

ANNUAL FINANCIAL REPORT
OF THE
CITY OF MOUNT VERNON, TEXAS

FOR

FISCAL YEAR ENDED

SEPTEMBER 30, 2014

City Administrator
Tony Stonecypher



**CITY OF MOUNT VERNON, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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INTRODUCTORY SECTION

City of Mount Vernon, Texas
City Council
For the Year Ended September 30, 2014

Margaret Sears	Mayor
Sandra Dunn	Mayor Pro-Tem
Kenneth Shelton	Council member
Jeff Briscoe	Council member
Stephanie Hyman	Council member
Ralph Robertson	Council member

FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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Texas Society of CPAs

December 1, 2014

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Mount Vernon
P.O. Box 597
Mount Vernon, Texas 75457

Members of the City Council:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the TMRS Funding Progress and Contributions and the General Fund budgetary comparison schedule on pages 5 to 14, 49 and 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2014, on our consideration of the City of Mount Vernon, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mount Vernon, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,

CONWAY COMPANY CPAs, P.C.

Conway Company CPAs, P.C.



CITY OF MOUNT VERNON, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

As management of the City of Mount Vernon ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2014. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$10,576,673 (net position). Of this amount \$7,706,590 is net investment in capital assets. Net position restricted for specific purposes is \$790,909. The remaining amount of \$2,079,174 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with fund designation and fiscal policies.
- The City's total net position increased by \$127,399, excluding prior period adjustments. The majority of this increase is attributable to an increase in taxes collected of \$89,701, or 7.2%.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,274,025, an increase of \$159,627, excluding prior period adjustment, in comparison with the prior year. Approximately 37% of this total amount, or \$472,656 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$472,656, or 25.5%, of total general fund expenditures. The increase in fund balance for the General Fund in the amount of \$76,406, is due to an increase in collection of tax revenues.
- The City's total long-term debt decreased by (\$100,000), or 2%, during the current fiscal year.

Overview of the Financial Statements

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

**CITY OF MOUNT VERNON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Basic Financial Statements

The first two statements (pages 17-19) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 20-26) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** on pages 27-45. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's pension plan and budgetary comparison schedule on pages 49-50.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both 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 prior reporting methods.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property and sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City. The final category is the component unit.

The government-wide financial statements are on pages 17 - 19 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF MOUNT VERNON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Special Revenue Funds and the Permanent Fund. The Governmental Fund financial statements can be found on pages 20-23 of this report.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The City has one type of proprietary fund which are the Water and Sewer Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27 – 45 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees as well as a budget comparison schedule.

**CITY OF MOUNT VERNON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

New Pronouncements – The following statements for GASB were effective for the City in the fiscal year ending September 30, 2014:

GASB Statement No. 66, “Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62”, will be implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement improves financial reporting by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement amends Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, by removing the provision that limits fund-based reporting of an entity’s risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting and operating leases. The implementation of this statement will not result in any changes to the financial statements.

GASB Statement No. 67, “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 will be implemented as required by GASB during the fiscal year ending September 30, 2014. The objective of this statement is to improve financial reporting by state and local government pension plans. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 68, “Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27”, will be implemented as required by GASB during the fiscal year September 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service (total pension liability), less the amount of the pension plan’s fiduciary net position. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 69, “Government Combinations and Disposals of Government Operations”, establishes accounting and financial reporting standards for government combinations and disposals of government operations. This GASB statement will be implemented as required during the fiscal year September 30, 2015. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”, will be implemented as required by GASB during the fiscal year September 30, 2015. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date”, is an amendment to GASB Statement No. 68. This statement addresses the issue regarding application of the transition provisions of Statement No. 68 relating to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. This GASB statement will be implemented as required during the fiscal year September 30, 2015. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF MOUNT VERNON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

The City of Mount Vernon's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,342,108	\$ 1,079,981	\$ 5,289,969	\$ 5,486,570	\$ 6,632,077	\$ 6,566,551
Capital assets	1,894,388	1,797,915	6,446,519	6,847,608	8,340,907	8,645,523
Total assets	<u>3,236,496</u>	<u>2,877,896</u>	<u>11,736,488</u>	<u>12,334,178</u>	<u>14,972,984</u>	<u>15,212,074</u>
Long-term liabilities	36,487	-	4,173,897	4,165,000	4,210,384	4,165,000
Current liabilities	47,784	24,480	138,143	216,727	185,927	241,207
Total liabilities	<u>84,271</u>	<u>24,480</u>	<u>4,312,040</u>	<u>4,381,727</u>	<u>4,396,311</u>	<u>4,406,207</u>
Deferred inflow of resources, property taxes	-	16,865	-	-	-	16,865
Net position:						
Net investment in capital assets	1,894,388	1,797,915	5,812,202	2,582,608	7,706,590	4,380,523
Restricted	790,909	893,997	-	3,773,956	790,909	4,667,953
Unrestricted	466,928	144,639	1,612,246	1,595,887	2,079,174	1,740,526
Total net position	<u>\$ 3,152,225</u>	<u>\$ 2,836,551</u>	<u>\$ 7,424,448</u>	<u>\$ 7,952,451</u>	<u>\$ 10,576,673</u>	<u>\$ 10,789,002</u>

As noted earlier, net position may serve over time as one useful indicator of a City's financial condition. The net position of the City exceeded liabilities by \$10,576,673 as of September 30, 2014. The City's net position increased by \$127,399, excluding prior period adjustments, for the fiscal year ended September 30, 2014.

Net investment in capital assets:

The largest portion of the City's net position, 72.9%, reflects the investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of outstanding related debt, the resources needed to repay that debt must be provided by other sources since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

The restricted net position of \$790,909, or 7.48%, of total net position represents resources that are subject to external restrictions on their use, or by enabling legislation. Restricted net position is comprised of state and contractually imposed restrictions which are \$445,151, or 56%, debt obligations, nonspendable endowment funds of \$281,626, or 36%, \$9,641, or 1% restricted for court use, \$53,805 or 7% for hotel use and \$686 for HOME program.

Unrestricted net position:

Unrestricted net position of \$2,079,174 is available to fund City programs to citizens and debt obligations to creditors. The majority of unrestricted net position resides in the Business-type activities.

CITY OF MOUNT VERNON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014

The City of Mount Vernon's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
REVENUE:						
Program Revenues						
Charges for Services	\$ 543,565	\$ 524,765	\$ 1,244,773	\$ 1,358,225	\$ 1,788,338	\$ 1,882,990
Operating Grants and Contributions	196,984	224,231	-	-	196,984	224,231
Capital Grants and Contributions	19,311	84,739	-	258,182	19,311	342,921
General Revenues:						
Property Taxes	682,760	662,103	-	-	682,760	662,103
Sales Taxes	470,925	412,858	-	-	470,925	412,858
Franchise Taxes	130,931	125,716	-	-	130,931	125,716
Hotel/Motel Tax	40,762	35,000	-	-	40,762	35,000
Investment Income	15,929	16,742	67,796	78,710	83,725	95,452
Miscellaneous	4,619	7,552	727	-	5,346	7,552
Total Revenues	2,105,786	2,093,706	1,313,296	1,695,117	3,419,082	3,788,823
EXPENSES:						
Program Expenses:						
General Government	540,010	546,730	-	-	540,010	546,730
Public Safety	613,953	787,418	-	-	613,953	787,418
Public Services and Operations	192,431	113,538	-	-	192,431	113,538
Public Works	296,374	236,390	-	-	296,374	236,390
Parks and Recreation	19,216	32,321	-	-	19,216	32,321
Sanitation	258,384	260,814	-	-	258,384	260,814
Interest on Long-Term Debt	-	18,956	-	-	-	18,956
Water and Sewer	-	-	1,371,315	1,416,416	1,371,315	1,416,416
Total Expenses	1,920,368	1,996,167	1,371,315	1,416,416	3,291,683	3,412,583
Increase in Net Position before Transfers	185,418	97,539	(58,019)	278,701	127,399	376,240
Other Revenues and Financing Sources (uses)						
Transfers	7,649	224,754	(7,649)	(224,754)	-	-
Total Other Financing Sources (uses)	7,649	224,754	(7,649)	(224,754)	-	-
Increase in Net Position	193,067	322,293	(65,668)	53,947	127,399	376,240
Net Position, October 1	2,836,551	2,514,258	7,952,451	7,898,504	10,789,002	10,412,762
Prior Period Adjustments	122,607	-	(462,335)	-	(339,728)	-
Net Position, September 30	\$ 3,152,225	\$ 2,836,551	\$ 7,424,448	\$ 7,952,451	\$ 10,576,673	\$ 10,789,002

Governmental activities increased net position, excluding prior period adjustments, by \$193,067. This is due in part to an increase in taxes collected of \$89,701, or 6.7% and decrease in overall expenditures of (\$75,799) or (4%).

