>		<u>5,350,574</u>		<u>5,140,551</u>		<u>5,395,215</u>		<u>6,092,730</u>	
\$	<u>1,215,325</u>	\$	<u>1,953,481</u>	\$	<u>2,222,927</u>	\$	<u>(91,142)</u>	\$	<u>11,777</u>	\$	<u>681,914</u>	
\$	<u>309,668</u>	\$	<u>564,616</u>	\$	<u>570,503</u>	\$	<u>987,656</u>	\$	<u>85,038</u>	\$	<u>47,337 d</u>	
	5.94%		5.10%		5.38%		4.83%		4.61%		4.45%	

## CITY OF NACOGDOCHES, TEXAS

## TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)  
(UNAUDITED)

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>General Sales Taxes</u>	<u>Utility Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
2006	\$ 6,607,542	\$ 4,672,339	\$ 2,120,015	\$ 636,790	\$ 14,036,686
2007	6,715,161	5,299,060	2,309,871	744,964	15,069,056
2008	7,023,012	5,295,485	2,430,873	809,755	15,559,125
2009	7,030,265	5,282,325	2,441,364	1,054,277	15,808,231
2010	7,349,890	5,148,402	2,562,889	1,030,457	16,091,638
2011	7,537,329	5,588,122	2,742,062	1,264,270	17,131,783
2012	7,703,315	5,656,111	2,682,979	1,085,231	17,127,636
2013	7,734,895	5,469,337	2,536,335	708,537	16,449,104
2014	7,802,983	5,460,720	2,575,624	799,041	16,638,368
2015	8,323,689	5,724,160	2,505,532	837,225	17,390,606

## CITY OF NACOGDOCHES, TEXAS

### ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

#### LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Real Property	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2006	\$ 1,130,135,140	\$ 187,107,880	\$ 135,389,260	\$ 1,181,853,760	0.56	\$ 1,181,853,760	100.0%
2007	1,155,542,090	227,676,450	141,327,680	1,241,890,860	0.56	1,241,890,860	100.0%
2008	1,200,681,245	234,610,660	143,778,360	1,291,513,545	0.55	1,291,513,545	100.0%
2009	1,309,961,820	231,865,480	186,018,005	1,355,809,295	0.55	1,355,809,295	100.0%
2010	1,315,013,120	214,370,010	189,800,162	1,339,582,968	0.55	1,339,582,968	100.0%
2011	1,382,007,320	206,455,710	227,353,800	1,361,109,230	0.56937	1,361,109,230	100.0%
2012	1,399,952,230	219,101,180	230,309,002	1,388,744,408	0.569	1,388,744,408	100.0%
2013	1,417,220,950	234,107,270	251,679,960	1,399,648,260	0.562	1,399,648,260	100.0%
2014	1,570,237,940	234,107,350	404,697,030	1,399,648,260	.56390	1,399,648,260	100.0%
.56390	1,588,480,170	234,542,480	362,896,840	1,460,125,810	.56810	1,460,125,810	100.0%

Source: Nacogdoches Central Appraisal District

**CITY OF NACOGDOCHES, TEXAS**

**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

**LAST TEN FISCAL YEARS  
(UNAUDITED)**

Fiscal Year	City of Nacogdoches			Nacogdoches Independent School District		
	Operating and Millage Rate	General Obligation Debt Service	Total City Rate	Operating and Millage Rate	General Obligation Debt Service	Total NISD Rate
2006	0.46290	0.09710	0.56000	1.50000	0.20000	1.70000
2007	0.46460	0.09540	0.56000	1.17000	0.20000	1.37000
2008	0.45980	0.09020	0.55000	1.17000	0.20000	1.37000
2009	0.46190	0.08810	0.55000	1.17000	0.20000	1.37000
2010	0.46630	0.08370	0.55000	1.17000	0.20000	1.37000
2011	0.48046	0.08890	0.56937	1.17000	0.20000	1.37000
2012	0.48200	0.08700	0.56900	1.17000	0.20000	1.37000
2013	0.47867	0.08333	0.56200	1.17000	0.18750	1.35750
2014	0.48049	0.08341	0.56390	1.17000	0.18750	1.35750
2015	0.48478	0.07912	0.56390	1.17000	0.18750	1.35750

