

# Attachment 3

## Projectable Digital Data

(ref. pg. 11 of 31, item 3.B)



# Attachment 4

## Service Area Written Description

(ref. pg. 11 of 31, item 3.C)

# Service Area- Written Description

## Aqua CCN to be transferred to City of Elgin CCN

### **Zone 1:**

Approximately 63 acres, located ~1 mile @ 30 degrees Northwest of Downtown Elgin. Bounded by the existing Elgin water CCN and the Elgin City Limit, ~1/10 of a mile Northeast of the Southbound side of S.H. 95

### **Zone 2:**

Approximately 66 acres, located ~0.75 mile due North of Downtown Elgin. Bounded by the Northbound side of SH 95, the Northbound side of S.H. 109, Watt Dr., Louise St, E.9<sup>th</sup>, Ballpark Road, ~1/10 of a mile North of Mogonye Ln., and the Elgin City Limit.

### **Zone 3:**

Approximately 20 acres, located ~1 mile @ 65 degrees Northeast of Downtown Elgin. Located just Northeast of Westbrook Ln., and just Northwest of F.M.3000.

### **Zone 4:**

Approximately 58 acres, located ~1 mile @ 65 degrees Southeast of Downtown Elgin. Located along eastern Elgin City Limit line, around and to the North of Old McDade Rd., bounded almost all the way around by the existing Elgin water CCN.

### **Zone 5:**

Approximately 7 acres, located ~1.2 miles @ 75 degrees Southeast of Downtown Elgin. Located due East of Zone 4, on the Eastern side of the existing Elgin water CCN.

### **Zone 6:**

Approximately 19 acres, located ~1 mile @ 50 degrees Southeast of Downtown Elgin. Located along eastern Elgin City Limit line, South of Old McDade Rd and east of Allison Cove, north of Houston St., and bounded on the Western edge by the existing Elgin water CCN.

### **Zone 7:**

Approximately 4 acres, located ~1.4 miles @ 45 degree Southeast of Downtown Elgin. Located to the East of the intersection of Adams and Houston Streets, and bounded on the Southwestern side by the existing Elgin water CCN.

### **Zone 8:**

Approximately 17 acres, located ~1 mile due South of Downtown Elgin. Bordered by the Eastbound side of Monterrey St. and the Elgin City Limit, and the Elgin Latin Cemetery on the Eastern side.

### **Zone 9:**

Approximately 43 acres, located ~0.8 miles @ 55 degrees Southwest of Downtown Elgin. Bordered by the Southbound side of S.H. 95, the Eastbound side of Central Avenue and the Elgin City Limit.

### **Zone 10:**

Approximately 60 acres, located ~0.85 miles @75 degrees Southwest of Downtown Elgin. Bordered by the Southbound side of S.H. 95, Saratoga Farms Blvd. and the existing Elgin water CCN.

## City of Elgin CCN to be transferred to Aqua CCN

### **Zone 11:**

Approximately 2 acres, located ~1 mile Southwest of Downtown Elgin, South of Central avenue and East of Dildy Dr., just outside the Elgin City Limit.

### **Zone 12:**

Approximately 5 acres, located ~1.3 miles Southeast of Downtown Elgin, near the Southeastern intersection of U.S. 290 and S.H. 95., and bordering existing Elgin water CCN.

# Attachment 5

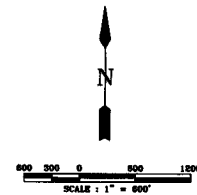
## Existing Facilities Map

(ref. pg. 11 of 31, item 3.D)

COUNTY LINE SURVEY  
 A - BLAKE FORD COW  
 B - BOGAN FOREST COW  
 C - JEFFERSON COW  
 D - HILLMAN COW  
 E - HALLS FOREST COW  
 F - COOPER COW  
 G - KENDALL COW  
 H - LAMAR COW  
 I - GALLAGHER COW  
 J - LAMAR COW  
 K - LAMAR COW  
 L - BLAND WOODS BLVD  
 M - BANCORA WOODS BLVD

# WATER LEGEND

- CITY LIMITS
- ⊗ WTR VALVES
- ◇ FIRE HYDRANTS
- 18" LINE
- 12" LINE
- 8" LINE
- 6" LINE
- 4" LINE
- 3" LINE
- 2" LINE
- 1" LINE



ATTACHMENT 5  
 EXISTING FACILITIES MAP  
 APPLICATION TO AMEND CITY OF  
 ELGIN WATER CCN NO. 10311

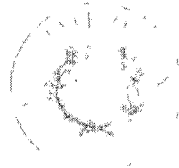
**TRC**  
 TRC ENGINEERS, INC.  
 505 E. HUNTLAND DRIVE, STE. 250 AUSTIN, TX  
 78752 T.B.P.E. FIRM REGISTRATION # F-8632  
 (512) 454 - 8716

## Attachment 6

# TCEQ Inspection Report

(ref. pg. 13 of 31, item 5.A.iv)

Bryan W. Shaw, Ph.D., *Chairman*  
Carlos Rubinstein, *Commissioner*  
Toby Baker, *Commissioner*  
Zak Covat, *Executive Director*



## TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

*Protecting Texas by Reducing and Preventing Pollution*

October 28, 2013

Mr. Doug Prinz, Director of Utilities  
City of Elgin  
Post Office Box 591  
Elgin, Texas 78621

Re: Comprehensive Compliance Investigation at:  
City of Elgin Water System  
1135 Swenson Boulevard, Elgin (Bastrop County), Texas  
TCEQ Public Water Supply ID 0110002, RN101385508

Dear Mr. Prinz:

On October 16, 2013, Lawrence King of the Texas Commission on Environmental Quality (TCEQ) Austin Region Office conducted an investigation of the above-referenced facility to evaluate compliance with applicable requirements for public water systems. No violations are being alleged as a result of the investigation. At this time, your public water supply continues to merit recognition as a "Superior" system.

The TCEQ appreciates your assistance in this matter and your continued efforts to ensure protection of the public health. Should you have any questions regarding this matter, please feel free to contact Mr. King in the Austin Region Office at (512) 239-7037.

Sincerely,

A handwritten signature in black ink, reading "Shawn Stewart", is positioned above the typed name.

Shawn Stewart  
Water Section Work Leader  
Austin Region Office

SS/lok

## Attachment 7

# Effect of Granting a Certificate Amendment

(ref. pg. 14 of 31, item 5.G)



## **Effect of Granting a Certificate Amendment**

- i. The City recently entered into agreement with Aqua Water Supply Corporation to amend their existing CCN boundaries, transferring service areas to one another in order that each entity may better serve its residents. The City has identified these areas based on technical reasons and the proximity to existing infrastructure and facilities. These transfers will allow for the City to focus their efforts upon improving compliance and quality of service, rather than settling jurisdictional disputes.
- ii. Aqua Water Supply Corporation has agreed to the transfer of these sections of its current CCN in exchange for those granted to them from the City of Elgin for all of the same reasons identified for above for the City of Elgin.
- iii. Granting the amendment will provide property owners in the areas to be amended with a more reliable water services, as it will remove any uncertainty of who is legally responsible to provide water service.

Attachment 8

2013 Annual Financial Report

(ref. pg. 16 of 31, item 6.D)

**CITY OF ELGIN, TEXAS**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended September 30, 2013**

# **CITY OF ELGIN, TEXAS**

## **ANNUAL FINANCIAL REPORT TABLE OF CONTENTS**

Year Ended September 30, 2013

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CERTIFIED PUBLIC ACCOUNTANT

8900 Shattuck Cove  
Austin, Texas 78717-2905

Telephone: (512) 244-6478

**Independent Auditor's Report**

To the Honorable Mayor and City Council  
City of Elgin, Texas

**Report on the Financial Statements**

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

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

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

***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Elgin, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

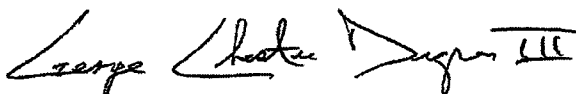
***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elgin's basic financial statements. The accompanying combining statements on pages 52-58 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with Government Auditing Standards, I have also issued my report dated April 30, 2014, on my consideration of the City of Elgin's internal control over financial reporting and on my 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 my 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 the City of Elgin's internal control over financial reporting and compliance.



George Chester Draper, III  
Austin, Texas  
April 30, 2014

# **CITY OF ELGIN, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

September 30, 2013

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As Management of the City of Elgin, 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, 2013. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the basic financial statements.

### **Financial Highlights**

- The City's total assets and deferred outflows of resources exceeded the City's total liabilities at the close of the fiscal year by \$16,563,707 (net position). Of this amount \$3,277,084 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,045,208 during 2013.
- As of September 30, 2013, the City of Elgin's governmental funds reported combined ending fund balances of \$3,317,539. Of the ending fund balance, \$2,011,382 is restricted under laws external to the City for specific purposes (e.g., debt service, capital projects, municipal court, red light camera purposes, hotel/motel tax purposes, cable channel 10 restrictions); \$30,913 is committed by the City for specific purposes (e.g., Elgin Main Street, and the local portion of the sidewalk grants); \$1,268,193 is unassigned fund balance and is available to meet the government's ongoing obligations.
- The City refunded \$2,225,000 of outstanding debt having an average interest rate of 4.8% with \$2,210,000 of debt having an average interest rate of 2.5% to achieve a cash flow savings of almost \$250,000 and a present value economic gain of \$216,000.
- The City also issued \$2,980,000 in new debt to be used for repairing, improving, upgrading, and equipping City buildings, City streets and drainage, and City parks, including engineering and other related costs, and for the acquisition of equipment for the City.
- The City spent \$710,000 from the remaining 2011 certificate of obligation construction funds and \$515,000 of the 2013 certificate of obligation construction funds during the year. Current year construction costs included \$764,000 related to the Fleming Center, \$260,000 for lift station and force main improvements, and \$146,000 of local costs on the TxDOT Centers project.
- The City also incurred \$157,000 of construction costs for sidewalk improvements and \$300,000 of construction costs for the 18 inch raw water line project, both of which were primarily funded through grant proceeds.

### **Overview of the Financial Statements**

The management 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.