Business-type activities decreased net position, excluding prior period adjustments, by (\$65,668). This is due to a decrease in charge for services of (\$113,452), or (8.4%).

**CITY OF MOUNT VERNON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

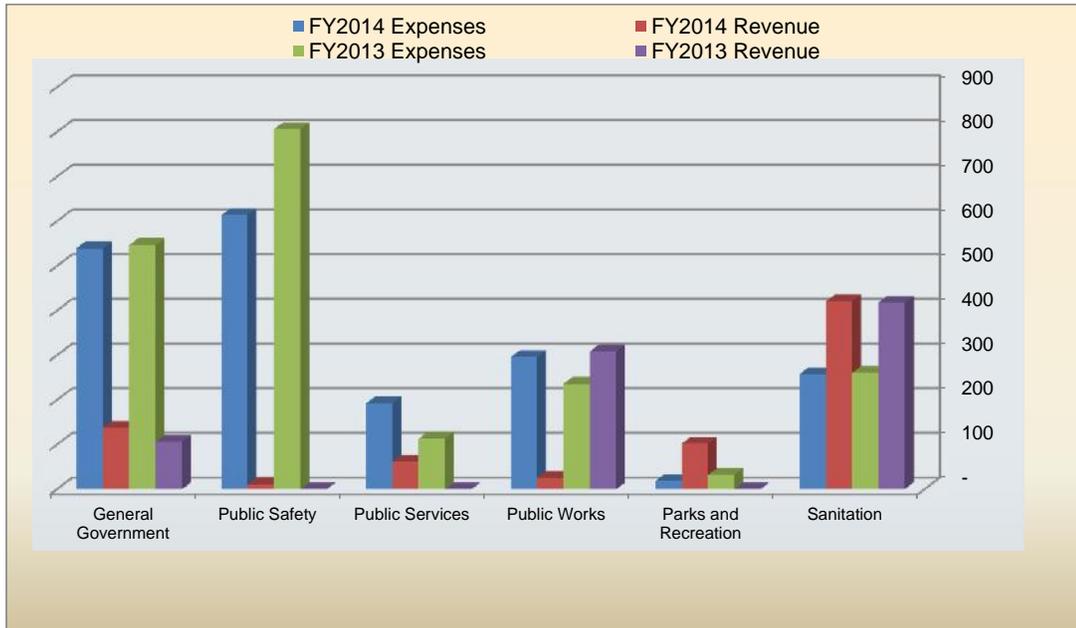
Governmental-type activities - Governmental-type activities increased the City's net position by \$193,067, excluding prior period adjustments. A key elements of this increase are as follows:

Tax revenues collected increased \$89,701, or 6.77%.

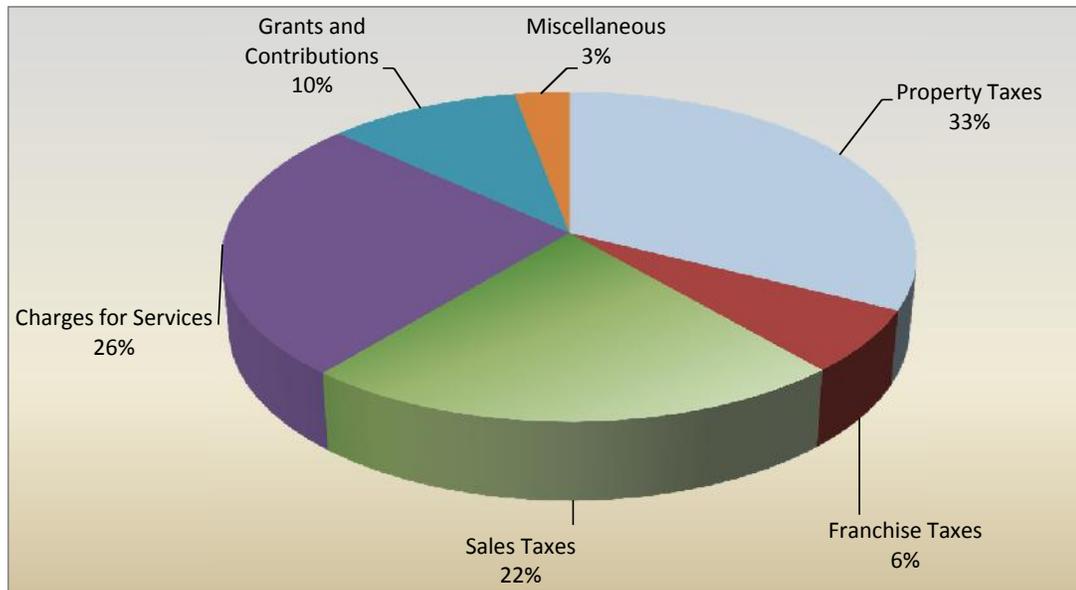
Overall expenditures decreased (\$75,799), or (3.9%).