Source: Nacogdoches Central Appraisal District

**Table 7**

Nacogdoches County		
<u>Operating and Millage Rate</u>	<u>General Obligation Debt Service</u>	<u>Total County Rate</u>
0.33730	0.08690	0.42420
0.35530	0.07900	0.43430
0.35530	0.07900	0.43430
0.36590	0.06840	0.43430
0.36110	0.07320	0.43430
0.36110	0.07320	0.43430
0.38940	0.06490	0.45430
0.44372	0.06058	0.50430
0.47682	0.05218	0.52900
0.52802	0.05748	0.58550

Table 8

## CITY OF NACOGDOCHES, TEXAS

## PRINCIPAL PROPERTY TAX PAYERS

CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Norbord Texas LP	\$ 38,137,960	1	2.7%	\$ 26,414,130	1	2.4%
Pilgrim's Pride Corp	24,990,450	2	1.8%	26,199,890	2	2.4%
Nibco of Texas Inc	18,221,050	3	1.3%	11,609,040	6	1.0%
Wal Mart Nacogdoches	16,764,790	4	1.2%	15,158,760	3	1.4%
Oncor Electric Delivery (TXU)	15,910,440	5	1.1%	15,443,630	4	1.4%
Campus Crest at Nac	14,639,090	6	1.0%			0.0%
Southwest Cannery of Tx	14,388,910	7	1.0%	14,105,640	9	1.3%
Cooper Power Systems Inc	12,700,110	8	0.9%	11,447,990	7	1.0%
Medhorizons Ltd	11,224,590	9	0.8%	11,159,880	8	1.0%
Lowes Home Center	9,968,560	10	0.7%	12,378,650	5	1.1%
Total	\$ 176,945,950			\$ 143,917,610		

Source: Nacogdoches Central Appraisal District

**CITY OF NACOGDOCHES, TEXAS**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Fiscal Year	Taxes levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 6,473,298	\$ 6,287,172	97.1%	\$ 176,149	\$ 6,463,321	99.8%
2007	6,617,393	6,442,955	97.4%	163,312	6,606,267	99.8%
2008	6,830,952	6,684,618	97.9%	132,349	6,816,967	99.8%
2009	7,064,035	6,818,879	96.5%	228,674	7,047,553	99.8%
2010	7,453,972	7,273,436	97.6%	157,152	7,430,588	99.7%
2011	7,574,992	7,393,636	97.6%	145,523	7,539,159	99.5%
2012	7,744,135	7,383,636	95.5%	303,984	7,687,620	99.3%
2013	7,802,938	7,607,106	97.5%	136,584	7,743,690	99.2%
2014	7,891,454	7,688,174	97.4%	73,726	7,761,900	98.4%
2015	8,378,105	8,221,058	98.1%	-	8,221,058	98.1%

**CITY OF NACOGDOCHES, TEXAS**  
**DIRECT AND OVERLAPPING SALES TAX RATES**

**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Nacogdoches County Hospital</u>	<u>State of Texas</u>	<u>Total Rate</u>
2006	0.01	0.01	0.0625	0.0825
2007	0.01	0.01	0.0625	0.0825
2008	0.01	0.01	0.0625	0.0825
2009	0.01	0.01	0.0625	0.0825
2010	0.01	0.01	0.0625	0.0825
2011	0.01	0.01	0.0625	0.0825
2012	0.01	0.01	0.0625	0.0825
2013	0.01	0.01	0.0625	0.0825
2014	0.01	0.01	0.0625	0.0825
2015	0.01	0.01	0.0625	0.0825