# CITY OF ELGIN, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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### Government-wide financial statements

The government-wide financial statements are designed to provide readers with at 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. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer and water lines, etc.) to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and 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 the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between three kinds of activities:

- **Governmental activities:** Most of the City's basic services are reported here, including police, animal control, library, community development, public works, parks, pool, municipal court, and general administration. Property taxes, sales taxes, and franchise fees primarily finance these activities.
- **Business-type activities:** The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and wastewater system are reported here.
- **Component Unit:** The City includes activities for the Elgin Economic Development Corporation here.

### Fund financial statements

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for governmental funds, proprietary funds, and fiduciary funds (of which the City has none), as opposed to the government-wide statements which reflect the City as a whole.



# **CITY OF ELGIN, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

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Fund financial statements are prepared using the measurement focus and basis of accounting applicable to each broad fund category. Governmental fund financial statements are presented on a spending or "financial flow" measurement focus using the modified accrual basis of accounting. Proprietary fund financial statements are presented on a cost of services or "capital maintenance" measurement focus using the accrual basis of accounting. Because the proprietary fund financial statements are presented using the same measurement focus and basis of accounting as the government-wide financial statements, the totals from the proprietary fund financial statements flow directly into the business-type activities column of the government-wide financial statements. For the governmental funds, a reconciliation is presented to describe the differences between the fund balance, and change in fund balance reported in the governmental fund financial statements and the net position, and change in net position reported in the governmental activities column of the government-wide financial statements.

### **Notes to the financial statements**

The notes provide additional information that is essential to a complete understanding of the information provided in the government-wide and fund financial statements.

### **Condensed Financial Information**

#### **Government-wide net position**

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$16,563,707 as of September 30, 2013.

The largest portion of the City's net position \$12,093,070 (73.0%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot generate revenues to liquidate these liabilities.

An additional portion of the City's net position \$1,193,553 (7.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$3,277,084 (19.8%) may be used to meet the government's ongoing obligations to citizens and creditors.

# CITY OF ELGIN, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

|                                | Governmental<br>Activities |             | Business-type<br>Activities |              | Total<br>Primary Government |              |
|--------------------------------|----------------------------|-------------|-----------------------------|--------------|-----------------------------|--------------|
|                                | 2013                       | 2012*       | 2013                        | 2012*        | 2013                        | 2012*        |
| Current and other assets       | \$ 4,246,343               | 3,266,028   | 4,258,888                   | 3,064,483    | 8,505,231                   | 6,330,511    |
| Capital assets                 | 9,640,526                  | 8,956,675   | 25,186,425                  | 25,420,631   | 34,826,951                  | 34,377,306   |
| Total assets                   | 13,886,869                 | 12,222,703  | 29,445,313                  | 28,485,114   | 43,332,182                  | 40,707,817   |
| Deferred outflows of resources | 25,832                     | 33,023      | 2,726                       | -0-          | 28,558                      | 33,023       |
| Long-term liabilities          | (9,113,651)                | (8,601,871) | (16,514,398)                | (15,088,531) | (25,628,049)                | (23,690,402) |
| Other liabilities              | (523,474)                  | (631,015)   | (645,510)                   | (900,924)    | (1,168,984)                 | (1,531,939)  |
| Total liabilities              | (9,637,125)                | (9,232,886) | (17,159,908)                | (15,989,455) | (26,797,033)                | (25,222,341) |
| Net position:                  |                            |             |                             |              |                             |              |
| Net investment in              |                            |             |                             |              |                             |              |
| capital assets                 | 2,261,460                  | 1,115,948   | 9,831,610                   | 10,714,564   | 12,093,070                  | 11,830,512   |
| Restricted                     | 580,039                    | 608,553     | 613,514                     | 535,788      | 1,193,553                   | 1,144,341    |
| Unrestricted                   | 1,434,077                  | 1,298,339   | 1,843,007                   | 1,245,307    | 3,277,084                   | 2,543,646    |
| Total net position             | \$ 4,275,576               | 3,022,840   | 12,288,131                  | 12,495,659   | 16,563,707                  | 15,518,499   |

\* As restated for the effects of prior period adjustment and change in presentation format

### Government-wide changes in net position

The following table provides a summary of the City's operations for the year ended September 30, 2013. The City's net position increased by \$1,045,208. The Governmental activities increased the City's net position by \$1,252,736 and the Business-type activities decreased the City's net position by \$(207,528). Details of those changes are discussed below.

|                          | Governmental<br>Activities |             | Business-type<br>Activities |             | Total<br>Primary Government |             |
|--------------------------|----------------------------|-------------|-----------------------------|-------------|-----------------------------|-------------|
|                          | 2013                       | 2012*       | 2013                        | 2012*       | 2013                        | 2012*       |
| Change in net position   |                            |             |                             |             |                             |             |
| Total revenues           | \$ 6,614,368               | 6,090,173   | 4,338,094                   | 4,058,187   | 10,952,462                  | 10,148,360  |
| Total expenses           | (6,724,685)                | (6,336,512) | (3,182,569)                 | (3,258,379) | (9,907,254)                 | (9,594,891) |
| Change before transfers  | (110,317)                  | (246,339)   | 1,155,525                   | 799,808     | 1,045,208                   | 553,469     |
| Transfers                | 1,363,053                  | 1,005,566   | (1,363,053)                 | (1,005,566) | -0-                         | -0-         |
| Change in net position   | 1,252,736                  | 759,227     | (207,528)                   | (205,758)   | 1,045,208                   | 553,469     |
| Net position - beginning | 3,022,840                  | 2,263,613   | 12,495,659                  | 12,701,417  | 15,518,499                  | 14,965,030  |
| Net position - ending    | \$ 4,275,576               | 3,022,840   | 12,288,131                  | 12,495,659  | 16,563,707                  | 15,518,499  |

\* As restated for the effects of prior period adjustment

The table above shows significant changes in both the revenues and expenses of Governmental activities and Business-type activities. Details of those changes are shown in the tables below.

# CITY OF ELGIN, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

|                                    | Governmental<br>Activities |           | Business-type<br>Activities |           | Total<br>Primary Government |            |
|------------------------------------|----------------------------|-----------|-----------------------------|-----------|-----------------------------|------------|
|                                    | 2013                       | 2012      | 2013                        | 2012      | 2013                        | 2012       |
| Revenues                           |                            |           |                             |           |                             |            |
| Program revenues:                  |                            |           |                             |           |                             |            |
| Charges for services               | \$ 1,836,678               | 1,854,104 | 3,951,277                   | 3,989,000 | 5,787,955                   | 5,843,104  |
| Operating grants and contributions | 341,246                    | 381,883   | -0-                         | -0-       | 341,246                     | 381,883    |
| Capital grants and contributions   | 395,584                    | 37,050    | 382,936                     | 55,450    | 778,520                     | 92,500     |
| General revenues:                  |                            |           |                             |           |                             |            |
| Property taxes                     | 2,664,788                  | 2,556,237 | -0-                         | -0-       | 2,664,788                   | 2,556,237  |
| Sales tax                          | 916,876                    | 826,385   | -0-                         | -0-       | 916,876                     | 826,385    |
| Franchise and other taxes          | 420,099                    | 417,381   | -0-                         | -0-       | 420,099                     | 417,381    |
| Investment earnings                | 5,460                      | 7,935     | 3,881                       | 8,387     | 9,341                       | 16,322     |
| Miscellaneous                      | 33,637                     | 9,198     | -0-                         | 5,350     | 33,637                      | 14,548     |
| Total revenues                     | \$ 6,614,368               | 6,090,173 | 4,338,094                   | 4,058,187 | 10,952,462                  | 10,148,360 |

A CDBG grant for water improvements accounts for the increase in capital grant revenues during the 2013 fiscal year. Growth and expansion account for property tax and sales tax revenue increases totaling around \$200,000.

Fine revenue (which is included in the classification of charges for services in the table above) reflected two significant, but offsetting, changes during the year. The City changed municipal court software several years ago but still had a fairly large receivable balance recorded on the books for delinquent fines receivable on the old system. A revision in the estimate of net collectible municipal court fines in the current year resulted in a \$150,000 decrease in accrual basis revenues. (Governmental fund revenues are recorded as collected, so this change only affects the revenues reported on the accrual basis in the government-wide statements). Red light camera fines collected were up over \$210,000 for 2013 after only being operational for part of the 2012 fiscal year. While the adjustment in the estimate of net collectible municipal court fines is a one-time event, the red light camera revenues are likely to maintain the higher level seen in 2013.

The transfer of the capital assets constructed in the CDBG grant fund to the utility fund accounts for the increase in capital contributions reported in the business-type activities. Otherwise, utility revenues were fairly steady and consistent with the prior year.

# CITY OF ELGIN, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The table below provides a comparison of expenses for 2013 and 2012.

| Expenses                   | Governmental<br>Activities |           | Business-type<br>Activities |           | Total<br>Primary Government |           |
|----------------------------|----------------------------|-----------|-----------------------------|-----------|-----------------------------|-----------|
|                            | 2013                       | 2012*     | 2013                        | 2012*     | 2013                        | 2012*     |
| General government         | \$ 2,054,981               | 2,054,577 | -0-                         | -0-       | 2,054,981                   | 2,054,577 |
| Public safety              | 2,296,063                  | 2,223,606 | -0-                         | -0-       | 2,296,063                   | 2,223,606 |
| Public works               | 1,523,535                  | 1,190,259 | -0-                         | -0-       | 1,523,535                   | 1,190,259 |
| Parks and recreation       | 303,851                    | 301,856   | -0-                         | -0-       | 303,851                     | 301,856   |
| Other current              | 182,862                    | 149,078   | -0-                         | -0-       | 182,862                     | 149,078   |
| Interest on long-term debt | 363,393                    | 417,136   | -0-                         | -0-       | 363,393                     | 417,136   |
| Utility system             | -0-                        | -0-       | 3,182,569                   | 3,258,379 | 3,182,569                   | 3,258,379 |
| Total expenses             | \$ 6,724,685               | 6,336,512 | 3,182,569                   | 3,258,379 | 9,907,254                   | 9,594,891 |

\* As restated for the effects of prior period adjustment

The largest change in governmental expenditures for 2013 in comparison to the prior year was a \$330,000 increase in public works expenses. Reported expenses were impacted significantly by the CDBG grant which incurred \$310,000 of public works expenditures in 2013 compared to \$60,000 in the prior year. That increase corresponds to the increase in capital grants and contributions reported in 2013. Additionally, salary expense in the public works department was up \$24,000 and health insurance costs were up \$20,000 in public works.