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities

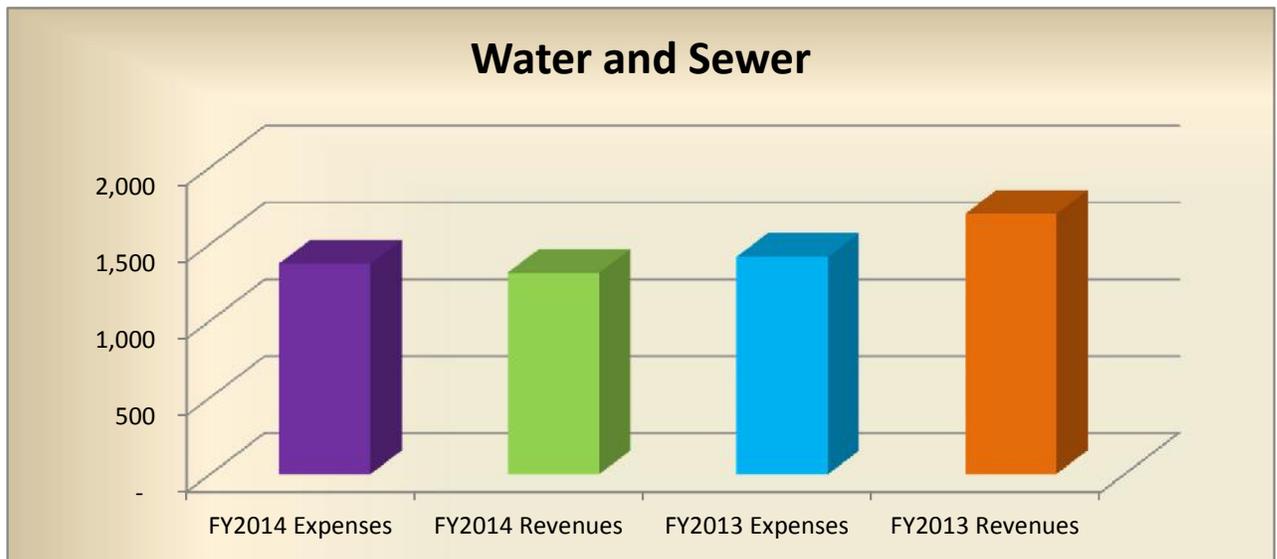


**CITY OF MOUNT VERNON, TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2014**

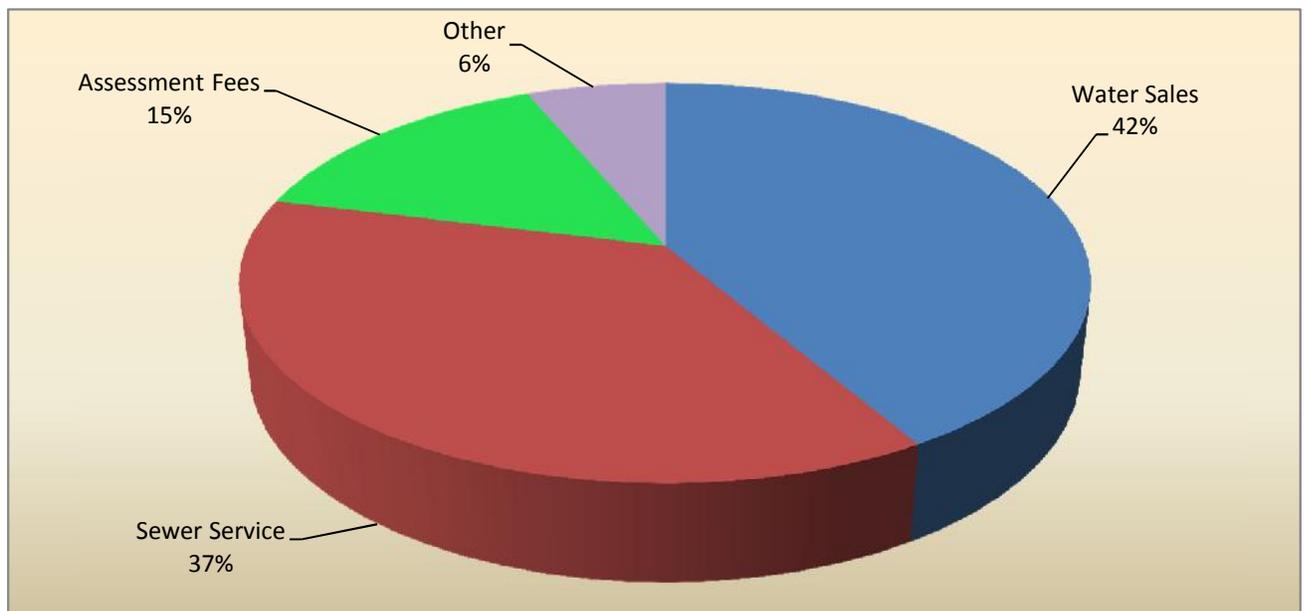
Business-type Activities - Business-type activities decreased the City's net position by (\$65,668), excluding prior period adjustments. Key elements of this decrease are as follows:

Charge for services decreased (\$113,452), or (8.35%).

Expenditures and Program Revenues - Business-type Activities
 (amounts expressed in thousands)



Revenues by Source - Business-type Activities



**CITY OF MOUNT VERNON, TEXAS
MANAGEMENT AND DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been granted authority to assign resources for a particular purpose for the City.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$472,656, an increase of 227% in comparison with the prior year.

The restricted fund balances of \$504,122, consist of amounts with constraints put on their use by externally imposed creditors, grantors, contributors, laws, regulations or enabling legislation. Obligations for long-term debt is \$439,990, or 87%, account for the majority of restricted funds. Restrictions imposed by grants amount to \$686, or .14%.

Assigned fund balance of \$15,621 is for park projects.

Unassigned fund balance of \$472,656 represents the residual classification for the City's General Fund.

It is the City's goal to achieve and maintain an unassigned fund balance in the General Fund equal to 16.67% of expenditures. At the end of the current fiscal year, the City achieved 26%.

General Fund Budgetary Highlights: During the fiscal year, the City did not revise the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were significantly more than the budgeted amounts. Expenditures were more than budgeted due to capital expenditures.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to \$1,612,246.

**CITY OF MOUNT VERNON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2014**

Capital assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2014, totals \$8,340,907 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, machinery and equipment. The total decrease in the City's investment in capital assets for the current fiscal year was 4%.

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

- Improvements to sewer infrastructure
- Completion of sidewalk improvements project

**Capital Assets
As of September 30, 2014
(net of accumulated depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land & Improvements	\$ 174,582	\$ 174,582	\$ 33,296	\$ 33,296	\$ 207,878	\$ 207,878
Machinery & Equipment	209,797	217,863	216,773	220,349	426,570	438,212
Buildings & Improvements	48,661	133,299	-	-	48,661	133,299
Infrastructure	1,461,348	1,272,170	5,913,650	6,104,581	7,374,998	7,376,751
Construction in Progress	-	-	282,800	489,384	282,800	489,384
Total	\$ 1,894,388	\$ 1,797,914	\$ 6,446,519	\$ 6,847,610	\$ 8,340,907	\$ 8,645,524

More detailed information about the City's capital assets is presented in Note F to the financial statements

Long-term Debt - As of September 30, 2014, the City had long-term debt outstanding of \$4,165,000. This debt is secured by property taxes and/or revenues. The debt decreased by (\$100,000), or (2%).

**Outstanding Debt
As of September 30, 2014**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Certificates of Obligation	\$ -	\$ -	\$ 4,165,000	\$ 4,265,000	\$ 4,165,000	\$ 4,265,000
Total	\$ -	\$ -	\$ 4,165,000	\$ 4,265,000	\$ 4,165,000	\$ 4,265,000

More detailed information about the City's long-term liabilities is presented in Note G to the financial statements.

BASIC FINANCIAL STATEMENTS



**CITY OF MOUNT VERNON, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	<u>Primary Government</u>			<u>Component</u>
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Unit</u>
	<u>Activities</u>	<u>Activities</u>		<u>EDC</u>
ASSETS				
Cash and cash equivalents	\$ 405,353	\$ 1,540,512	\$ 1,945,865	\$ 718,133
Receivables (net of allowance for uncollectible)	151,125	111,802	262,927	40,748
Restricted assets:				
Cash and cash equivalents	785,630	3,637,655	4,423,285	-
Capital assets, not being depreciated:				
Land & improvements	174,582	33,296	207,878	-
Construction in progress	-	282,800	282,800	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	48,661	-	48,661	-
Infrastructure	1,461,348	5,913,650	7,374,998	-
Machinery & equipment	209,797	216,773	426,570	-
Total Assets	<u>3,236,496</u>	<u>11,736,488</u>	<u>14,972,984</u>	<u>758,881</u>
LIABILITIES				
Accounts payable	18,880	18,609	37,489	-
Customer deposits	-	106,972	106,972	-
Accrued interest payable	-	4,593	4,593	-
Accrued expenses	21,229	5,084	26,313	1,699
Other liabilities	7,675	2,885	10,560	521
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	8,048	2,394	10,442	-
Certificates of obligations	-	105,000	105,000	-
Due in more than one year:				
Compensated absences	28,439	6,503	34,942	2,634
Certificates of obligations	-	4,060,000	4,060,000	-
Total Liabilities	<u>84,271</u>	<u>4,312,040</u>	<u>4,396,311</u>	<u>4,854</u>
NET POSITION				
Net investment in capital assets	1,894,388	5,812,202	7,706,590	-
Restricted for:				
Debt	445,151	-	445,151	-
Permanent Fund:				
Nonexpendable	281,626	-	281,626	-
HOME program	686	-	686	-
Court use	9,641	-	9,641	-
Hotel tax use	53,805	-	53,805	-
Unrestricted	466,928	1,612,246	2,079,174	754,027
Total Net Position	<u>\$ 3,152,225</u>	<u>\$ 7,424,448</u>	<u>\$ 10,576,673</u>	<u>\$ 754,027</u>