Sources: City Finance Office and County Department of Finance

# CITY OF NACOGDOCHES, TEXAS

## RATIOS OF OUTSTANDING DEBT BY TYPE

### LAST TEN FISCAL YEARS (UNAUDITED)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Notes Payable</u>	<u>Water and Sewer Systems Bonds</u>
2006	\$ 12,430,000	\$ 188,218	\$ 87,531	\$ 47,740,000
2007	11,925,000	97,600	58,575	45,635,000
2008	11,405,000	34,444	28,534	56,890,000
2009	10,865,000	12,924	-	56,330,000
2010	10,365,000	-	-	54,660,000
2011	9,510,000	-	-	53,160,000
2012	8,955,256	-	-	50,919,239
2013	8,116,377	-	-	47,643,640
2014	7,658,192	-	-	46,479,448
2015	6,696,912	-	-	43,314,715

**Table 11**

<u>Sanitation System Bonds</u>	<u>Capital Leases</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 930,000	\$ -	\$ 61,375,749	8.2%	\$ 1,943.50
715,000	-	58,431,175	7.2%	1,837.11
490,000	-	68,847,978	7.7%	2,138.27
250,000	-	67,457,924	7.6%	2,056.39
-	-	65,025,000	6.8%	1,970.69
-	-	62,770,000	6.4%	1,897.29
-	-	59,874,495	6.1%	1,792.38
-	-	55,760,017	5.5%	1,644.69
-	-	54,137,640	5.4%	1,598.49
-	660,316	50,671,943	4.8%	1,504.20

## CITY OF NACOGDOCHES, TEXAS

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable	
	General Obligation Bonds	Less Amount Available in Debt Service Fund	Total	Value of Property	Per Capita
2006	\$ 11,925,000	\$ 116,987	\$ 11,808,013	1.00%	373.91
2007	11,405,000	144,063	11,260,937	0.91%	354.05
2008	10,865,000	164,304	10,700,696	0.83%	332.34
2009	10,365,000	180,516	10,184,484	0.75%	310.46
2010	9,610,000	234,210	9,375,790	0.70%	284.15
2011	8,935,000	235,804	8,699,196	0.64%	262.94
2012	8,935,000	227,043	8,707,957	0.63%	260.68
2013	8,116,377	220,757	7,895,620	0.56%	232.89
2014	7,658,192	215,953	7,442,239	0.53%	219.74
2015	6,696,912	216,054	6,480,858	0.44%	192.38

## CITY OF NACOGDOCHES, TEXAS

## ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

FISCAL YEAR 2015

(UNAUDITED)

Taxing Body	Gross Dollar Amount	Percent Overlapping	Dollar Overlap
Nacogdoches County	\$ 10,094,000	47.51%	\$ 4,795,659
Nacogdoches Independent School District	41,750,000	76.92%	32,114,100
			Subtotal, overlapping debt 36,909,759
			City of Nacogdoches direct debt 6,696,912
			Total direct and overlapping debt \$ 43,606,671

Overlapping governments are those that coincide at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City of Nacogdoches, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt borne by the property taxpayers should be taken into the account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

## CITY OF NACOGDOCHES, TEXAS

## PLEDGED-REVENUE COVERAGE

LAST TEN FISCAL YEARS  
(UNAUDITED)

Fiscal Year	Water Revenue Bonds		Net Available Revenue	Debt Service Principal	Interest	Coverage
	Utility Service Charges	Less: Operating Expenses				
2006	\$ 15,143,297	\$ 7,826,842	\$ 7,316,456	\$ 2,250,000	\$ 1,833,683	1.79
2007	15,225,096	8,178,327	7,046,769	1,580,000	2,068,692	1.93
2008	16,208,899	8,689,226	7,519,673	2,220,000	1,726,389	1.91
2009	16,605,772	9,399,610	7,206,162	2,980,000	2,029,720	1.44
2010	17,439,845	9,344,553	8,095,292	5,935,000	1,933,061	1.03
2011	19,139,784	10,240,406	8,899,378	3,180,000	1,858,402	1.77
2012	17,066,279	9,953,983	7,112,296	2,435,000	1,792,076	1.68
2013	16,482,678	10,309,639	6,173,039	3,325,000	1,534,332	1.27
2014	16,196,946	9,653,756	6,543,190	3,390,000	1,399,573	1.37
2015	16,928,308	9,608,934	7,319,374	3,480,000	1,367,757	1.51