Public safety expenses were up a net amount of \$72,000, which represents two separate events. Operating expenses in the red light camera fund were up almost \$160,000 corresponding to a full year of operations in 2013 versus nine months in 2012 and relating to the State's share of the additional revenues collected. The other significant change in the public safety department was a decline of almost \$80,000 in salary expense. There was an open position in the police department for about seven months in 2013.

Other expenses in the governmental activities column for 2013 includes \$93,000 of debt issuance costs incurred for the two different debt issues in 2013. Other expenses in 2013 also included a decrease related to the use of hotel/motel tax funds. In the prior year, \$50,000 of hotel/motel funds were used for maintenance of the Nofsinger house.

The largest decrease in utility fund expenses was in the line item for legal expenses. That line item was down by \$47,000 in 2013. The prior year included litigation related to Aqua Water Supply which was resolved in 2012.

## **CITY OF ELGIN, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

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#### **Financial Analysis of the City's Funds**

Governmental fund financial statements are presented on a spending or "financial flow" measurement focus using the modified accrual basis of accounting. Because of that difference in measurement focus, the results of operations of the governmental funds are significantly different from the results of operations of governmental activities reported in the government-wide statements discussed above. Significant changes between the current and prior year activities of the utility fund are essentially the same as the comparisons discussed above for the government-wide financial statements.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,317,539. Approximately 38% of this total amount, \$1,268,193 is unassigned fund balance. The remainder of the fund balance \$2,049,346 is un-spendable, restricted, or committed.

The General Fund reported an increase in unassigned fund balance of \$390,529. At the end of the year, the general fund had an unassigned fund balance of \$1,268,193. That amount represents around 3 months in terms of the general fund's annual expenditures.

Total revenues and total expenditures of the General Fund both showed modest increases during the year. The primary event underlying the increase in General Fund unassigned fund balance was the reimbursement of the General Fund for local money put into the Morris Park building fund in prior years.

The Debt Service Fund has a fund balance of \$137,699, which is only 11% of the annual debt service requirement of that fund.

A significant portion of the total fund balance of the City's governmental funds is the remaining fund balance of the 2013 certificates of obligation construction fund. Those monies are restricted for use on capital projects.

The utility fund has a net position of \$12,288,131 at the end of the year. However, \$9,831,610 is invested in capital assets, net of related debt. The total also includes amounts restricted for debt service of \$234,774 and restricted for capital projects of \$378,740. The remaining \$1,843,007 represents 6 months of utility fund expenses including interest and recurring transfers out.

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

The City made revisions to the original appropriations approved by the City Council. These changes resulted in an increase in budgeted expenditures from the original budget of \$176,157 or 3.6%.

## CITY OF ELGIN, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The City reported a significant unfavorable budget variance in the revenue category of property taxes. Budgeted property tax revenues were amended upward in the final amended budget because the line item for delinquent tax revenues showed actual revenues of \$288,262 but had no line item budget. The budget increase for that line item should have come out of the line item for current tax revenues though, since the original budget total was close to the total amount of actual revenues but was all budgeted in the line for current taxes. The City did not report an unfavorable budget variance for expenditures for any department.

#### Capital Asset and Debt Administration

##### Capital assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$34,826,951 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, and infrastructure and construction in progress. Major capital asset events occurring during the current fiscal year included the following:

- Costs related to the Fleming Center of \$764,022
- Construction costs for sidewalk improvements (grant funded) of \$157,512
- Engineering and other costs related to the TxDOT Centers project of \$145,836
- Purchase of 9 in-car video systems, server and software for the police department of \$63,715
- Purchase of a 2013 Ford Interceptor and related costs of \$45,274
- Engineering and construction for 18" raw water line (grant funded) of \$299,836
- Construction in progress for lift station and force main improvements in the Utility Fund for \$261,985

|  | Governmental<br>Activities |                  | Business-type<br>Activities |                   | Total<br>Primary Government |                   |
|--|----------------------------|------------------|-----------------------------|-------------------|-----------------------------|-------------------|
|  | 2013                       | 2012             | 2013                        | 2012              | 2013                        | 2012              |
| Land                                   | \$ 232,620                 | 232,620          | 191,176                     | 191,176           | 423,796                     | 423,796           |
| Construction in progress               | 1,082,619                  | 565,764          | 2,763,215                   | 2,506,314         | 3,845,834                   | 3,072,078         |
| Distribution and collection<br>systems | -0-                        | -0-              | 21,322,614                  | 21,699,086        | 21,322,614                  | 21,699,086        |
| Buildings and improvements             | 2,568,568                  | 2,277,999        | 72,194                      | 77,940            | 2,640,762                   | 2,355,939         |
| Equipment                              | 327,336                    | 306,858          | 837,226                     | 946,115           | 1,164,562                   | 1,252,973         |
| Infrastructure                         | 5,429,383                  | 5,573,434        | -0-                         | -0-               | 5,429,383                   | 5,573,434         |
| Totals at historical cost              | \$ <u>9,640,526</u>        | <u>8,956,675</u> | <u>25,186,425</u>           | <u>25,420,631</u> | <u>34,826,951</u>           | <u>34,377,306</u> |

More detailed information can be found in the notes to the financial statements.

## CITY OF ELGIN, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

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#### Debt

At the end of the current fiscal year, the City had total bonded debt and capital leases of \$24,935,405.

|   | Governmental<br>Activities |                  | Business-type<br>Activities |                   | Total<br>Primary Government |                   |
|---|----------------------------|------------------|-----------------------------|-------------------|-----------------------------|-------------------|
|   | 2013                       | 2012             | 2013                        | 2012              | 2013                        | 2012              |
| Bonds and certificates<br>of obligation | \$ 8,192,827               | 7,738,980        | 16,221,174                  | 14,853,020        | 24,414,001                  | 22,592,000        |
| Capital leases payable                  | 521,404                    | 609,173          | -0-                         | -0-               | 521,404                     | 609,173           |
| Totals                                  | <u>\$ 8,714,231</u>        | <u>8,348,153</u> | <u>16,221,174</u>           | <u>14,853,020</u> | <u>24,935,405</u>           | <u>23,201,173</u> |

The City had two new debt issues during the 2013 fiscal year. The \$2,980,000 issue was split between expected governmental uses of roughly \$1,935,000 and business-type uses of \$1,045,000. The other debt issue was a refunding issue. Debt with an average interest rate of 4.8% was refunded with debt having an average interest rate of 2.5% to achieve a cash savings of almost \$250,000 over the next nine years. The present value of the savings was approximately \$215,000. The City also made principal payments of \$1,230,770 on outstanding debt (in addition to the debt which was refunded).

The City's general obligation bond rating was upgraded in 2010 to "A1" as assigned by the national rating agency Moody's Investors Service. There is no direct debt limitation under state law. The Texas Constitution does limit the maximum tax rate for all City purposes to \$2.50 per \$100 of assessed valuation, and administratively, the Attorney General will permit allocation of \$1.50 of the \$2.50 maximum tax rate to the payment of debt service. The actual amount of debt the City might be able to fund with that tax rate depends on the term over which the debt is to be repaid, the interest rate on the debt, and the amount of taxes which are not collected. The City's current debt service tax rate of \$0.251985 is approximately 17% of the maximum debt service tax rate.

#### Economic Factors and Next Year's Budgets and Rates

Sales tax revenues are showing double digit increases in the first few months of fiscal year 2014, which is one sign of growth for the City. Elgin was selected as the site of a new Walmart SuperCenter. Additional stores near that Walmart should be announced soon. CVS purchased the old Chevron Station and razed it last week to build their new store. About a mile east is a new Taco Bell that is being framed up.

The Westwind housing subdivision on Hwy. 290 has been rather dormant for a few years until DR Horton purchased the remaining 116 lots. They are constructing and selling homes quickly. Several more projects are being planned such as new apartments. The plan is to build 200 units to start.

All in all, the City of Elgin appears to be on the verge of some significant growth.

## **CITY OF ELGIN, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

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#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please direct your requests to the Director of Finance, City of Elgin, P.O. Box 591, 310 N. Main Street, Elgin, Texas, 78621.



**CITY OF ELGIN, TEXAS**

**STATEMENT OF NET POSITION**

September 30, 2013

|  | Primary Government      |                          |                   | Component Unit   |
|--|-------------------------|--------------------------|-------------------|------------------|
|  | Governmental Activities | Business-type Activities | Total             |                  |
| <b>ASSETS</b>  |                         |                          |                   |                  |
| Cash and cash equivalents (note 2)                                     | \$ 750,882              | 840,531                  | 1,591,413         | 416,661          |
| Investments (note 2)   | 2,649,013               | 997,856                  | 3,646,869         | 341,234          |
| Receivables (net, where applicable, of allowances for uncollectibles): |                         |                          |                   |                  |
| Accounts receivable  | 204,923                 | 514,316                  | 719,239           | 500              |
| Property taxes   | 212,970                 | -0-                      | 212,970           | -0-              |
| Sales tax receivable   | 171,393                 | -0-                      | 171,393           | 85,697           |
| Fines receivable   | 250,111                 | -0-                      | 250,111           | -0-              |
| Prepaid expenses   | 7,051                   | 2,400                    | 9,451             | -0-              |
| Restricted cash and investments (note 2)                               | -0-                     | 1,903,785                | 1,903,785         | -0-              |
| Capital assets (note 6):   |                         |                          |                   |                  |
| Land   | 232,620                 | 191,176                  | 423,796           | 737,845          |
| Construction in progress   | 1,082,619               | 2,763,215                | 3,845,834         | -0-              |
| Other capital assets, net of depreciation                              | 8,325,287               | 22,232,034               | 30,557,321        | -0-              |
| <b>Total assets</b>  | <u>13,886,869</u>       | <u>29,445,313</u>        | <u>43,332,182</u> | <u>1,581,937</u> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                  |                         |                          |                   |                  |
| Deferred amount on refunding   | <u>25,832</u>           | <u>2,726</u>             | <u>28,558</u>     | <u>19,322</u>    |
| <b>LIABILITIES</b>   |                         |                          |                   |                  |
| Accounts payable   | 465,723                 | 277,773                  | 743,496           | 19,068           |
| Accrued liabilities  | 57,751                  | 130,305                  | 188,056           | 9,399            |
| Customer deposits  | -0-                     | 237,432                  | 237,432           | -0-              |
| Noncurrent liabilities (note 8):                                       |                         |                          |                   |                  |
| Due within one year  | 854,072                 | 527,107                  | 1,381,179         | 115,000          |
| Due in more than one year  | 8,259,579               | 15,987,291               | 24,246,870        | 775,000          |
| <b>Total liabilities</b>   | <u>9,637,125</u>        | <u>17,159,908</u>        | <u>26,797,033</u> | <u>918,467</u>   |
| <b>NET POSITION</b>  |                         |                          |                   |                  |
| Net investment in capital assets                                       | 2,261,460               | 9,831,610                | 12,093,070        | -0-              |
| Restricted for:  |                         |                          |                   |                  |
| Debt service   | 163,553                 | 234,774                  | 398,327           | 34,074           |
| Capital improvements   | -0-                     | 378,740                  | 378,740           | -0-              |
| Other purposes (note 10)   | 416,486                 | -0-                      | 416,486           | -0-              |
| Unrestricted (deficit)   | 1,434,077               | 1,843,007                | 3,277,084         | 648,718          |
| <b>Total net position</b>  | <u>\$ 4,275,576</u>     | <u>12,288,131</u>        | <u>16,563,707</u> | <u>682,792</u>   |