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

**CITY OF MOUNT VERNON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Function/Program Activities	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 540,010	\$ 35,000	\$ 83,868	\$ 19,311
Public Safety	613,953	-	11,088	-
Public Services and Operations	192,431	61,888	-	-
Public Works	296,374	25,802	-	-
Parks and Recreation	19,216	330	102,028	-
Sanitation	258,384	420,545	-	-
Total governmental activities	<u>1,920,368</u>	<u>543,565</u>	<u>196,984</u>	<u>19,311</u>
Business-type Activities:				
Water and Sewer	1,371,315	1,244,773	-	-
Total business-type activities	<u>1,371,315</u>	<u>1,244,773</u>	<u>-</u>	<u>-</u>
Total primary government	<u>3,291,683</u>	<u>1,788,338</u>	<u>196,984</u>	<u>19,311</u>
Component unit:				
Economic Development Corporation	137,999	-	-	-
Total component unit	<u>\$ 137,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:
 Property taxes
 Sales taxes
 Franchise Taxes
 Hotel Taxes
 Investment income
 Miscellaneous
 Transfers
 Total general revenues & transfers
 Change in net position
 Net position - beginning
 Prior Period Adjustment
 Net position - ending

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

**Net (Expense) Revenue and Changes in Net
Position**

Primary Government			Component Unit
Governmental Activities	Business Activities	Total	
\$ (401,831)	\$ -	\$ (401,831)	\$ -
(602,865)	-	(602,865)	-
(130,543)	-	(130,543)	-
(270,572)	-	(270,572)	-
83,142	-	83,142	-
162,161	-	162,161	-
<u>(1,160,508)</u>	<u>-</u>	<u>(1,160,508)</u>	<u>-</u>
-	(126,542)	(126,542)	-
-	(126,542)	(126,542)	-
<u>(1,160,508)</u>	<u>(126,542)</u>	<u>(1,287,050)</u>	<u>-</u>
-	-	-	(137,999)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (137,999)</u>
\$ 682,760	\$ -	\$ 682,760	\$ -
470,925	-	470,925	231,948
130,931	-	130,931	-
40,762	-	40,762	-
15,929	67,796	83,725	10,486
4,619	727	5,346	500
7,649	(7,649)	-	-
<u>1,353,575</u>	<u>60,874</u>	<u>1,414,449</u>	<u>242,934</u>
193,067	(65,668)	127,399	104,935
2,836,551	7,952,451	10,789,002	605,376
122,607	(462,335)	(339,728)	43,716
<u>\$ 3,152,225</u>	<u>\$ 7,424,448</u>	<u>\$ 10,576,673</u>	<u>\$ 754,027</u>

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

**CITY OF MOUNT VERNON, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Debt Service Fund	Special Revenue	Permanent Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 405,353	\$ -	\$ -	\$ -	\$ 405,353
Receivables (net of allowances for uncollectible)	143,455	7,670	-	-	151,125
Cash - Restricted	65,837	437,481	686	281,626	785,630
Total Assets	<u>614,645</u>	<u>445,151</u>	<u>686</u>	<u>281,626</u>	<u>1,342,108</u>
LIABILITIES					
Accounts payable	18,880	-	-	-	18,880
Accrued expenses	21,229	-	-	-	21,229
Other liabilities	7,675	-	-	-	7,675
Total Liabilities	<u>47,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,784</u>
DEFERRED INFLOW OF RESOURCES					
Unavailable revenue-property taxes	15,138	5,161	-	-	20,299
Total Deferred Inflow of Resources	<u>15,138</u>	<u>5,161</u>	<u>-</u>	<u>-</u>	<u>20,299</u>
FUND BALANCES					
Nonspendable:					
Endowment	-	-	-	281,626	281,626
Restricted for:					
Debt	-	439,990	-	-	439,990
Court use	9,641	-	-	-	9,641
Hotel Tax Use	53,805	-	-	-	53,805
HOME program	-	-	686	-	686
Assigned - Park project	15,621	-	-	-	15,621
Unassigned:					
General Fund	472,656	-	-	-	472,656
Total Fund Balances	<u>551,723</u>	<u>439,990</u>	<u>686</u>	<u>281,626</u>	<u>1,274,025</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 614,645</u>	<u>\$ 445,151</u>	<u>\$ 686</u>	<u>\$ 281,626</u>	<u>\$ 1,342,108</u>

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

**CITY OF MOUNT VERNON, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 1,274,025
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,599,192
Accumulated depreciation has not been included in the governmental fund financial statements.	(1,704,804)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements	20,299
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(36,487)
Net position of governmental activities - statement of net position	<u>\$ 3,152,225</u>

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

**CITY OF MOUNT VERNON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General Fund	Debt Service Fund	Special Revenue	Permanent Fund	Total Governmental Funds
REVENUE					
Property Taxes	\$ 586,858	\$ 75,602	\$ -	\$ -	\$ 662,460
Sales Tax Collected	470,925	-	-	-	470,925
Franchise Taxes	130,931	-	-	-	130,931
Licenses and Permits	26,622	-	-	-	26,622
Fines and Forfeitures	61,068	-	-	-	61,068
Hotel Tax	40,762	-	-	-	40,762
Charge for Services	455,875	-	-	-	455,875
Grant Revenue	101,928	-	83,868	-	185,796
Intergovernmental Revenues-state and federal	30,399	-	-	-	30,399
Donations	100	-	-	-	100
Investment Income	9,145	6,783	-	-	15,928
Miscellaneous	4,620	-	-	-	4,620
Total Revenues	1,919,233	82,385	83,868	-	2,085,486
EXPENDITURES					
Current:					
General Government	448,066	-	83,182	-	531,248
Public Safety	551,068	-	-	-	551,068
Public Services and Operations	192,431	-	-	-	192,431
Public Works	190,280	-	-	-	190,280
Parks and Recreation	19,216	-	-	-	19,216
Sanitation	258,384	-	-	-	258,384
Capital Outlay:					
Public Safety	56,146	-	-	-	56,146
Public Works	134,735	-	-	-	134,735
Total Expenditures	1,850,326	-	83,182	-	1,933,508
Excess (deficiency) of revenues over (under) expenditures	68,907	82,385	686	-	151,978
Other Revenues and Financing Sources (uses)					
Transfers	7,499	150	-	-	7,649
Total Other Financing Sources (uses)	7,499	150	-	-	7,649
Net Change in Fund Balances	76,406	82,535	686	-	159,627
Fund Balances, October 1	399,555	357,455	-	281,626	1,038,636
Prior Period Adjustments	75,762	-	-	-	75,762
Fund Balances, September 30	\$ 551,723	\$ 439,990	\$ 686	\$ 281,626	\$ 1,274,025

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

**CITY OF MOUNT VERNON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$ 159,627
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 and reported as depreciation expense.	190,881
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(177,740)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements	20,299
Change in net position of governmental activities - statement of activities	<u>\$ 193,067</u>