CITY OF NACOGDOCHES, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 1,476,238,140
Debt limit (2.5% of assessed value)	36,905,954
Debt applicable to limit:	
General obligation bonds	6,696,912
Less: Amount set aside for repayment of general obligation debt	( 1,762,231) 4,934,681
Total net debt applicable to limit	\$ 31,971,273
Legal debt margin	\$ 31,971,273

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 28,750,000	\$ 29,360,589	\$ 30,890,000	\$ 31,500,000	\$ 33,537,500	\$ 33,134,044	\$ 33,809,192	\$ 34,662,968	\$ 34,991,207	\$ 36,905,954
Total net debt applicable to limit	12,364,295	11,830,375	11,294,615	10,730,047	10,257,373	9,470,299	8,728,213	7,895,620	7,658,192	4,934,681
Legal debt margin	\$ 16,385,705	\$ 17,530,214	\$ 19,595,385	\$ 20,769,953	\$ 23,280,127	\$ 23,663,745	\$ 25,080,979	\$ 26,767,348	\$ 27,333,015	\$ 31,971,273
Total net debt applicable to the limit as a percentage of debt limit:	43.01%	40.29%	36.56%	34.06%	30.58%	28.58%	25.82%	22.78%	21.89%	13.37%

Note:

Under state finance law, the City's outstanding general obligation debt should not exceed 2.50 percent of total assessed property value.

**CITY OF NACOGDOCHES, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment</u>
2006	31,580	\$ 752,010,015	\$ 23,813	24.50	6,485	4.8%
2007	31,806	816,746,274	25,679	23.80	6,386	4.5%
2008	32,198	890,339,096	27,652	23.80	6,200	4.7%
2009	32,804	891,514,308	27,177	23.30	6,302	7.2%
2010	32,996	952,693,508	28,873	23.30	6,464	7.3%
2011	33,084	974,026,044	29,441	23.30	6,504	7.5%
2012	33,405	986,483,055	29,531	23.30	6,526	6.8%
2013	33,903	1,005,495,174	29,658	24.00	6,435	6.6%
2014	33,868	1,004,457,144	29,658	24.30	6,501	5.1%
2015	33,687	1,064,239,704	31,592	N/A	6,439	4.6%

Sources: Population proved by the Texas State Data Center.  
Personal income and unemployment data provided by the Texas Workforce Commission.  
Median age data provided by the American Community Survey of the US Census Bureau.  
School enrollment data provided by the Nacogdoches Independent School District.

Table 17

## CITY OF NACOGDOCHES, TEXAS

## PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO  
(UNAUDITED)

Employer	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Stephen F Austin State University	1,686	1	11%	1,400	2	9%
Pilgrim's Pride	1,620	2	11%	2,407	1	16%
Nacogdoches ISD	961	3	7%	875	4	6%
Nacogdoches Memorial Hospital	726	4	5%	675	5	5%
Burke Center	600	5	4%			
Etech Global Services	550	6	4%	900	3	6%
Nacogdoches Medical Center	394	7	3%	604	6	4%
Walmart Supercenter	345	8	2%	375	9	3%
City of Nacogdoches	314	9	2%	308	10	2%
Aramark	283	10	2%	150	17	1%
Cooper Power Systems	269	11	2%	260	13	2%
Nacogdoches County	260	12	2%	250	14	2%
NIBCO	250	13	2%	390	7	3%
Parker Hannifin Corp	240	14	2%	280	12	2%
Cal-Tex Lumber Co.	180	15	1%	126	18	1%
Total	<u>8,678</u>		<u>60%</u>	<u>9,000</u>		<u>62%</u>