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

# CITY OF ELGIN, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

| <u>Functions/Programs</u>                  | <u>Expenses</u>     | <u>Program Revenues</u>             |   |   |
|--|---------------------|-------------------------------------|---|---|
|  |                     | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |
| Primary government:                        |                     |                                     |   |   |
| Governmental activities:                   |                     |                                     |   |   |
| General government                         | \$ 2,054,981        | 875,918                             | 160,124   | -0-   |
| Public safety                              | 2,296,063           | 761,148                             | 133,510   | -0-   |
| Public works                               | 1,523,535           | 123,203                             | -0-   | 395,584   |
| Parks and recreation                       | 303,851             | 23,187                              | -0-   | -0-   |
| Other current                              | 182,862             | 53,222                              | 47,612  | -0-   |
| Interest on long-term debt                 | 363,393             | -0-                                 | -0-   | -0-   |
| Total governmental activities              | <u>6,724,685</u>    | <u>1,836,678</u>                    | <u>341,246</u>                                    | <u>395,584</u>                                  |
| Business-type activities:                  |                     |                                     |   |   |
| Utility system                             | <u>3,182,569</u>    | <u>3,951,277</u>                    | <u>-0-</u>  | <u>382,936</u>                                  |
| Total primary government                   | <u>\$ 9,907,254</u> | <u>5,787,955</u>                    | <u>341,246</u>                                    | <u>778,520</u>                                  |
| Component unit:                            |                     |                                     |   |   |
| Elgin Economic Develop. Corp.              | \$ <u>299,918</u>   | <u>-0-</u>                          | <u>-0-</u>  | <u>-0-</u>                                      |
| General revenues:                          |                     |                                     |   |   |
| Property taxes levied for general purposes |                     |                                     |   |   |
| Property taxes levied for debt service     |                     |                                     |   |   |
| Sales tax                                  |                     |                                     |   |   |
| Franchise and other taxes                  |                     |                                     |   |   |
| Investment earnings                        |                     |                                     |   |   |
| Miscellaneous                              |                     |                                     |   |   |
| Transfers                                  |                     |                                     |   |   |
| Total general revenues and transfers       |                     |                                     |   |   |
| Change in net position                     |                     |                                     |   |   |
| Net position - beginning                   |                     |                                     |   |   |
| Prior period adjustment (note 16)          |                     |                                     |   |   |
| Net position - ending                      |                     |                                     |   |   |

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

| Net (Expense) Revenue and<br>Changes in Net Position |                             |                    |                   |
|--|-----------------------------|--------------------|-------------------|
| Primary Government                                   |                             |                    | Component<br>Unit |
| Governmental<br>Activities                           | Business-type<br>Activities | Total              |                   |
| (1,018,939)  | -0-                         | (1,018,939)        | -0-               |
| (1,401,405)  | -0-                         | (1,401,405)        | -0-               |
| (1,004,748)  | -0-                         | (1,004,748)        | -0-               |
| (280,664)  | -0-                         | (280,664)          | -0-               |
| (82,028)   | -0-                         | (82,028)           | -0-               |
| (363,393)  | -0-                         | (363,393)          | -0-               |
| <u>(4,151,177)</u>                                   | <u>-0-</u>                  | <u>(4,151,177)</u> | <u>-0-</u>        |
| <u>-0-</u>   | <u>1,151,644</u>            | <u>1,151,644</u>   | <u>-0-</u>        |
| <u>(4,151,177)</u>                                   | <u>1,151,644</u>            | <u>(2,999,533)</u> | <u>-0-</u>        |
| <u>-0-</u>   | <u>-0-</u>                  | <u>-0-</u>         | <u>(299,918)</u>  |
| \$ 1,771,248   | -0-                         | 1,771,248          | -0-               |
| 893,540  | -0-                         | 893,540            | -0-               |
| 916,876  | -0-                         | 916,876            | 458,448           |
| 420,099  | -0-                         | 420,099            | -0-               |
| 5,460  | 3,881                       | 9,341              | 1,575             |
| 33,637   | -0-                         | 33,637             | 569               |
| 1,363,053  | (1,363,053)                 | -0-                | -0-               |
| <u>5,403,913</u>                                     | <u>(1,359,172)</u>          | <u>4,044,741</u>   | <u>460,592</u>    |
| 1,252,736  | (207,528)                   | 1,045,208          | 160,674           |
| 3,220,483  | 12,682,874                  | 15,903,357         | 535,396           |
| <u>(197,643)</u>                                     | <u>(187,215)</u>            | <u>(384,858)</u>   | <u>(13,278)</u>   |
| <u>\$ 4,275,576</u>                                  | <u>12,288,131</u>           | <u>16,563,707</u>  | <u>682,792</u>    |

**CITY OF ELGIN, TEXAS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

September 30, 2013

|  | General             | Red Light<br>Camera<br>Special Rev | 2011 CO<br>Construction |
|--|---------------------|------------------------------------|-------------------------|
| <b>ASSETS</b>  |                     |                                    |                         |
| Cash and cash equivalents  | \$ 14,765           | 427,407                            | -0-                     |
| Investments  | 575,780             | -0-                                | -0-                     |
| Receivables (net, where applicable,<br>of allowances for uncollectibles):          |                     |                                    |                         |
| Accounts receivable  | 191,178             | -0-                                | -0-                     |
| Property taxes   | 129,365             | -0-                                | -0-                     |
| Sales tax receivable   | 171,393             | -0-                                | -0-                     |
| Fines receivable   | 250,111             | -0-                                | -0-                     |
| Due from other funds   | 561,157             | -0-                                | -0-                     |
| Prepaid expenses   | 7,051               | -0-                                | -0-                     |
| <b>Total assets</b>  | <b>\$ 1,900,800</b> | <b>427,407</b>                     | <b>-0-</b>              |
| <b>LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES, AND FUND BALANCES</b>           |                     |                                    |                         |
| <b>Liabilities</b>   |                     |                                    |                         |
| Accounts payable   | \$ 205,442          | 208,032                            | -0-                     |
| Accrued liabilities  | -0-                 | -0-                                | -0-                     |
| Due to other funds   | -0-                 | -0-                                | -0-                     |
| <b>Total liabilities</b>   | <b>205,442</b>      | <b>208,032</b>                     | <b>-0-</b>              |
| <b>Deferred Inflows of Resources</b>   |                     |                                    |                         |
| Deferred property tax revenue  | 129,365             | -0-                                | -0-                     |
| Deferred fine revenue  | 250,111             | -0-                                | -0-                     |
| <b>Total deferred inflows of resources</b>   | <b>379,476</b>      | <b>-0-</b>                         | <b>-0-</b>              |
| <b>Fund Balances</b>   |                     |                                    |                         |
| Nonspendable:  |                     |                                    |                         |
| Prepaid expenses   | 7,051               | -0-                                | -0-                     |
| Restricted for:  |                     |                                    |                         |
| Debt service   | -0-                 | -0-                                | -0-                     |
| Capital projects   | -0-                 | -0-                                | -0-                     |
| Other purposes (note 10)   | 40,638              | 219,375                            | -0-                     |
| Committed to:  |                     |                                    |                         |
| Various purposes (note 10)   | -0-                 | -0-                                | -0-                     |
| Unassigned   | 1,268,193           | -0-                                | -0-                     |
| <b>Total fund balances</b>   | <b>1,315,882</b>    | <b>219,375</b>                     | <b>-0-</b>              |
| <b>Total liabilities, deferred inflows of<br/>    resources, and fund balances</b> | <b>\$ 1,900,800</b> | <b>427,407</b>                     | <b>-0-</b>              |

Fund balance of governmental funds on the modified accrual basis above  
Add recognition of revenue from long-term receivables which was deferred above  
Add net capital assets which are not treated as financial resources on the modified accrual basis  
Subtract long-term liabilities not reported under the modified accrual basis above  
Subtract accrued interest not reported under the modified accrual basis until due  
Net position of governmental activities as reported on the Statement of Net Position