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

**CITY OF MOUNT VERNON, TEXAS
STATEMENT OF FUNDS NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	<u>Water/Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,540,512
Receivables (net of allowances for uncollectible)	111,802
Restricted cash and cash equivalents	<u>3,637,655</u>
Total Current Assets	<u>5,289,969</u>
Noncurrent Assets:	
Capital Assets:	
Land	33,296
Machinery & equipment	267,264
Infrastructure	9,995,017
Construction in progress	282,800
Less: accumulated depreciation	<u>(4,131,858)</u>
Total Capital Assets (net of accumulated depreciation)	<u>6,446,519</u>
Total Noncurrent Assets	<u>6,446,519</u>
Total Assets	<u><u>11,736,488</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	18,609
Accrued expenses payable	5,084
Other liabilities	2,885
Payables from restricted funds:	
Customer deposits	106,972
Accrued interest payable	4,593
Compensated absences - current	2,394
Certificates of obligation - current	<u>105,000</u>
Total Current Liabilities	<u>245,537</u>
Noncurrent Liabilities:	
Compensated absences	6,503
Certificates of obligation	<u>4,060,000</u>
Total Non-Current Liabilities	<u>4,066,503</u>
Total Liabilities	<u>4,312,040</u>
NET POSITION	
Net investment in capital assets	5,812,202
Unrestricted	<u>1,612,246</u>
Total Net Position	<u><u>\$ 7,424,448</u></u>

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

**CITY OF MOUNT VERNON, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water/Sewer Fund</u>
OPERATING REVENUES:	
Charges for services-water	\$ 545,629
Charges for services-sewer	490,449
Assessment fees	194,241
Tap fees	4,800
Miscellaneous income	<u>10,381</u>
Total Operating Revenues	<u>1,245,500</u>
OPERATING EXPENSES:	
Personnel costs	356,972
Supplies and materials	153,416
Maintenance and repair	240,391
Utility services	59,425
Water purchases	77,200
Depreciation	<u>366,380</u>
Total Operating Expenses	<u>1,253,784</u>
Operating Income (Loss)	<u>(8,284)</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest expense	(117,531)
Investment income	<u>67,796</u>
Total Non-Operating Revenues (Expenses)	<u>(49,735)</u>
Income before capital contributions and transfers	(58,019)
Transfers	<u>(7,649)</u>
Change in Net Position	(65,668)
Net position - Beginning, October 1	7,952,451
Prior Period Adjustments	<u>(462,335)</u>
Net Position - Ending, September 30	<u>\$ 7,424,448</u>

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

**CITY OF MOUNT VERNON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water/Sewer Fund</u>
Cash Flows from Operating Activities	
Cash received from customers	\$ 1,302,561
Cash received from other sources	15,181
Cash paid to employees	(356,972)
Cash paid to suppliers	<u>(973,160)</u>
Net cash provided by (used for) operating activities	<u>(12,390)</u>
Cash Flows from Noncapital Financing Activities	
Transfers to/from other funds	<u>(7,649)</u>
Net Cash Provided by Non-capital Financing Activities	<u>(7,649)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	34,711
Principal payments on debt obligations	(100,000)
Interest and fiscal charges on debt	<u>(112,938)</u>
Net cash provided by (used for) capital and related financing activities	<u>(178,227)</u>
Cash Flows from Investing Activities	
Interest Income	<u>67,796</u>
Net cash provided by (used for) investing activities	<u>67,796</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(130,470)
Cash and Cash Equivalents at Beginning of Year	<u>5,308,637</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,178,167</u>
Reconciliation of operating income to net cash provided by (used for) operation activities	
Operating income (loss)	<u>\$ (8,284)</u>
Adjustment to reconcile operating income to net provided by operating activities:	
Prior period adjustment	(462,335)
Depreciation	366,380
Change in Assets and Liabilities	
Decrease (increase) in receivables	66,131
Increase (decrease) in accounts payable	2,741
Increase (decrease) in customer deposits	6,111
Increase (decrease) in accrued expenses	13,981
Increase (decrease) in other liabilities	<u>2,885</u>
Total Adjustments	<u>(4,106)</u>
Net cash provided by (used for) operating activities	<u>\$ (12,390)</u>

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

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

The City of Mount Vernon ("City") operates under a Council-Manager form of government with a City Council comprised of the Mayor & five Council members. Some of the services provided are: public safety (police and fire protection), water distribution, and general administration.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39 "Determining Whether Certain Organizations are Component Units".

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either 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 City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component unit has been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Discretely presented component units. The City has one component unit, City of Mount Vernon Economic Development Corporation ("EDC"). The EDC was incorporated in 2010. The EDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. Thus, the EDC is legally separate, but due to the City appointing the voting majority of the EDC board, it is classified as a discretely presented component unit. The funding for EDC occurs by the City transferring 1/4 of sales tax collected by the City to the EDC. Adding the creation of the EDC to the resources currently available will more than double the current ability to assist economic development prospects. All of the EDC funding can be used for direct assistance to prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statement to be misleading or incomplete.

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

1. Reporting Entity (continued)

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

2. Basis of Presentation, Basis of Accounting

The basic financial statements are prepared in conformity GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position include both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resource measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis provides an analytical overview of the City's financial activities. In addition, a budgetary comparison schedule is presented that compares the original adopted budget and final amended General Fund budget with actual results.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, Parks, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost (by function) is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

2 Basis of Presentation, Basis of Accounting (continued)

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund, debt service fund, special revenue fund, and permanent fund . The major proprietary fund is the water and sewer fund. GASB Statement No. 34 set forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater business-type fund are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for business-type include the cost of sales and service, administrative expenses, and depreciation on assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; 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 measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 government considers revenues to be available when they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No. 6.

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

3. Measurement Focus, Basis of Accounting (continued)

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major governmental funds of the City:

The **General Fund** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed changes and capital improvements costs that are not paid through other funds are paid from the General Fund.

The **Special Revenue Fund** is used to account for various grant activities.

The **Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

The **Permanent Fund** is used to account for a memorial cash bequest to be used for maintenance of the City cemetery. Interest income earned each year is the only portion of this endowment that can be spent. The City issues a check to the cemetery board annually for the interest earned in the previous twelve months.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to a private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purposes. The following is a description of the proprietary funds of the City:

The **Water and Sewer Fund** account for the operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis.

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies (continued)

4. Financial Statement Amounts

a. Cash and Cash Equivalents

The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

b. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation.

Trade and property tax receivables are shown net of an allowance for uncollectible.

Activity between funds is reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring and non-routine transfers of equity between funds - for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers.

c. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the governmental funds represent cash and cash equivalents and investments set aside for specific capital additions, and various bond covenants. Restricted assets in the proprietary funds represent cash and cash equivalents and investments set aside for repayment of deposits to utility customers, specific capital additions, and various bond covenants.

Customer deposits received for the water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Sewer Funds.

d. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

**CITY OF MOUNT VERNON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts

d. Capital Assets (continued)

Management elected not to retroactively report infrastructure assets within the scope of GASB Statement No. 34.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15 - 40
Building & Improvements	10 - 50
Machinery and equipment	5 - 10

e. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), personal days, and sick pay benefits. All vacation and comp time is accrued at the close of the fiscal year in the government-wide and proprietary fund financial statements. An employee's sick pay accrual does not begin until they have been employed with the City for ten years and a maximum of 480 hours is accrued.

f. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method and netted with the long term obligations in the liabilities. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the year they are incurred in accordance with GASB Statement No. 65.

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

g. Deferred Outflows/Inflows of Resources

In addition to assets, the fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City does not have any deferred outflows of resources for the current fiscal year.

In addition to liabilities, the fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of a net position that applies to that time. The City has only one type of deferred inflow of resources in the governmental fund financial statement. Deferred revenue from property taxes is deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts (continued)

h. Fund Balance Policies

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent:

- *Nonspendable fund balance* - includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain intact such as the principal of an endowment.
- *Restricted fund balance* - includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.
- *Committed fund balance* - includes the portion of net resources for which the City Council has imposed limitations of use. Amounts that can be used only for the specific purposes determined by a resolution of the City Council. Commitments may be changed or lifted only by a resolution of the City Council. The resolution must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* - includes the portion of net resources for which an *intended* use has been established by the City Council or the City Manager authorized to do so by the City Council. Assignments of fund balances are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.
- *Unassigned fund balance* - includes the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

i. Net Position Flow Assumption

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

j. Fund Balance Flow Assumption

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

k. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

**CITY OF MOUNT VERNON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts (continued)

i. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consideration. Services provided, deemed to be a market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges in appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position. The government did not have any Internal Balances at fiscal year end.

m. Use of Estimates

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

n. Program Revenues

Certain revenues such as charges for services are included in program revenues.

o. Program Expenditures

Certain indirect costs such as administrative costs are included in the program expenditures reported for individual functional activities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
Public Safety expenditures	Greater than anticipated revenues collected cover the shortfall in budget
Public Works capital outlay	Greater than anticipated revenues collected cover the shortfall in budget

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	No applicable

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of the General Fund on the Generally Accepted Accounting Principles ("GAAP") basis of accounting. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the budget to actual revenues and expenditures as a management control during the year.