Source: City Economic Development Division

**CITY OF NACOGDOCHES, TEXAS**  
**FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Function	Full-Time-Equivalent Employees as of Year End									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Governmental Funds</b>										
General Government										
Management Services	5.5	5.5	5.5	5.5	5.0	5.0	5.0	6.5	6.0	6.0
Finance	5.5	5.5	5.5	5.5	5.5	5.5	4.5	4.5	5.0	5.0
Planning	3.5	3.5	3.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5
Building Maintenance	6.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Animal Control	5.0	5.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Municipal Court	4.5	5.5	5.0	5.0	5.5	5.5	5.5	5.5	5.5	5.5
Other Support Services	7.5	7.5	7.5	7.5	7.5	6.5	7.5	7.5	7.5	7.5
Public Safety										
Police										
Officers	59.0	58.0	62.0	62.0	63.5	63.5	63.5	65.5	66.5	66.5
Civilians	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	25.5	25.5
Fire										
Firefighters and Officers	59.0	59.0	59.0	59.0	59.0	59.0	59.0	59.0	58.0	58.0
Civilians	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5	2.5
Highways and Streets										
Public Works/Engineering	9.5	9.5	9.5	9.5	8.5	8.5	8.5	8.5	8.5	8.5
Streets	15.0	15.0	14.0	14.0	14.0	13.0	13.0	13.0	13.0	13.0
Vehicle Maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Culture and Recreation										
Parks and Recreation	37.0	37.0	35.0	35.0	34.5	26.5	26.5	25.5	26.5	26.5
Library/Historical Sites	10.5	11.0	11.0	11.0	11.0	11.0	10.5	10.0	10.0	10.0
Urban Development										
Inspections	7.5	7.5	8.0	8.0	8.0	8.0	6.0	6.0	4.0	4.0
<b>Enterprise Funds</b>										
Water and Sewer										
Water Billings	11.5	11.5	11.5	11.5	10.5	11.5	10.0	10.0	9.0	9.0
Water Production	11.5	11.5	11.5	11.5	11.5	11.0	11.0	11.0	8.0	8.0
Distribution and Collections	12.0	12.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0	13.0
Wastewater	17.5	17.5	17.5	17.5	17.5	17.0	17.0	17.0	17.0	17.0
Sanitation										
Collections	16.0	16.0	16.0	16.0	16.0	17.0	15.0	15.0	14.0	14.0
Disposals	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Airport FBO Operations										
Airport FBO	1.0	3.0	3.0	3.0	2.0	2.5	2.5	2.5	2.5	2.5
<b>Total</b>	<b>334.5</b>	<b>338.0</b>	<b>342.0</b>	<b>342.0</b>	<b>339.0</b>	<b>330.5</b>	<b>324.5</b>	<b>326.5</b>	<b>329.0</b>	<b>329.0</b>