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

| 2013 CO<br>Construction | Debt<br>Service | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|-------------------------|-----------------|--------------------------------|--------------------------------|
| -0-                     | 83,070          | 225,640                        | 750,882                        |
| 2,018,354               | 54,879          | -0-                            | 2,649,013                      |
| -0-                     | -0-             | 13,745                         | 204,923                        |
| -0-                     | 83,605          | -0-                            | 212,970                        |
| -0-                     | -0-             | -0-                            | 171,393                        |
| -0-                     | -0-             | -0-                            | 250,111                        |
| -0-                     | -0-             | -0-                            | 561,157                        |
| -0-                     | -0-             | -0-                            | 7,051                          |
| <u>2,018,354</u>        | <u>221,554</u>  | <u>239,385</u>                 | <u>4,807,500</u>               |
| -0-                     | 250             | 51,999                         | 465,723                        |
| -0-                     | -0-             | -0-                            | -0-                            |
| 561,157                 | -0-             | -0-                            | 561,157                        |
| <u>561,157</u>          | <u>250</u>      | <u>51,999</u>                  | <u>1,026,880</u>               |
| -0-                     | 83,605          | -0-                            | 212,970                        |
| -0-                     | -0-             | -0-                            | 250,111                        |
| -0-                     | 83,605          | -0-                            | 463,081                        |
| -0-                     | -0-             | -0-                            | 7,051                          |
| -0-                     | 137,699         | -0-                            | 137,699                        |
| 1,457,197               | -0-             | -0-                            | 1,457,197                      |
| -0-                     | -0-             | 156,473                        | 416,486                        |
| -0-                     | -0-             | 30,913                         | 30,913                         |
| -0-                     | -0-             | -0-                            | 1,268,193                      |
| <u>1,457,197</u>        | <u>137,699</u>  | <u>187,386</u>                 | <u>3,317,539</u>               |
| <u>2,018,354</u>        | <u>221,554</u>  | <u>239,385</u>                 | <u>4,807,500</u>               |
|                         |                 |                                | \$ 3,317,539                   |
|                         |                 |                                | 463,081                        |
|                         |                 |                                | 9,640,526                      |
|                         |                 |                                | (9,087,819)                    |
|                         |                 |                                | (57,751)                       |
|                         |                 |                                | <u>\$ 4,275,576</u>            |

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

For the Year Ended September 30, 2013

|  | General             | Red Light<br>Camera<br>Special Rev | 2011 CO<br>Construction |
|--|---------------------|------------------------------------|-------------------------|
| <b>REVENUES</b>                                      |                     |                                    |                         |
| Property taxes                                       | \$ 1,791,380        | -0-                                | -0-                     |
| Sales tax  | 916,876             | -0-                                | -0-                     |
| Franchise and other taxes                            | 420,099             | -0-                                | -0-                     |
| Licenses and permits                                 | 118,874             | -0-                                | -0-                     |
| Fines  | 301,550             | 604,983                            | -0-                     |
| Intergovernmental                                    | 274,306             | -0-                                | -0-                     |
| Charges for services                                 | 882,272             | -0-                                | -0-                     |
| Investment earnings                                  | 2,322               | 1,165                              | 332                     |
| Miscellaneous  | 57,106              | -0-                                | -0-                     |
| Total revenues                                       | <u>4,764,785</u>    | <u>606,148</u>                     | <u>332</u>              |
| <b>EXPENDITURES</b>                                  |                     |                                    |                         |
| Current:   |                     |                                    |                         |
| General government                                   | 1,967,321           | -0-                                | -0-                     |
| Public safety  | 1,813,013           | 500,755                            | -0-                     |
| Public works   | 859,224             | -0-                                | -0-                     |
| Parks and recreation                                 | 292,091             | -0-                                | -0-                     |
| Other current  | -0-                 | -0-                                | -0-                     |
| Capital outlay                                       | -0-                 | -0-                                | 444,610                 |
| Debt service:  |                     |                                    |                         |
| Principal  | -0-                 | -0-                                | -0-                     |
| Interest and other charges                           | -0-                 | -0-                                | -0-                     |
| Debt issuance costs                                  | -0-                 | -0-                                | -0-                     |
| Total expenditures                                   | <u>4,931,649</u>    | <u>500,755</u>                     | <u>444,610</u>          |
| Excess (deficiency) of revenues<br>over expenditures | <u>(166,864)</u>    | <u>105,393</u>                     | <u>(444,278)</u>        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                     |                                    |                         |
| Debt issued  | -0-                 | -0-                                | -0-                     |
| Premium on debt issued                               | -0-                 | -0-                                | -0-                     |
| Payment to refunded debt escrow                      | -0-                 | -0-                                | -0-                     |
| Transfers in   | 754,121             | -0-                                | -0-                     |
| Transfers out  | (206,108)           | -0-                                | -0-                     |
| Total other financing sources (uses)                 | <u>548,013</u>      | <u>-0-</u>                         | <u>-0-</u>              |
| Net change in fund balances                          | 381,149             | 105,393                            | (444,278)               |
| Fund balances - beginning                            | 934,733             | 221,168                            | 444,278                 |
| Prior period adjustment (note 16)                    | -0-                 | (107,186)                          | -0-                     |
| Fund balances - ending                               | <u>\$ 1,315,882</u> | <u>219,375</u>                     | <u>-0-</u>              |

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

| <u>2013 CO<br/>Construction</u> | <u>Debt<br/>Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---------------------------------|-------------------------|---|---|
| -0-                             | 914,803                 | -0-                                     | 2,706,183                               |
| -0-                             | -0-                     | -0-                                     | 916,876                                 |
| -0-                             | -0-                     | 53,222                                  | 473,321                                 |
| -0-                             | -0-                     | -0-                                     | 118,874                                 |
| -0-                             | -0-                     | 2,197                                   | 908,730                                 |
| -0-                             | -0-                     | 395,584                                 | 669,890                                 |
| -0-                             | -0-                     | -0-                                     | 882,272                                 |
| 151                             | 927                     | 563                                     | 5,460                                   |
| -0-                             | -0-                     | 66,940                                  | 124,046                                 |
| <u>151</u>                      | <u>915,730</u>          | <u>518,506</u>                          | <u>6,805,652</u>                        |
| -0-                             | -0-                     | -0-                                     | 1,967,321                               |
| -0-                             | -0-                     | 1,876                                   | 2,315,644                               |
| -0-                             | -0-                     | 318,008                                 | 1,177,232                               |
| -0-                             | -0-                     | -0-                                     | 292,091                                 |
| -0-                             | -0-                     | 89,853                                  | 89,853                                  |
| 485,349                         | -0-                     | 157,336                                 | 1,087,295                               |
| -0-                             | 833,395                 | -0-                                     | 833,395                                 |
| -0-                             | 364,312                 | -0-                                     | 364,312                                 |
| 39,983                          | 53,026                  | -0-                                     | 93,009                                  |
| <u>525,332</u>                  | <u>1,250,733</u>        | <u>567,073</u>                          | <u>8,220,152</u>                        |
| <u>(525,181)</u>                | <u>(335,003)</u>        | <u>(48,567)</u>                         | <u>(1,414,500)</u>                      |
| 1,934,584                       | 2,210,000               | -0-                                     | 4,144,584                               |
| 74,913                          | 73,976                  | -0-                                     | 148,889                                 |
| -0-                             | (2,233,367)             | -0-                                     | (2,233,367)                             |
| 114,126                         | 302,845                 | 103,014                                 | 1,274,106                               |
| (141,245)                       | -0-                     | (305,190)                               | (652,543)                               |
| <u>1,982,378</u>                | <u>353,454</u>          | <u>(202,176)</u>                        | <u>2,681,669</u>                        |
| 1,457,197                       | 18,451                  | (250,743)                               | 1,267,169                               |
| -0-                             | 119,248                 | 438,129                                 | 2,157,556                               |
| -0-                             | -0-                     | -0-                                     | (107,186)                               |
| <u>1,457,197</u>                | <u>137,699</u>          | <u>187,386</u>                          | <u>3,317,539</u>                        |

## CITY OF ELGIN, TEXAS

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

For the Year Ended September 30, 2013

|  |                     |
|--|---------------------|
| Net change in fund balances - total governmental funds   | \$ 1,267,169        |
| Amounts reported for governmental activities in the statement of activities are different because:   |                     |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.   |                     |
| Add back capital outlays.  | 1,196,528           |
| Subtract depreciation expense.   | (512,677)           |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |                     |
| Property tax revenues:   |                     |
| Add deferred property tax revenues at the end of the year.   | 212,970             |
| Subtract deferred property tax revenues at the beginning of the year.  | (254,365)           |
| Fine revenues:   |                     |
| Add noncurrent receivables at the end of the year.   | 250,111             |
| Subtract noncurrent receivables at the beginning of the year.  | (400,000)           |
| Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. |                     |
| Subtract current period debt issued net of payment to refunded debt escrow.  | (1,911,217)         |
| Adjust for debt transferred to the utility fund.   | 741,490             |
| Add back current period discount or (premium) on debt issued.  | (148,889)           |
| Add back principal payments on long-term debt.   | 833,395             |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |                     |
| Interest expense:  |                     |
| Add amortization of bond premium   | 1,779               |
| Subtract amortization of deferred amount on refunding  | (12,832)            |
| Subtract unmatured accrued interest at the end of the year.  | (57,751)            |
| Add unmatured accrued interest at the beginning of the year.   | 69,722              |
| Compensated absences:  |                     |
| Subtract noncurrent liability at the end of the year.  | (100,178)           |
| Add noncurrent liability at the beginning of the year.   | 98,368              |
| Net pension obligation:  |                     |
| Subtract noncurrent liability at the end of the year.  | (151,378)           |
| Add noncurrent liability at the beginning of the year.   | 130,491             |
| Change in net position of governmental activities  | \$ <u>1,252,736</u> |