**CITY OF MOUNT VERNON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

B. Compliance and Accountability

3. Budgets and Budgetary Accounting (continued)

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- Budgets for the General Fund and Debt Service Fund are legally adopted on a basis consistent with GAAP. The majority of the City's Capital Projects Funds are budgeted on an annual basis.
- According to the Local Government Code for General Law A cities, total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

C. Cash and Investments

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

Cash Deposits

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,369,150, and the bank balance was \$5,715,411. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$7,077,230. Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position:

Primary Government	
Cash and cash equivalents	\$ 1,945,865
Restricted assets-cash & cash equivalents	4,423,285
Total cash and cash equivalents	<u>\$ 6,369,150</u>
Governmental - Restricted cash	
Municipal Court - technology, building security	\$ 10,952
Debt Service	437,481
Hotel	53,805
Endowment funds	281,626
Grant funds	1,080
HOME program	686
	<u>\$ 785,630</u>

**CITY OF MOUNT VERNON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

C. Cash and Investments
Cash Deposits (continued)

Business-type - Restricted cash	
Customer Deposits	\$ 106,972
Capital Projects	<u>3,530,683</u>
	<u>3,637,655</u>
Total Restricted Cash	<u><u>\$ 4,423,285</u></u>

Investments:

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent auditor perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Investment Accounting Policy

The investment program's foremost objective is the safety of principal by seeking to ensure the preservation of capital in the portfolio and to mitigate credit risk and interest rate risk.

The City has options for investments of City funds: certificates of deposits that are issued by a bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the laws of another state, or federal law, that has a main office in Texas and that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount provided by law for deposits of the City.

Local government investment pools, which meet the requirement of Chapter 2256.016 of the Public Funds Investment Act, are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and seek to maintain a \$1.00 net asset value and are authorized by resolution of the City Council.

Investment in State Investment Pools

The City is a voluntary participant in LoneStar Investment Pool ("Lone Star"). Lone Star is a subsidiary of First Public, LLC. Lone Star limits investments only to those allowed by the Public Funds Investment Act. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interpositional Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

Disclosure relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. Currently, the City does not have any investments inherent to interest rate risk.

As of September 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
Lone Star Investment Pool	<u>\$ 411,577</u>	<u>46</u>

**CITY OF MOUNT VERNON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

C. Cash and Investments (continued)

Custodial Credit Risk

To control custody and safekeeping risk, State law and the City's adopted investment policy require collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping of receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 100% and be executed under written agreements. Depository agreements are executed under agreements.

The City strives to minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment by limiting investment to the safest types of investments, pre-qualifying the financial institutions in which the City will do business, and diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

D. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios.

The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of less than 5,000 population limits the ad valorem tax rate to \$1.50 per \$100 assessed valuation. The City's 2014 ad valorem tax rate of \$0.604382 is in compliance with the rate limitation.

E. Receivables

Receivables as of year-end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Proprietary</u>	<u>Debt Service</u>	<u>Total</u>
Receivables				
Taxes	\$ 113,873	\$ -	\$ 12,720	\$ 126,593
Warrants	283,184	-	-	283,184
Fees and Charges	33,842	114,316	-	148,158
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Receivables	430,899	114,316	12,720	557,935
Less: Allowance for Uncollectible	<hr/> (287,444)	<hr/> (2,514)	<hr/> (5,050)	<hr/> (295,008)
Total Net Receivables	<hr/> <u>\$ 143,455</u>	<hr/> <u>\$ 111,802</u>	<hr/> <u>\$ 7,670</u>	<hr/> <u>\$ 262,927</u>

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

F. Capital Assets

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

	Beginning Balances	Transfers/ Prior Period Adj	Additions	Decreases	Ending Balances
Governmental Activities:					
Capital assets, not being depreciated					
Land	\$ 174,582	\$ -	\$ -	\$ -	\$ 174,582
Total capital assets, not being depreciated	<u>174,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>174,582</u>
Capital assets, being depreciated:					
Buildings and improvements	345,012	-	-	-	345,012
Infrastructure	2,035,264	83,332	134,735	-	2,253,331
Machinery & equipment	770,121	-	56,146	-	826,267
Total capital assets being depreciated	<u>3,150,397</u>	<u>83,332</u>	<u>190,881</u>	<u>-</u>	<u>3,424,610</u>
Less accumulated depreciation for:					
Buildings & Improvements	(285,141)	-	(11,210)	-	(296,351)
Infrastructure	(689,666)	-	(102,317)	-	(791,983)
Machinery & Equipment	(552,257)	-	(64,213)	-	(616,470)
Total accumulated depreciation	<u>(1,527,064)</u>	<u>-</u>	<u>(177,740)</u>	<u>-</u>	<u>(1,704,804)</u>
Total capital assets, being depreciated, net	<u>1,623,333</u>	<u>83,332</u>	<u>13,141</u>	<u>-</u>	<u>1,719,806</u>
Governmental activities capital assets, net	<u>\$ 1,797,915</u>	<u>\$ 83,332</u>	<u>\$ 13,141</u>	<u>\$ -</u>	<u>\$ 1,894,388</u>
	Beginning Balances	Transfers/ Prior Period Adj	Additions	Decreases	Ending Balances
Business-type Activities:					
Water/Sewer/Sanitation					
Capital assets, not being depreciated					
Land	\$ 33,296	\$ -	\$ -	\$ -	\$ 33,296
Construction in Progress	489,384	(390,864)	267,612	(83,332)	282,800
Total capital assets, not being depreciated	<u>522,680</u>	<u>(390,864)</u>	<u>267,612</u>	<u>(83,332)</u>	<u>316,096</u>
Capital assets, being depreciated:					
Infrastructure	9,823,144	-	171,873	-	9,995,017
Machinery & equipment	267,264	-	-	-	267,264
Total capital assets being depreciated	<u>10,090,408</u>	<u>-</u>	<u>171,873</u>	<u>-</u>	<u>10,262,281</u>
Less accumulated depreciation for:					
Infrastructure	(3,718,563)	-	(362,804)	-	(4,081,367)
Machinery & Equipment	(46,915)	-	(3,576)	-	(50,491)
Total accumulated depreciation	<u>(3,765,478)</u>	<u>-</u>	<u>(366,380)</u>	<u>-</u>	<u>(4,131,858)</u>
Total capital assets, being depreciated, net	<u>6,324,930</u>	<u>-</u>	<u>(194,507)</u>	<u>-</u>	<u>6,130,423</u>
Business-type activities capital assets, net	<u>\$ 6,847,610</u>	<u>\$ (390,864)</u>	<u>\$ 73,105</u>	<u>\$ (83,332)</u>	<u>\$ 6,446,519</u>

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

F. Capital Assets (continued)

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

Governmental activities:		
General Government		\$ 8,760
Public Safety		62,885
Public Works, including depreciation of general infrastructure assets		106,095
Total depreciation expense - governmental activity		<u>\$ 177,740</u>
Business-type activities:		
Water, Sewer, Sanitation		<u>\$ 366,380</u>