Source: City Finance Office

# CITY OF NACOGDOCHES, TEXAS

## OPERATING INDICATORS BY FUNCTION

### LAST TEN FISCAL YEARS (UNAUDITED)

Function	2006	2007	2008	2009
General Government:				
Planning and Zoning:				
Building Permits Issued	2,097	1,769	2,081	1,796
Building Inspections Conducted	2,490	2,864	3,682	2,981
Public Safety:				
Police				
Physical Arrests	2,058	1,835	1,697	2,489
Parking Violations	259	n/a	n/a	n/a
Traffic Violations	9,643	7,918	11,132	10,763
Fire				
Emergency Responses	2,439	3,036	3,605	3,633
Fires Extinguished	241	196	236	175
Culture and Recreation:				
Parks and Recreation				
Recreation Program Participation	3,213	3,271	2,764	2,619
Recreation Facility Reservations	372	386	384	625
Library				
Volumes in Collection	93,620	94,346	96,438	97,040
Total Volumes Borrowed	172,785	181,940	190,981	183,786
Water and Sewer:				
Water				
Water Customers	12,002	12,020	12,200	12,471
Water Main Breaks	183	208	179	114
Average Daily Consumption (thousands of gallons)	8,171	7,837	7,163	7,157
Peak Daily Consumption (thousands of gallons)	12,541	12,240	13,070	12,750
Wastewater				
Average Daily Sewage Treatment (thousands of gallons)	5,817	5,654	5,528	5,753
Sanitation				
Refuse Collection				
Refuse Collected (cubic yards)	213,363	197,886	199,408	259,682
Recyclables Collected (cubic yards)	1,540	1,480	1,400	1,000

Source: Various City Departments

**Table 19**

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1,855	1,654	1,470	1,314	1,280	1,320
2,748	1,961	1,531	1,856	2,063	2,194
2,833	3,027	3,160	4,366	4,508	3,925
5	6	2	11	19	19
11,143	10,390	9,457	9,186	8,638	7,170
3,698	3,864	3,785	3,981	4,406	4,536
210	242	155	202	181	271
2,935	5,204	4,841	5,544	4,109	5,344
675	204	408	475	579	602
98,162	97,576	98,576	98,373	100,652	102,889
161,764	153,662	139,856	130,987	132,268	128,062
12,585	12,799	12,790	12,903	13,018	13,051
90	107	79	127	150	101
8,215	8,217	7,093	6,912	6,582	3,954
14,503	12,695	11,109	15,485	11,327	11,653
5,132	4,777	7,388	4,407	6,070	7,484
281,784	276,158	257,780	221,680	198,705	221,037
1,311	2,254	1,818	3,722	3,451	1,549

**CITY OF NACOGDOCHES, TEXAS**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**(UNAUDITED)**

Function	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Public Safety:</b>										
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	13	17	22	29	29	30	30	34	34	34
<b>Fire</b>										
Stations	5	5	5	5	5	5	5	5	5	5
Fire Engines	8	8	8	8	8	8	8	8	8	8
<b>Highways and Streets:</b>										
<b>Streets</b>										
Streets (miles)	145	146	146	146	146	146	146	146	146	146
Traffic Signals	4	4	4	4	4	3	2	2	2	2
<b>Culture and Recreation:</b>										
<b>Parks and Recreation</b>										
Parks	17	17	17	17	17	17	17	13	13	13
Swimming Pools	1	1	1	1	1	-	-	-	-	-
Nature Trails	3	3	3	3	3	3	3	3	3	3
Tennis Courts	4	4	4	4	4	4	4	4	4	4
<b>Water and Sewer:</b>										
<b>Water</b>										
Water Wells	8	8	8	8	8	8	8	8	8	8
Water Main (miles)	321	323	323	323	324	324	324	324	324	324
<b>Wastewater</b>										
Sanitary Sewers (miles)	281	282	283	284	284	284	284	284	284	284
<b>Sanitation:</b>										
<b>Refuse Collection</b>										
Collection Trucks	13	13	13	13	13	13	13	13	13	13

Source: Various City Departments



P A T T I L L O , B R O W N & H I L L , L . L . P .  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Nacogdoches, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Nacogdoches, Texas' basic financial statements and have issued our report thereon dated March 8, 2016.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Pattillo, Brown + Hill, L.L.P.*

Waco, Texas  
March 8, 2016



PATTILLO, BROWN & HILL, L.L.P.  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Nacogdoches, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Statement* that could have a direct and material effect on each of the City of Nacogdoches, Texas' major federal programs for the year ended September 30, 2015. The City of Nacogdoches, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Nacogdoches, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standard generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Nacogdoches, Texas' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the City of Nacogdoches, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the City of Nacogdoches, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Nacogdoches, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test the report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Nacogdoches, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Pattillo, Brown & Hill, L.L.P.*  
Waco, Texas