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



**CITY OF ELGIN, TEXAS****BUDGETARY COMPARISON STATEMENT  
GENERAL FUND**

For the Year Ended September 30, 2013

|  | Budgeted Amounts         |                         | Actual<br>Amounts<br>Budgetary<br>Basis | Variance<br>With Final<br>Budget |
|--|--------------------------|-------------------------|---|----------------------------------|
|  | Original                 | Final                   |   |                                  |
| <b>REVENUES</b>                                      |                          |                         |   |                                  |
| Property taxes                                       | \$ 1,757,432             | 2,034,032               | 1,791,380                               | (242,652)                        |
| Sales tax  | 800,000                  | 891,407                 | 916,876                                 | 25,469                           |
| Franchise and other taxes                            | 400,000                  | 400,000                 | 420,099                                 | 20,099                           |
| Licenses and permits                                 | 125,250                  | 125,250                 | 118,874                                 | (6,376)                          |
| Fines  | 284,172                  | 284,172                 | 301,550                                 | 17,378                           |
| Intergovernmental                                    | 260,990                  | 260,990                 | 274,306                                 | 13,316                           |
| Charges for services                                 | 860,200                  | 860,200                 | 882,272                                 | 22,072                           |
| Investment earnings                                  | 4,000                    | 4,000                   | 2,322                                   | (1,678)                          |
| Miscellaneous  | 33,200                   | 33,200                  | 57,106                                  | 23,906                           |
| Total revenues                                       | <u>4,525,244</u>         | <u>4,893,251</u>        | <u>4,764,785</u>                        | <u>(128,466)</u>                 |
| <b>EXPENDITURES</b>                                  |                          |                         |   |                                  |
| Current:   |                          |                         |   |                                  |
| General government                                   | 1,929,108                | 2,018,387               | 1,967,321                               | 51,066                           |
| Public safety  | 1,842,096                | 1,888,974               | 1,813,013                               | 75,961                           |
| Public works   | 857,306                  | 887,806                 | 859,224                                 | 28,582                           |
| Parks and recreation                                 | 308,002                  | 317,502                 | 292,091                                 | 25,411                           |
| Total expenditures                                   | <u>4,936,512</u>         | <u>5,112,669</u>        | <u>4,931,649</u>                        | <u>181,020</u>                   |
| Excess (deficiency) of revenues<br>over expenditures | (411,268)                | (219,418)               | (166,864)                               | 52,554                           |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                          |                         |   |                                  |
| Transfers in   | 445,515                  | 445,515                 | 754,121                                 | 308,606                          |
| Transfers out  | (34,247)                 | (34,247)                | (206,108)                               | (171,861)                        |
| Total other financing<br>sources (uses)              | <u>411,268</u>           | <u>411,268</u>          | <u>548,013</u>                          | <u>136,745</u>                   |
| Net change in fund balances                          | -0-                      | 191,850                 | 381,149                                 | 189,299                          |
| Fund balances - beginning                            | <u>934,733</u>           | <u>934,733</u>          | <u>934,733</u>                          | <u>-0-</u>                       |
| Fund balances - ending                               | \$ <u><u>934,733</u></u> | <u><u>1,126,583</u></u> | <u><u>1,315,882</u></u>                 | <u><u>189,299</u></u>            |

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

**CITY OF ELGIN, TEXAS****STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

September 30, 2013

|   | <u>Business-type Activities<br/>Enterprise Funds</u> |
|---|--|
|   | <u>Utility<br/>Fund</u>                              |
| <b>ASSETS</b>   |  |
| Current assets:   |  |
| Cash and cash equivalents   | \$ 840,531   |
| Investments   | 997,856  |
| Receivables (net, where applicable,<br>of allowances for uncollectibles): |  |
| Accounts receivable   | 514,316  |
| Prepaid expenses  | 2,400  |
| Total current assets  | <u>2,355,103</u>                                     |
| Noncurrent assets:  |  |
| Restricted cash and investments   | 1,903,785  |
| Capital assets:   |  |
| Land  | 191,176  |
| Construction in progress  | 2,763,215  |
| Other capital assets,<br>net of depreciation                              | 22,232,034   |
| Total noncurrent assets   | <u>27,090,210</u>                                    |
| <b>Total assets</b>   | <u>29,445,313</u>                                    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                     |  |
| Deferred amount on refunding  | <u>2,726</u>   |
| <b>LIABILITIES</b>  |  |
| Current liabilities:  |  |
| Accounts payable  | 277,773  |
| Accrued liabilities   | 130,305  |
| Customer deposits   | 237,432  |
| Current portion of long-term debt   | 527,107  |
| Total current liabilities   | <u>1,172,617</u>                                     |
| Noncurrent liabilities:   |  |
| Accrued vacation  | 30,571   |
| Long-term debt, excluding current portion                                 | 15,956,720   |
| Total noncurrent liabilities  | <u>15,987,291</u>                                    |
| <b>Total liabilities</b>  | <u>17,159,908</u>                                    |
| <b>NET POSITION</b>   |  |
| Net investment in capital assets  | 9,831,610  |
| Restricted for debt service   | 234,774  |
| Restricted for capital projects   | 378,740  |
| Unrestricted (deficit)  | 1,843,007  |
| <b>Total net position</b>   | \$ <u><u>12,288,131</u></u>                          |

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

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

For the Year Ended September 30, 2013

|   | <u>Business-type Activities<br/>Enterprise Funds</u> |
|---|--|
|   | <u>Utility<br/>Fund</u>                              |
| <b>OPERATING REVENUES</b>                               |  |
| Charges for services (pledged to secure debt)           | \$ <u>3,951,277</u>                                  |
| <b>OPERATING EXPENSES</b>                               |  |
| Personnel services                                      | 860,497  |
| Materials and supplies                                  | 32,691   |
| Maintenance   | 267,294  |
| Contractual services                                    | 574,416  |
| Depreciation  | 843,964  |
| Total operating expenses                                | <u>2,578,862</u>                                     |
| Operating income (loss)                                 | <u>1,372,415</u>                                     |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                 |  |
| Investment earnings                                     | 3,881  |
| Other nonoperating revenues                             | -0-  |
| Bond issue costs  | (21,606)   |
| Interest expense  | (582,101)  |
| Total nonoperating revenues (expenses)                  | <u>(599,826)</u>                                     |
| Net income (loss) before contributions<br>and transfers | 772,589  |
| Capital contributions - impact fees                     | 83,100   |
| Capital contributions - other governments               | 299,836  |
| Transfers out   | <u>(1,363,053)</u>                                   |
| Change in net position                                  | (207,528)  |
| Net position - beginning                                | 12,682,874   |
| Prior period adjustment (note 16)                       | <u>(187,215)</u>                                     |
| Net position - ending                                   | \$ <u><u>12,288,131</u></u>                          |

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

# CITY OF ELGIN, TEXAS

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended September 30, 2013

|   | Business-type Activities<br>Enterprise Funds |
|---|--|
|   | Utility<br>Fund                              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                             |  |
| Receipts from customers   | \$ 3,944,675                                 |
| Payments to suppliers   | (1,123,342)                                  |
| Payments to employees   | (854,918)                                    |
| Net cash provided (used) by<br>operating activities                     | 1,966,415                                    |
| <b>CASH FLOWS FROM NONCAPITAL<br/>FINANCING ACTIVITIES</b>              |  |
| Operating transfers to other funds                                      | (621,563)                                    |
| Net cash provided (used) by<br>noncapital financing activities          | (621,563)                                    |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>     |  |
| Capital contributions   | 83,100                                       |
| Proceeds from capital debt  | 1,085,898                                    |
| Payment of bond issue costs   | (21,606)                                     |
| Purchases of capital assets   | (309,922)                                    |
| Interest payments on outstanding debt                                   | (594,553)                                    |
| Principal payments on outstanding debt                                  | (397,374)                                    |
| Net cash provided (used) by capital<br>and related financing activities | (154,457)                                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                             |  |
| Purchase of investments   | (1,064,291)                                  |
| Liquidation of investments  | 408,622                                      |
| Investment earnings   | 3,881  |
| Net cash provided (used) by<br>investing activities                     | (651,788)                                    |
| Net increase (decrease) in cash<br>and cash equivalents                 | 538,607                                      |
| Balances - beginning of the year  | 301,924                                      |
| Balances - end of the year  | \$ 840,531                                   |

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

**CITY OF ELGIN, TEXAS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

(Continued)

|   | <u>Business-type Activities<br/>Enterprise Funds</u> |
|---|--|
|   | <u>Utility<br/>Fund</u>                              |
| <b>Reconciliation of operating income (loss) to net cash<br/>provided (used) by operating activities:</b> |  |
| Operating income (loss)   | \$ 1,372,415   |
| Adjustments to reconcile operating income to net cash<br>provided (used) by operating activities:         |  |
| Depreciation  | 843,964  |
| Bad debt expense  | 13,703   |
| Other nonoperating revenues   | -0-  |
| Changes in assets and liabilities:  |  |
| Accounts receivable   | (13,832)   |
| Prepaid expenses  | -0-  |
| Accounts payable  | (238,481)  |
| Accrued liabilities   | (24,163)   |
| Customer deposits   | 7,230  |
| Accrued vacation  | (796)  |
| Net pension obligation  | <u>6,375</u>   |
| Net cash provided (used) by operating activities  | \$ <u><u>1,966,415</u></u>                           |

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

# **CITY OF ELGIN, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS**

September 30, 2013

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### **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Elgin, Texas (the City) was incorporated in 1872. The City operates under a Council-Manager form of government and provides the following services: public safety, street maintenance, sanitation, culture-recreation, public improvements, planning and zoning, general administrative, and water and wastewater services.

The accounting policies of the City conform to generally accepted accounting principles applicable to governments as promulgated by the Governmental Accounting Standards Board (GASB). For its enterprise funds and business-type activities, the City has applied all statements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, except for those that conflict with GASB pronouncements, and has opted not to apply FASB statements issued after November 30, 1989. The following is a summary of the significant policies.

#### **A. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. The government-wide financial statements provide information about the activities of the City as a whole presenting all assets, liabilities, and changes in net position of the City and its component units except for information about any fiduciary activities and component units which are fiduciary in nature. These statements are prepared using the accrual basis of accounting.

Separate rows and columns are used in the government-wide statements to distinguish between governmental activities, business-type activities, and activities of component units, with a total column for the governmental and business-type activities of the primary government before any discretely presented component units.

#### **B. SCOPE OF THE REPORTING ENTITY**

The City has used the criteria detailed in GASB Statement 14 as amended by GASB 61 to determine whether or not certain entities should be included in the accompanying financial statements. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The following agencies were considered in determining the scope of the reporting entity.

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Elgin Economic Development Corporation. The Elgin Economic Development Corporation (the Corporation) was established under the Development Corporation Act of 1979, as amended. Directors of the Corporation are removable by the City Council of the City of Elgin at will, the overall economic development plan of the corporation must be approved by the City Council of the City of Elgin, and the budget for each forthcoming fiscal year must be approved by the City Council of the City of Elgin. Since the Corporation is financially accountable to the City, it is treated as a component unit of the City and is reported as part of the overall financial reporting entity of the City.

#### C. FUND FINANCIAL STATEMENTS

Fund financial statements are used to present more detailed information about the City's most significant funds. Separate fund financial statements are prepared for governmental funds, and proprietary funds. The governmental and proprietary fund financial statements place an emphasis on major funds. Those funds which are determined to be major funds are presented in separate columns, with all nonmajor funds being aggregated and displayed in a single column. Interfund receivable and payable balances and transfers between funds have not been eliminated in the fund financial statements.