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	\$ 7,250	\$ 135,808	\$ (106,571)	\$ 36,487	\$ 8,048
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Water & Sewer					
Certificate of Obligations	\$ 4,265,000	\$ -	\$ (100,000)	\$ 4,165,000	\$ 105,000
Total Bonds Payable	4,265,000	-	(100,000)	4,165,000	105,000
Compensated absences	4,500	27,934	(23,537)	8,897	2,394
Total Water & Sewer	<u>\$ 4,269,500</u>	<u>\$ 27,934</u>	<u>\$ (123,537)</u>	<u>\$ 4,173,897</u>	<u>\$ 107,394</u>

Changes in Water Sewer Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30, 2013	Issued	Retired	Amounts Outstanding September 30, 2014	Due Within One Year
Series 2012	2.71%	\$ 3,820,000	\$ 3,740,000	\$ -	\$ (85,000)	\$ 3,655,000	\$ 90,000
Series 2013	0.10%	525,000	525,000	-	(15,000)	510,000	15,000
		<u>\$ 4,345,000</u>	<u>\$ 4,265,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 4,165,000</u>	<u>\$ 105,000</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2015	\$ 105,000	\$ 110,234	\$ 215,234
2016	105,000	107,780	212,780
2017	110,000	105,277	215,277
2018	110,000	102,600	212,600
2019	115,000	99,892	214,892
2020-2024	610,000	454,658	1,064,658
2025-2029	685,000	370,600	1,055,600
2030-2034	790,000	273,517	1,063,517
2035-2039	900,000	161,054	1,061,054
2040-2043	635,000	36,424	671,424
Totals	<u>\$ 4,165,000</u>	<u>\$ 1,822,036</u>	<u>\$ 5,987,036</u>

**CITY OF MOUNT VERNON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

G. Long-Term Obligations (continued)

\$3,820,000 Combination Tax and Surplus Revenue Certification of Obligation, Series 2012 were issued for the purpose of renovation and improvements costs to a lift station, sewer lines, and related sewer system improvements and the professional services in connection.

\$525,000 Combination Tax and Surplus Revenue Certification of Obligation, Series 2013 were issued for the purpose of wastewater infrastructure improvements. This debt has incremental interest rates of 0.00% - 2.82% over the life of the bond of 30 years.

H. Compensated Absences

Compensated absences represent the estimated liability for employees' accrued compensatory time and vacation leave which employees are entitled to be paid upon termination of employment if all requirements are met as stated in the personnel manual adopted by City Council. The retirement of this liability is typically paid from the General Fund and the Proprietary Funds based on the assignment of an employee at termination.

I. Construction Commitments

The City has sewer construction projects as of September 30, 2014. The following are the commitments for these improvements:

<u>Project</u>	<u>Spent-to- Date</u>	<u>Remaining Commitment</u>
Sewer infrastructure improvements	<u>\$ 282,800</u>	<u>\$ 3,530,683</u>

J. Pension Plan

1. Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information ("RSI") for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Plan provisions for the City were as follows:

	<u>Plan Year</u>	
	<u>2013</u>	<u>2014</u>
Employee Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5 yrs	5 yrs
Service retirements eligibility (expressed as age/years of service)	60/5, 0/25 100%	60/5, 0/25 100%
Updated Service Credit Annuity Increase (to retirees)	Repeating, 70% of CPI	Repeating, 70% of CPI

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

J. Pension Plan (continued)

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

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

Valuation Date	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
GASB25 Equivalent Single Amortization period	24.0 years; closed	22.8 years; closed	27.0 years; closed
Amortization period for new gains/losses	30 years	30 years	30 years
Asset Valuation method	10-yr smoothed Market	10-yr smoothed Market	10-yr smoothed Market
Actuarial assumptions:			
Investment rate of return *	7.0%	7.0%	7.0%
Projected Salary Increases *	varies by age & service	varies by age & service	varies by age & service
* Includes Inflation of Cost-of-Living Adjustments	3.0% 2.1%	3.0% 2.1%	3.0% 2.1%

3. Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability of benefits.

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

J. Pension Plan

3. Funded Status and Funding Progress (continued)

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

Schedule of Funding Progress:

	<u>12/31/11</u>	<u>12/31/12</u>	<u>12/31/13</u>
Actuarial Valuation Date			
Actuarial Value of Assets	\$ 2,143,087	\$ 2,309,042	\$ 2,481,457
Actuarial Accrued Liability	2,302,530	2,448,339	2,902,037
Percentage Funded	93.1%	94.3%	85.5%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	159,443	139,297	420,580
Annual Covered Payroll	787,976	884,064	785,890
UAAL as a Percentage of Covered Payroll	20.2%	17.8%	53.5%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC) Plus	71,996	77,483	86,856
Contributions Made Less	(71,996)	(77,483)	(86,856)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

4. Group-term Life Insurance

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$217, \$163 and \$152, respectively, which equaled the required contributions each year.

K. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan with the Texas Municipal League (TML). The contract between the City and TML is renewable October 1 of each fiscal year and the terms of coverage and premium costs are included in the contractual provision. For the current fiscal year, the City paid premium costs of \$477 for each eligible employees.

**CITY OF MOUNT VERNON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

L. Insurance Coverage

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims up to \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2013, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

M. Risk Management

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

N. Litigation

Currently, management is unaware of significant pending litigation against the City.

O. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Pumped	134,132,000
Gallons Billed	103,404,000

P. Interfund Transfers

Transfers between funds during the year were as follows:

<u>Transfers Out</u>	<u>General Fund</u>	<u>Water and Sewer Funds</u>
General Fund	\$ 7,649	\$ -
Water and Sewer	-	(7,649)
	<u>\$ 7,649</u>	<u>\$ (7,649)</u>

Q. Prior Period Adjustments

Prior period adjustments were made for the following:

Governmental activities:	
To correct compensated absences accruals	\$ (29,237)
To adjust sales tax receivables	68,512
To reconcile sidewalk improvements project	83,332
TOTAL	<u>\$ 122,607</u>

**CITY OF MOUNT VERNON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Q. Prior Period Adjustments (continued)

Business-type activities:	
To correct compensated absences accruals	\$ (4,398)
To correct recording of sidewalk improvements in PY	(83,332)
To reconcile CIP in prior year	(390,864)
To adjust TMRS liability in prior year	16,259
TOTAL	<u>\$ (462,335)</u>

R. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2014 up through December 1, 2014, the date the financial statements were available to be issued. Management noted no subsequent events requiring disclosure.

S. City of Mount Vernon Economic Development Corporation

In accordance with GASB Statement No. 14, the Financial Reporting Entity, as amended by GASB Statement No. 39, the City of Mount Vernon Economic Development Corporation ("EDC") is a discretely presented component unit on the combined financial statements. The EDC is governed by a seven-member board appointed and serving at the pleasure of the City Council. The funding for EDC occurs by the City transferring 1/4 sales tax revenues collected by the City. The purpose for which the EDC is organized and may issue or incur bonds or other obligations on behalf of the City for the promotion and development of commercial, industrial and manufacturing enterprises, promotion, development and expansion of businesses enterprises, and to promote and encourage employment and public welfare.

1. Stewardship, Compliance, and Accountability

a. Finance-related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations.

<u>Violation</u>	<u>Actions Taken</u>
The EDC Fund exceeded its budgeted appropriations.	Sales tax revenues collected by the City cover the shortfall in budget.

b. Deficit Fund Balance of Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at fiscal year-end, if any, along with remarks which address such deficits:

<u>Violation</u>	<u>Actions Taken</u>
None	Not applicable

2. Financial Statement Amounts

a. Deposits and Investments

Cash and cash equivalents as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

Statement of net position - unrestricted cash	
Total - Cash and cash equivalents	<u>\$ 718,133</u>

All bank balances were covered by FDIC or by collateral held by a third-party custodian.

