

TOWN OF SAN FELIPE, TEXAS

Annual Financial Report

For the Year Ended September 30, 2014

TOWN OF SAN FELIPE, TEXAS

Annual Financial Report
For the Year Ended September 30, 2014

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TOWN OF SAN FELIPE, TEXAS

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INTRODUCTORY SECTION

TOWN OF SAN FELIPE, TEXAS

Town Officials

- Bobby Byars.....Mayor
- Alfred HallMayor Pro-Tem
- Derrick DabneyAlderman
- Louis T. Bonner, Jr.Alderman
- Alfreda Cloud.....Alderman
- Brenda NewsomeAlderman
- Sue Foley Town Secretary

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Town Council
Town of San Felipe, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Town of San Felipe, Texas (the Town) as of and for the year ended September 30, 2014, and related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town 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.

Change in Accounting Principle

As discussed in Note H to the financial statements, in 2014 the Town adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles general accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, the budgetary comparison information on pages 32 and 33, and the Texas Municipal Retirement System Schedule of Funding Progress (Unaudited) on page 34 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of the Town's 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 Town's internal control over financial reporting and compliance.

San Antonio, Texas
September 30, 2015



TOWN OF SAN FELIPE, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

This section of the Town of San Felipe, Texas' (the Town) annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2014. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

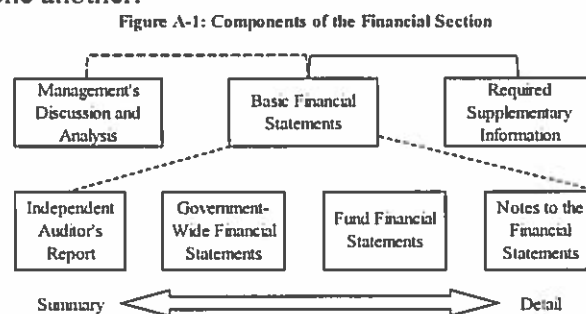
- The Town's total net position was \$1,796,241 at September 30, 2014.
- Revenue generated from taxes and other revenues for governmental activities was \$615,804. The Town's governmental fund expenses were \$529,119.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—*management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and *supplemental section* (non-required). The basic financial statements include two kinds of statements that present different views of the Town:

- The first two statements (the Statement of Net Position and Statement of Activities) are the *government-wide* financial statements that provide both *long-term* and *short-term* information about the Town's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the Town's operations in more detail than the government-wide statements.
- The *governmental fund* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information and other supplemental information that further explain and support the information in the financial statements. Figure A-1 shows how required parts of this annual report are arranged and related to one another.



TOWN OF SAN FELIPE, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2014

Government-Wide Statements

The government-wide statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position—the difference between the Town's assets and liabilities—is one way to measure the Town's financial health or position.

- Over time, increases or decreases in the Town's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Town, one needs to consider additional nonfinancial factors such as changes in the Town's tax base.

The government-wide financial statements of the Town include the governmental activities. Most of the Town's basic services are included here, such as general government, public safety, and public works. Sales tax, property tax, franchise taxes, and municipal court fines finances the majority of these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes.

The Town has the following kind of fund(s):

- *Governmental funds* – All of the Town's basic services are reported in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note A to the financial statements.

TOWN OF SAN FELIPE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2014

Notes to Financial Statements

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The net position may serve, over time, as a useful indicator of the Town's financial position. For the Town, assets exceed liabilities by \$1,796,241 as of year-end. The Town's net position reflects its investments in capital assets (e.g., land, buildings and improvements, furniture and equipment, streets, etc.) less any debt used to acquire those assets that is still outstanding. Consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following reflects a comparative condensed statement of net position:

	September 30,		\$ Change	% Change
	2014	2013		
Current and Other Assets	\$ 1,564,587	\$ 1,467,386	\$ 97,201	6.6%
Capital Assets, Net	461,532	451,494	10,038	2.2%
Total Assets	<u>2,026,119</u>	<u>1,918,880</u>	<u>107,239</u>	<u>5.6%</u>
Current Liabilities	71,773	54,324	17,449	32.1%
Noncurrent Liabilities	158,105	155,000	3,105	2.0%
Total Liabilities	<u>229,878</u>	<u>209,324</u>	<u>20,554</u>	<u>9.8%</u>
Net Position:				
Invested in Capital Assets,				
Net of Related Debt	231,301	229,927	1,374	0.6%
Restricted	31,567	31,567	-	0.0%
Unrestricted	1,533,373	1,448,062	85,311	5.9%
Total Net Position	<u>\$ 1,796,241</u>	<u>\$ 1,709,556</u>	<u>\$ 86,685</u>	<u>5.1%</u>

TOWN OF SAN FELIPE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2014

A portion of the primary government's net position, \$231,301, represents resources invested in capital assets, net of related debt. A portion of the primary government's net position, \$31,567, represents resources that are restricted and may only be used for certain purposes allowed by external sources or enabling legislation. The remainder of the primary government's net position, \$1,533,373, represents resources that are unrestricted. These resources are used to pay off long-term debt and general expenditures.

Changes in Net Position

The following reflects a comparative statement of changes in net position of the primary government:

	September 30,		\$ Change	% Change
	2014	2013		
Revenues				
Program Revenues:				
Charges for Services	\$ 20,322	\$ 13,251	\$ 7,071	53.4%
General Revenues:				
Property Taxes	134,739	132,436	2,303	1.7%
Sales Taxes	431,741	372,823	58,918	15.8%
Interest and Investment Income	13,798	18,014	(4,216)	-23.4%
Other Revenue	15,204	34,471	(19,267)	-55.9%
Total Revenues	<u>615,804</u>	<u>570,995</u>	<u>44,809</u>	<u>7.8%</u>
Expenses				
Administrative and Personnel	386,071	313,639	72,432	23.1%
Public Safety	32,583	23,265	9,318	40.1%
Public Works	110,465	117,365	(6,900)	-5.9%
Total Expenses	<u>529,119</u>	<u>454,269</u>	<u>74,850</u>	<u>16.5%</u>
Change in Net Position	86,685	116,726	(30,041)	-25.7%
Net Position - Beginning	1,709,556	1,592,830	116,726	7.3%
Net Position - Ending	<u>\$ 1,796,241</u>	<u>\$ 1,709,556</u>	<u>\$ 86,685</u>	<u>5.1%</u>

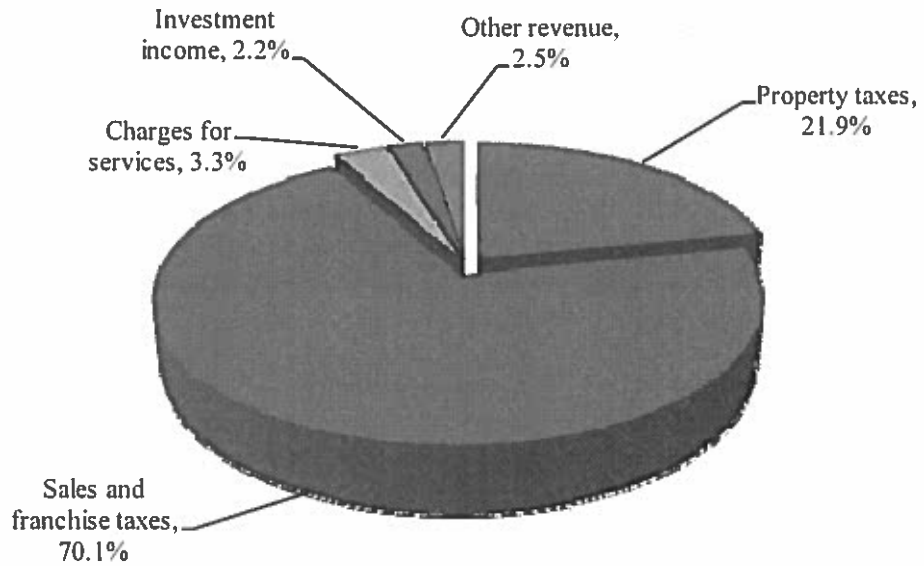
Overall, government-wide revenues increased by \$44,809, mainly due to an increase in sales taxes. During 2014 and 2013, the Texas State Comptroller of Public Accounts notified the Town that the State had inadvertently remitted additional sales receipts to another tax jurisdiction. The terms of the settlement require the other tax jurisdiction to repay the Town their respective portion of sales receipts. During fiscal year 2014, the Town received settlement payments which were disbursed by the Texas State Comptroller of Public Accounts.