The City has reported the following major governmental funds.

**General Fund** – The General Fund accounts for all revenues and expenditures of the City which are not accounted for in other funds. It is the largest of the City's funds and receives a greater variety and number of taxes and other general revenues than any other fund. The General Fund's resources also finance a wider range of activities than any other fund. Major functions financed by the General Fund include administration, finance, library, police, sanitation, park maintenance and street maintenance.

**Red Light Camera Special Revenue Fund** – This fund accounts for revenues received from red light camera fines, expenditures to operate the system, and the use of those funds for allowable purposes.

**2011 Certificates of Obligation Governmental Construction Fund** – This fund accounts for the portion of the proceeds from the issuance of certificates of obligation to be used for the purpose of renovating and improving City administrative facilities, public works department facilities, and facilities for park and recreation purposes, including engineering and other related costs, and for the acquisition of equipment for general governmental purposes.

**2013 Certificates of Obligation Governmental Construction Fund** – This fund accounts for the portion of the proceeds from the issuance of certificates of obligation to be used for the purpose of repairing, improving, upgrading, and equipping City buildings, City streets and drainage, and City parks, including engineering and other related costs, and for the acquisition of equipment for general governmental purposes.

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City has reported the following major proprietary fund.

Utility Fund – This fund's function is to provide for a source of supply of water, its purification and distribution to customers and to provide for the sanitary collection and disposal of sewage on a user charge basis.

### D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to whether a particular type of transaction will be recorded in the financial statements. The economic resources measurement focus recognizes all resources and obligations and the changes in them. The current financial resources measurement focus recognizes only current resources and obligations and transactions affecting current resources and obligations. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

#### Government-wide financial statements

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements specific to the class of nonexchange transaction. For the government-wide financial statements prepared on the accrual basis, property tax revenues are recognized in the period for which the taxes are levied.

#### Fund financial statements – governmental funds

The fund financial statements for the governmental funds are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. This measurement focus affects the accounting and reporting treatment of capital assets and long-term liabilities. The capital assets and long-term liabilities of the governmental activities are not recorded on the balance sheet of the fund financial statements of the governmental funds. Transactions for the purchase of assets, the issuance of debt, and the payment of debt principal are reflected in the governmental funds, but they are reported on the statement of revenues, expenditures, and changes in fund balances as capital outlay and debt service principal expenditures and proceeds from debt.

(Continued)



# **CITY OF ELGIN, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

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### **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available and recognizes expenditures in the accounting period in which the fund liability is incurred, except for unmatured interest on general long-term debt, which is recognized when due.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All revenues of the City are considered susceptible to accrual except for revenue from delinquent property taxes receivable, and revenue from fines.

While the City expects all taxes on real property to ultimately be collectible, the bulk of delinquent property taxes receivable at the end of the fiscal year are not anticipated to be collected soon enough thereafter to be used to pay liabilities of the current period. Therefore, revenue from delinquent property taxes receivable is not recognized in the fund financial statements unless collected during the current period.

Fines receivable but not past due at the end of the fiscal year may be subsequently reduced when the offender attends a defensive driving course, provides proof of insurance, has the offense dismissed by the municipal court, or serves jail time. Current fines receivable thus do not meet the measurability criterion required to be susceptible to accrual. A significant portion of past due fines receivable is not anticipated to be collected soon enough to meet the criterion that the revenue be available.

#### **Fund financial statements – proprietary funds**

The fund financial statements for the proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting.

### **E. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents for purposes of the statement of cash flows represent unrestricted demand accounts and petty cash. Investments in local government investment pools are recorded as investments and are not treated as cash or cash equivalents.

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### F. INVESTMENTS

Investments are stated at fair value. The City is authorized to invest in certificates of deposit at the City's depository bank, obligations of the United States of America, and investment pools and no-load money market mutual funds which meet the conditions of the State of Texas Public Funds Investment Act. Money market mutual funds must be no-load funds which are regulated by the Securities and Exchange Commission, have a dollar-weighted average stated maturity of 90 days or fewer, and include the investment objective of the maintenance of a stable net asset value of \$1 for each share.

#### G. RECEIVABLES

Unbilled service receivables have been accrued in the proprietary funds to record the estimated amount of revenues earned but not billed as of the end of the fiscal year. The estimate is based on the pro rata number of days in the billing cycle before and after the fiscal year end.

#### H. CAPITAL ASSETS

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

|                           |             |
|---------------------------|-------------|
| Infrastructure            | 40 years    |
| Distribution & Collection | 20-50 years |
| Buildings                 | 25-50 years |
| Improvements              | 20 years    |
| Machinery and Equipment   | 3-20 years  |

(Continued)

# **CITY OF ELGIN, TEXAS**

## **NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

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### **1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **I. ACCUMULATED UNPAID VACATION AND SICK PAY AMOUNTS**

Vacation leave may be accumulated at the rate of 10 days for each continuous year of employment for full-time employees with between 1 and 5 years of service. For employees with more than 5 years of service, an additional day of vacation per year is earned for each year of service in excess of 5 years, up to a maximum of 20 days per year. The amount of unused vacation leave which may be carried over at the end of the calendar year is limited to one year's accrual.

Sick leave credits accrue to all full-time employees at the rate of 12 days per year. Additionally, all full-time employees receive one day of personal holiday per year which does not carry over from one year to the next. Employees are not paid for accumulated sick leave or personal holiday time; therefore, no liability is accrued.

The liability for the Governmental Fund's accumulated vacation benefits is reflected in the government-wide financial statements. It is not reported in the fund financial statements because it is not a current liability.

#### **J. LONG-TERM DEBT**

In the government-wide financial statements, bonds payable are reported net of the applicable bond premium or discount. Bond premiums and discounts are deferred and amortized over the life of the bonds as an adjustment to interest expense. Bond issuance costs are reported as expenses when incurred.

In the fund financial statements, the face amount of debt issued and any premium received are reported as other financing sources, while discounts on debt issued are reported as other financing uses, and issuance costs are reported as debt service expenditures.

#### **K. COMMITTED FUND BALANCE**

The government's highest level of decision-making authority is the City Council, and a formal resolution of the City Council is required to establish or rescind a fund balance commitment.

#### **L. USE OF RESTRICTED RESOURCES AND COMMITTED RESOURCES**

When an expense is incurred for purposes for which both restricted fund balance or net position and unrestricted fund balance or net position are available, City policy is to first apply restricted resources. When an expense is incurred for purposes for which both committed fund balance and unassigned fund balance are available, City policy is to first apply committed resources.

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### M. PROGRAM REVENUES AND INDIRECT EXPENSES

The government-wide statement of activities is presented in a format that identifies the net cost of the City's individual functions. The expenses of each function are reduced by the functions program revenues. Program revenues are revenues which derive directly from the program itself and include charges for services, program-specific operating grants and contributions, and program specific capital grants and contributions.

Some governmental functions such as administration and finance are in essence indirect expenses of other functions. Governments are not required to allocate those indirect expenses to other functions, but if they do, indirect expenses should be presented in a separate column from direct expenses. The City has chosen not to allocate those indirect expenses.

#### N. OPERATING AND NONOPERATING REVENUES AND EXPENSES

The City's policy in distinguishing proprietary fund operating and nonoperating revenues and expenses follows the guidance for distinguishing types of cash flows. Transactions for capital and related financing activities, noncapital financing activities, or investing activities are normally not treated as operating revenues or expenses.

#### O. ESTIMATES

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Items for which estimates are necessary include the amount of receivables which may not be collectible, inventory obsolescence, and service lives and salvage values of depreciable assets. Estimates also include the likelihood of loss and potential loss amount from contingencies such as litigation.

### 2 DEPOSITS AND INVESTMENTS

Custodial Credit Risk of Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains a depository contract which requires its bank to pledge securities to the City in an amount sufficient to secure the total amount of the City's funds on deposit, less any portion of the deposit balance which is secured by FDIC coverage. The carrying amount of the City's and the Elgin Economic Development Corporation's deposits, was \$2,502,407 at year end and the bank balance was \$2,886,331. Of the bank balance, \$297,305 was insured by federal depository insurance and the remaining \$2,589,026 was collateralized with securities held by the City's agent (safekeeping bank) in the City's name.

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 2 DEPOSITS AND INVESTMENTS (Continued)

As of the end of the fiscal year, all of the investments of the City and the Economic Development Corporation were in TexPool or TexSTAR and are carried at fair value.

| <u>Investment</u>                           | <u>Credit<br/>Rating</u> | <u>Weighted Average<br/>Maturity</u> | <u>Fair<br/>Value</u> |
|---|--------------------------|--------------------------------------|-----------------------|
| City of Elgin:                              |                          |                                      |                       |
| TexPool local government<br>investment pool | AAAm                     | 60 days                              | \$ <u>989,345</u>     |
| TexSTAR local government<br>investment pool | AAAm                     | 52 days                              | \$ <u>4,066,977</u>   |
| Elgin Economic Development Corp.:           |                          |                                      |                       |
| TexPool local government<br>investment pool | AAAm                     | 60 days                              | \$ <u>341,234</u>     |

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 investments of operating funds to no greater than 270 days.

Credit Risk. The City's investment policy does not restrict investments in pools to a specific credit rating, but does require the pool to meet the requirements of the Public Funds Investment Act of the Texas Government Code. TexPool and TexSTAR were both rated AAAm by Standard & Poor's at year end.

Concentration of Credit Risk. Investments in pools are excluded from any requirement related to disclosure of concentration of credit risk in any one issuer.

Both TexPool and TexSTAR are local government investment pools created under the Interlocal Cooperation Act of the Texas Government Code, and invest all pooled funds in accordance with the Public Funds Investment Act of the Texas Government Code. The fair value of the position in the pool is the same as the value of the pool shares. The State Comptroller of Public Accounts oversees TexPool. TexSTAR is governed by a five member board composed of three government officials or employees and a member each from First Southwest Company and JPMorgan Investment Management. First Southwest and JPMorgan Investment Management serve as co-administrators for TexSTAR.