**CITY OF MOUNT VERNON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

S. City of Mount Vernon Economic Development Corporation

2. Financial Statement Amounts (continued)

b. Receivables

Receivables as of fiscal year-end for the EDC were \$40,748 representing sales tax owed from the City. Receivables were collected after year-end; therefore, no allowance for uncollectible accounts have been recorded.

c. Compensated Absences

The EDC follows the City's policy to permit employees to accumulate earned but unused vacation and time worked but not paid (comp time). All vacation and comp time is accrued at close of fiscal year-end in the government-wide financial statements.

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Compensated absences	\$ -	\$ 22,143	\$ (19,509)	\$ 2,634	\$ -

d. Health Care Coverage

EDC employees were covered by the City's health insurance plan. The City contributed \$477 per month per employee. Employees, at their option, authorized payroll withholding to pay contributions for dependents.

e. Pension Plan

EDC employees were provided the pension benefits through the Texas Municipal Retirement System ("TMRS"). See City's Note J for detailed disclosures.

f. Prior Period Adjustments

Prior period adjustments were made for the following:

To adjust sales tax receivables	\$ 37,153
To reverse PY audit adjustment to accrue liability	9,197
To correct compensated absence accrual	(2,634)
TOTAL	<u>43,716</u>

g. Litigation

Management is not aware of any pending or threatened litigation involving the EDC.

h. Subsequent Events

EDC has evaluated all events or transactions that occurred after September 30, 2014 up through December 1, 2014, the date the financial statements were available to be issued. During this period, management was unaware of any subsequent events requiring disclosure.



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF MOUNT VERNON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
LAST SEVEN FISCAL YEARS (UNAUDITED)**

<u>Fiscal Year *</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value** of Assets</u>	<u>Actuarial Accrued Liability (AAL) -Unit Credit</u>	<u>(Over-funded) Actuarial Accrued Liability UAAL</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>UAAL as Percent of Covered Payroll</u>	<u>Annual Required Contributions</u>	<u>Actual Contributions</u>	<u>Percent Contributed</u>
2012	12/31/2011	\$ 2,143,087	\$ 2,302,530	\$ 159,443	93.10%	\$ 787,976	20.20%	\$ 72,148	\$ 72,148	100%
2013	12/31/2012	2,309,042	2,448,339	139,297	94.30%	782,191	17.80%	77,646	77,646	100%
2014	12/31/2013	2,481,457	2,902,037	420,580	85.50%	785,890	53.50%	86,856	86,856	100%

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* As of December 31, of the preceding year, the date of the actuarial valuation

** Information is from appropriate year supplements to TMRS annual reports.

NOTE: See accompanying notes to these financial statements for more detail.

**CITY OF MOUNT VERNON, TEXAS
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUE				
Property taxes	\$ 478,350	\$ 478,350	\$ 586,858	\$ 108,508
Fines and forfeitures	73,700	73,700	61,068	(12,632)
Licenses and permits	20,800	20,800	26,622	5,822
Sales taxes collected	430,000	430,000	470,925	40,925
Franchise tax	130,000	130,000	130,931	931
Hotel tax	35,000	35,000	40,762	5,762
Charge for services	449,000	449,000	455,875	6,875
Grant revenues	-	-	101,928	101,928
Intergovernmental revenues-state and local	10,560	10,560	30,399	19,839
Donations	-	-	100	100
Investment income	5,420	5,420	9,145	3,725
Miscellaneous	4,300	4,300	4,620	320
Total Revenues	1,637,130	1,637,130	1,919,233	282,103
EXPENDITURES				
General government	450,852	450,852	448,066	2,786
Public safety	520,931	520,931	551,068	(30,137)
Public services and operations	195,240	195,240	192,431	2,809
Public works	225,979	225,979	190,280	35,699
Parks and recreation	38,700	38,700	19,216	19,484
Sanitation	287,625	287,625	258,384	29,241
Capital outlay:				
Public safety	65,150	65,150	56,146	9,004
Public works	30,000	30,000	134,735	(104,735)
Total Expenditures	1,814,477	1,814,477	1,850,326	(35,849)
Excess (deficiency) of revenues over (under) expenditures	(177,347)	(177,347)	68,907	246,254
Other Revenues and Financing Sources (uses)				
Transfers	77,200	77,200	7,499	(69,701)
Total Other Financing Sources (uses)	77,200	77,200	7,499	(69,701)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(100,147)	(100,147)	76,406	176,553
Fund Balances/Equity, October 1	399,555	399,555	399,555	
Prior Period Adjustment	-	-	75,762	
Fund Balances/Equity, September 30	\$ 299,408	\$ 299,408	\$ 551,723	

SUPPLEMENTARY INFORMATION



**CITY OF MOUNT VERNON, TEXAS
BALANCE SHEET - COMPONENT UNIT
ECONOMIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

	EDC Fund
ASSETS	
Cash and cash equivalents	\$ 718,133
Receivables (net of allowances for uncollectible)	<u>40,748</u>
Total Assets	<u><u>758,881</u></u>
LIABILITIES	
Other liabilities	521
Accrued expenses	<u>1,699</u>
Total Liabilities	<u><u>2,220</u></u>
Fund Balances	
Assigned	<u>756,661</u>
Total Fund Balances	<u><u>756,661</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 758,881</u></u>

**CITY OF MOUNT VERNON, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION-ECOMONIC DEVELOPMENT CORPORATION
SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$	756,661
Amounts reported for governmental activities in the statement of net position are different because:		
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.		(2,634)
Net position of governmental activities - statement of net position	<u>\$</u>	<u>754,027</u>

**CITY OF MOUNT VERNON, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - COMPONENT UNIT
 ECONOMIC DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>EDC Fund</u>
REVENUE	
Sales tax collected	\$ 231,948
Investment Income	10,486
Miscellaneous	<u>500</u>
Total Revenues	<u>242,934</u>
EXPENDITURES	
Current:	
Personnel costs	62,119
Promotion and advertising	3,496
Supplies and materials	5,461
Contractual services	13,446
Projects and incentives	<u>53,477</u>
Total Expenditures	<u>137,999</u>
Net Change in Fund Balances	104,935
Fund Balances, October 1	605,376
Prior Period Adjustments	<u>46,350</u>
Fund Balances, September 30	<u>\$ 756,661</u>

**CITY OF MOUNT VERNON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES-ECONOMIC DEVELOPMENT CORPORATION
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$ 104,935
Amounts reported for governmental activities in the statement of activities are different because:	
No reconciling items	-
Change in net position of governmental activities - statement of activities	<u>\$ 104,935</u>

**CITY OF MOUNT VERNON, TEXAS
 BUDGETARY COMPARISON SCHEDULE-ECONOMIC DEVELOPMENT CORPORATION
 (MODIFIED ACCRUAL BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales taxes collected	\$ 208,581	\$ 208,581	\$ 231,948	\$ 23,367
Investment income	9,000	9,000	10,486	1,486
Miscellaneous	-	-	500	500
Total Revenues	<u>217,581</u>	<u>217,581</u>	<u>242,934</u>	<u>25,353</u>
EXPENDITURES				
Personnel costs	59,486	59,486	62,119	(2,633)
Promotion and advertising	14,800	14,800	3,496	11,304
Supplies and materials	5,400	5,400	5,461	(61)
Contractual services	6,050	6,050	13,446	(7,396)
Projects and incentives	35,000	35,000	53,477	(18,477)
Total Expenditures	<u>120,736</u>	<u>120,736</u>	<u>137,999</u>	<u>(17,263)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	96,845	96,845	104,935	8,090
Fund Balances/Equity, October 1	605,376	605,376	605,376	
Prior Period Adjustment	-	-	46,350	
Fund Balances/Equity, September 30	<u>\$ 702,221</u>	<u>\$ 702,221</u>	<u>\$ 756,661</u>	