March 8, 2016

**CITY OF NACOGDOCHES, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
Passed Through Texas Dept of Public Safety:			
2015 Emergency Management Performance Grant	97.042	15TX-EMPG-0438	\$ 36,115
2014 State Homeland Security Program -LETPA	97.067	EMW-2014-SS-00029	<u>168,893</u>
Total Passed Through Texas Dept of Public Safety			<u>205,008</u>
Total U.S. Department of Homeland Security			<u>205,008</u>
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u></b>			
Passed Through Texas Water Development Board:			
Capitalization Grants for Drinking Water SRF 2006	66.468	2006 SRF	<u>467,222</u>
Total U.S. Environmental Protection Agency			<u>467,222</u>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>			
Passed Through Texas Dept of Transportation:			
2014 Airport Improvement Program (RAMP)	20.106	M1511NACO	<u>21,261</u>
Total Passed Through Texas Dept of Transportation			<u>21,261</u>
Total U.S. Department of Transportation			<u>21,261</u>
<b><u>U.S. DEPARTMENT OF JUSTICE</u></b>			
Direct Programs:			
2013 Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1032	15,614
Bulletproof Vest Partnership Program	16.607	2014 BVP	<u>2,880</u>
Total Direct Programs			<u>18,494</u>
Total U.S. Department of Justice			<u>18,494</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u></b>			
Passed Through Texas General Land Office:			
CDBG-Ike Generators Round 2.2	14.228	DRS220123/ GLO 12-488-000-6660	<u>1,137,540</u>
Total Passed Through Texas General Land Office			<u>1,137,540</u>
Total U.S. Department of Housing and Urban Development			<u>1,137,540</u>
<b><u>U.S. Office of National Drug Control Policy</u></b>			
Passed Through Navarro County, Texas:			
High Intensity Drug Trafficking Area (HIDTA)	95.001	G14NT0001A	<u>7,000</u>
Total Passed Through Navarro County, Texas			<u>7,000</u>
Total U.S. Office of National Drug Control Policy			<u>7,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>1,856,525</u></b>

**CITY OF NACOGDOCHES, TEXAS**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**1. GENERAL**

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of the City of Nacogdoches. The City's reporting entity is defined in Note I of the financial statements. Awards received directly from federal agencies, as well as state awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

**2. BASIS OF ACCOUNTING**

The Schedule of Expenditures Federal Awards is presented using the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note I of the financial statements.

**CITY OF NACOGDOCHES, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Summary of Auditors' Results**

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

CFDA Number:	Name of Federal Program or Cluster:
14.228	CDBG-Ike Generators Round 2.2

Dollar threshold used to distinguish between type A and type B programs for federal single audit:	\$300,000
---	-----------

Auditee qualified as low-risk auditee for federal single audit?	No
---	----

**Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards**

None noted

**Findings and Questioned Costs for Federal Awards**

None Noted

**CITY OF NACOGDOCHES, TEXAS**

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
(Continued)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**Findings and Questioned Costs for Federal Awards**

**Finding 2014-001**

Federal Grantor: U.S. Department of Transportation

Program: Safe Routes to Schools – ARRA, CFDA #20.205

Compliance Requirement: Davis-Bacon Act

Criteria: Entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations. This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (*OMB No. 1215-0149*).

Condition: The City used grant funding to pay for construction expenditures exceeding \$2,000 and there were no procedures in place for the City to ensure the contractors complied with the Davis-Bacon Act. The contractor submitted certified payrolls to TxDOT but the City did not review them.

Effect: Grant funds could be paid to contractors that are not meeting the Department of Labor's requirements, which would make the

Recommendation: The City should implement policies and procedures that will ensure that the requirements of the Davis-Bacon Act are met. This could be done by reviewing the certified payrolls and verifying that prevailing wage rates are being paid.

Current Status: This matter has been resolved.