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 3 AD VALOREM PROPERTY TAXES

Property taxes are levied on October 1 on assessed values as of January 1 for all real and personal property located in the City. Taxes are due in January of the following year and become delinquent on February 1. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The October 1, 2012 levy was based upon 100 percent of the assessed market value of \$344,318,696. The maximum tax rate permitted by the Constitution of the State of Texas is \$2.50 per \$100.00 of assessed valuation and the City Charter provides no limitation within the \$2.50. The tax rate for the October 1, 2012 levy was \$.7539. If the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

The county-wide Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised value. The value of property within the Appraisal District must be reviewed at least every five years. The City may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action.

### 4 RECEIVABLES

Receivables are recorded net of allowances for uncollectible accounts as follows:

|                                |                      | Allowance<br>for |                    |
|--------------------------------|----------------------|------------------|--------------------|
|                                | Gross<br>Receivables | Uncollectibles   | Net<br>Receivables |
| General Fund                   |                      |                  |                    |
| Sanitation accounts receivable | \$ 190,861           | (72,000)         | 118,861            |
| Property taxes receivable      | 152,194              | (22,829)         | 129,365            |
| Fines receivable               | 384,786              | (134,675)        | 250,111            |
| Debt Service Fund              |                      |                  |                    |
| Property taxes receivable      | 98,359               | (14,754)         | 83,605             |
| Utility Fund                   |                      |                  |                    |
| Utility accounts receivable    | 722,426              | (208,110)        | 514,316            |

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 5 INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of amounts due from and due to other funds by individual major fund and nonmajor governmental funds in the aggregate.

Due to general fund from:

|                           |                   |
|---------------------------|-------------------|
| 2013 CO construction fund | \$ <u>561,157</u> |
| Total governmental funds  | \$ <u>561,157</u> |

The general fund's receivable from the 2013 CO construction fund represents the use of the consolidated cash account to make expenditures by the 2013 CO construction fund prior to transferring cash into the consolidated cash account out of that fund's investment account.

### 6 CAPITAL ASSETS

|  | Primary Government   |                  |                    |
|--|----------------------|------------------|--------------------|
|  | Beginning<br>Balance | Additions        | Ending<br>Balance  |
| Governmental activities:                         |                      |                  |                    |
| Land   | \$ 232,620           | -0-              | 232,620            |
| Construction in progress                         | 565,764              | 1,080,195        | 1,082,619          |
| Total undepreciated assets                       | <u>798,384</u>       | <u>1,080,195</u> | <u>1,315,239</u>   |
| Other capital assets:                            |                      |                  |                    |
| Buildings and improvements                       | 3,681,245            | -0-              | 4,075,348          |
| Equipment  | 2,604,711            | 116,333          | 2,721,044          |
| Infrastructure                                   | 9,884,008            | -0-              | 10,053,245         |
| Total other capital assets<br>at historical cost | <u>16,169,964</u>    | <u>116,333</u>   | <u>16,849,637</u>  |
| Less accumulated depreciation for:               |                      |                  |                    |
| Buildings and improvements                       | (1,403,246)          | (103,534)        | (1,506,780)        |
| Equipment  | (2,297,853)          | (95,855)         | (2,393,708)        |
| Infrastructure                                   | (4,310,574)          | (313,288)        | (4,623,862)        |
| Total accumulated depreciation                   | <u>(8,011,673)</u>   | <u>(512,677)</u> | <u>(8,524,350)</u> |
| Other capital assets, net                        | <u>8,158,291</u>     | <u>(396,344)</u> | <u>8,325,287</u>   |
| Governmental activities capital assets, net      | \$ <u>8,956,675</u>  | <u>683,851</u>   | <u>9,640,526</u>   |

Depreciation expense was charged to governmental functions as follows:

|                      |                   |
|----------------------|-------------------|
| General government   | \$ 90,232         |
| Public safety        | 68,532            |
| Public works         | 334,240           |
| Parks and recreation | 19,673            |
|                      | \$ <u>512,677</u> |

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 6 CAPITAL ASSETS (Continued)

|  | Primary Government   |           |                   |
|--|----------------------|-----------|-------------------|
|  | Beginning<br>Balance | Additions | Ending<br>Balance |
| Business-type activities:                        |                      |           |                   |
| Land   | \$ 191,176           | -0-       | 191,176           |
| Construction in progress                         | 2,506,314            | 591,786   | 2,763,215         |
| Total undepreciated assets                       | 2,697,490            | 591,786   | 2,954,391         |
| Other capital assets:                            |                      |           |                   |
| Distribution and collection systems              | 26,540,243           | -0-       | 26,875,128        |
| Buildings and improvements                       | 143,650              | -0-       | 143,650           |
| Equipment  | 2,080,001            | 17,972    | 2,097,973         |
| Total other capital assets<br>at historical cost | 28,763,894           | 17,972    | 29,116,751        |
| Less accumulated depreciation for:               |                      |           |                   |
| Distribution and collection systems              | (4,841,157)          | (711,357) | (5,552,514)       |
| Buildings and improvements                       | (65,710)             | (5,746)   | (71,456)          |
| Equipment  | (1,133,886)          | (126,861) | (1,260,747)       |
| Total accumulated depreciation                   | (6,040,753)          | (843,964) | (6,884,717)       |
| Other capital assets, net                        | 22,723,141           | (825,992) | 22,232,034        |
| Business-type activities capital assets, net     | \$ 25,420,631        | (234,206) | 25,186,425        |

|                            | Component Unit       |           |                   |
|----------------------------|----------------------|-----------|-------------------|
|                            | Beginning<br>Balance | Additions | Ending<br>Balance |
| Component unit activities: |                      |           |                   |
| Land                       | \$ 737,845           | -0-       | 737,845           |

### 7 INTERFUND TRANSFERS

The following is a summary of transfers to and from other funds by individual major fund and nonmajor governmental funds in the aggregate.

Transfers to general fund from:

|                             |            |
|-----------------------------|------------|
| Utility fund                | \$ 445,515 |
| 2013 CO construction fund   | 117,542    |
| Nonmajor governmental funds | 191,064    |

Transfers to 2013 CO construction fund from:

|                             |         |
|-----------------------------|---------|
| Nonmajor governmental funds | 114,126 |
|-----------------------------|---------|

(Continued)



# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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### 7 INTERFUND TRANSFERS (Continued)

Transfers to debt service fund from:

|              |         |
|--------------|---------|
| General fund | 166,845 |
| Utility fund | 136,000 |

Transfers to nonmajor governmental funds from:

|                           |               |
|---------------------------|---------------|
| General fund              | 39,263        |
| 2013 CO construction fund | 23,703        |
| Utility fund              | <u>40,048</u> |

Total transfers to governmental funds                      \$ 1,274,106

Transfers to governmental activities from:

Utility fund    \$ 741,490

The utility fund provides annual support to the general fund and to a lesser extent to the debt service fund, and provided the local portion of revenues for the CDBG grant special revenue fund (a nonmajor governmental fund). Additionally, in conjunction with the current year debt refunding, \$741,490 of debt was transferred from governmental activities to business-type activities.

Remaining funds in two nonmajor governmental capital project funds were transferred into the 2013 certificates of obligation construction fund to be used along with the current year proceeds from debt issued for capital projects.

A portion of the proceeds from the 2013 certificates of obligation construction fund was used to reimburse expenditures paid for from local funds in prior years in the Morris Park building fund (those expenditures were reimbursed to the general fund which provided the funding for the Morris Park building fund), and to reimburse unfunded expenditures recorded in the prior year in the TxDOT Centers grant fund (a nonmajor governmental fund).

A portion of the current debt service obligation was covered with a transfer from the general fund, along with a transfer from the utility fund.

With the current year expenditures for the Fleming Center being covered by the 2011 and 2013 CO construction funds, the remaining funds in the Morris Park building fund (a nonmajor governmental fund) were transferred back to the general fund (which provided the original funding to the Morris Park building fund).

(Continued)

# CITY OF ELGIN, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### 8 LONG-TERM DEBT

The following is a summary of long-term debt activity for September 30, 2013.

|   | Beginning<br>Balance | Additions | Reductions  | Ending<br>Balance | Amounts<br>Due Within<br>One Year |
|---|----------------------|-----------|-------------|-------------------|-----------------------------------|
| Governmental activities                           |                      |           |             |                   |                                   |
| Bonds, notes and leases payable:                  |                      |           |             |                   |                                   |
| General obligation bonds                          | \$ 7,738,980         | 3,424,472 | (2,970,625) | 8,192,827         | 782,894                           |
| Capital leases payable                            | 609,173              | -0-       | (87,769)    | 521,404           | 71,178                            |
|   | 8,348,153            | 3,424,472 | (3,058,394) | 8,714,231         | 854,072                           |
| Add unamortized bond premium                      | 24,859               | 124,784   | (1,779)     | 147,864           | -0-                               |
| Total bonds, notes and leases payable             | 8,373,012            | 3,549,256 | (3,060,173) | 8,862,095         | 854,072                           |
| Other liabilities:                                |                      |           |             |                   |                                   |
| Accrued vacation                                  | 98,368               | 92,464    | (90,654)    | 100,178           | -0-                               |
| Net pension obligation                            | 130,491              | 20,887    | -0-         | 151,378           | -0-                               |
| Total other liabilities                           | 228,859              | 113,351   | (90,654)    | 251,556           | -0-                               |
| Governmental activities<br>long-term liabilities  | \$ 8,601,871         | 3,662,607 | (3,150,827) | 9,113,651         | 854,072                           |
| Business-type activities                          |                      |           |             |                   |                                   |
| Bonds and leases payable:                         |                      |           |             |                   |                                   |
| Bonds and certificates of obligation              | \$ 14,853,020        | 1,765,528 | (397,374)   | 16,221,174        | 527,107                           |
| Add unamortized bond premium                      | 174,011              | 64,586    | (12,452)    | 226,145           | -0-                               |
| Total bonds and leases payable                    | 15,027,031           | 1,830,114 | (409,826)   | 16,447,319        | 527,107                           |
| Other liabilities:                                |                      |           |             |                   |                                   |
| Accrued vacation                                  | 31,367               | 16,022    | (16,818)    | 30,571            | -0-                               |
| Net pension obligation                            | 30,133               | 6,375     | -0-         | 36,508            | -0-                               |
| Total other liabilities                           | 61,500               | 22,397    | (16,818)    | 67,079            | -0-                               |
| Business-type activities<br>long-term liabilities | \$ 15,088,531        | 1,852,511 | (426,644)   | 16,514,398        | 527,107                           |

(Continued)