Government-wide expenses increased \$74,850, due to an increase in salaries/hourly wages, related group insurance expenses, and turnover in the police department.

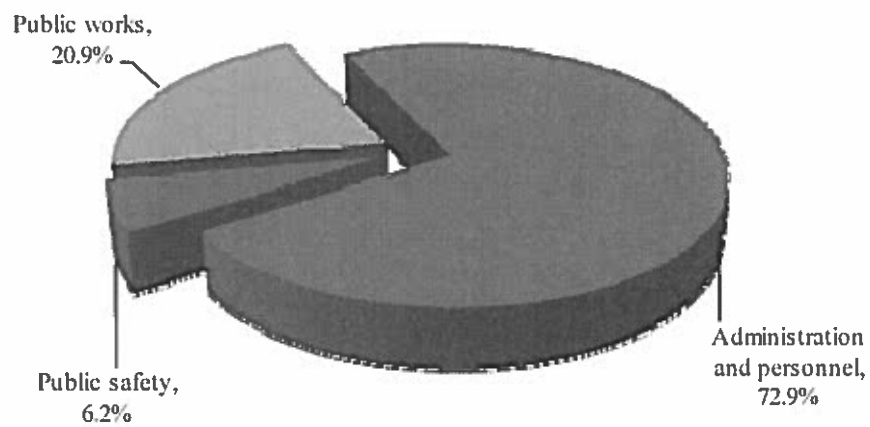
TOWN OF SAN FELIPE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2014

Governmental Revenues



Governmental Expenses



TOWN OF SAN FELIPE, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2014

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Activities

The Town's general fund reflects a total fund balance of \$1,559,127. Of this amount, \$31,567 is restricted bond proceeds, \$3,040 is assigned for court technology, \$2,034 is assigned for court security, and \$685 is assigned for police training. The remaining amount, \$1,521,801, is unassigned, which means it can be used for any purpose. The general fund had an increase in total fund balance in the amount of \$86,017.

General Fund Budgetary Highlights

The actual general fund revenues were over the budgeted revenues by \$93,160 during the year. General fund expenditures exceeded the amended budget by \$76,747. This was mainly due to the purchase of necessary police and public works vehicles and additional sales tax receipts received from the Texas State Comptroller of Public Accounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the Town had invested in \$1,562,604 in capital assets, including land, equipment, buildings, and vehicles. The following schedule summarizes the capital assets of the Town:

	September 30,		\$ Change	% Change
	2014	2013		
Land	\$ 21,405	\$ 21,405	\$ -	0%
Buildings and Improvements	673,526	673,526	-	0%
Furniture and Equipment	398,910	334,512	64,398	19%
Infrastructure	468,763	468,763	-	0%
Total Capital Assets	1,562,604	1,498,206	64,398	4%
Less:				
Accumulated Depreciation	(1,132,639)	(1,078,279)	(54,360)	5%
Net Capital Assets	\$ 429,965	\$ 419,927	\$ 10,038	2%

Long-Term Debt

At the end of the current year, the Town had total long-term debt of \$198,664. At year end, long-term bonds outstanding account for \$155,000 and note payable for \$43,664.

More detailed information about the Town's long-term liabilities is presented in Note E.

TOWN OF SAN FELIPE, TEXAS

**Management's Discussion and Analysis
For the Year Ended September 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The property tax rate for the 2015 fiscal year was reduced to \$0.1595 per \$100 valuation. The Town's fiscal year 2015 budget remains relatively consistent.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances. Questions concerning this report or requests for additional financial information should be directed to Sue Foley, Town Secretary, Town Hall, P.O. Box 129, San Felipe, Texas 77473, telephone 979-885-7035.

BASIC FINANCIAL STATEMENTS

TOWN OF SAN FELIPE, TEXAS

Statement of Net Position
As of September 30, 2014

	Primary Government Governmental Activities
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,409,900
Investments	77,543
Receivables, Net	77,144
Total Current Assets	<u>1,564,587</u>
Noncurrent Assets	
Restricted Cash and Cash Equivalents	31,567
Land	21,405
Buildings and Improvement, Net	89,650
Furniture and Equipment, Net	126,700
Infrastructure, Net	192,210
Total Noncurrent Assets	<u>461,532</u>
Total Assets	<u>2,026,119</u>
LIABILITIES	
Current Liabilities	
Accounts Payable and Accrued Liabilities	30,441
Accrued Interest Payable	773
Bonds Payable	35,000
Notes Payable	5,559
Total Current Liabilities	<u>71,773</u>
Noncurrent Liabilities	
Bonds Payable	120,000
Notes Payable	38,105
Total Long-Term Liabilities	<u>158,105</u>
Total Liabilities	<u>229,878</u>
NET POSITION	
Invested in Capital Assets, Net of Related Debt	231,301
Restricted	31,567
Unrestricted	1,533,373
Total Net Position	<u>\$ 1,796,241</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF SAN FELIPE, TEXAS

Statement of Activities
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Governmental Activities
Governmental Activities:			
Administrative and Personnel	\$ 386,071	\$ -	\$ (386,071)
Public Safety	32,583	19,542	(13,041)
Public Works	110,465	780	(109,685)
Total Governmental Activities	<u>529,119</u>	<u>20,322</u>	<u>(508,797)</u>
Total Government	<u>\$ 529,119</u>	<u>\$ 20,322</u>	
	General Revenues		
	Property Taxes		134,739
	Sales and Franchise Taxes		431,741
	Interest Revenue		13,798
	Other Revenue		15,204
	Total General Revenues		<u>595,482</u>
	Change in Net Position		86,685
	Net Position - Beginning		<u>1,709,556</u>
	Net Position - Ending		<u>\$ 1,796,241</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF SAN FELIPE, TEXAS

Balance Sheet – Governmental Fund
As of September 30, 2014

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,441,467
Investments	77,543
Receivables, Net	<u>77,144</u>
Total Assets	<u><u>1,596,154</u></u>
LIABILITIES	
Accounts Payable and Accrued Liabilities	<u>30,441</u>
Total Liabilities	<u>30,441</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue	<u>6,586</u>
FUND BALANCES	
Restricted	31,567
Assigned	5,759
Unassigned	<u>1,521,801</u>
Total Fund Balances	<u>1,559,127</u>
 Amounts reported for governmental activities in the Statement of Net Position are difference because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$1,132,639.	429,965
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	6,586
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued Interest Payable	(773)
Noncurrent Liabilities Due in One Year	(40,559)
Noncurrent Liabilities Due in More Than One Year	<u>(158,105)</u>
Net Position of Governmental Activities	\$ <u><u>1,796,241</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF SAN FELIPE, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
 For the Year Ended September 30, 2014

	<u>General Fund</u>
REVENUES	
Property Taxes	\$ 135,620
Sales, Franchise and Other Taxes	431,741
Permits and Licenses	780
Fines and Forfeitures	19,542
Interest on Investments	13,798
Other Revenue	15,204
Total Revenues	<u>616,685</u>
EXPENDITURES	
Current	
Administrative and Personnel	381,785
Public Safety	61,085
Public Works	131,462
Total Expenditures	<u>574,332</u>
OTHER FINANCING SOURCES (USES)	
Loan proceeds	43,664
Total other financing sources (uses)	<u>43,664</u>
Net Changes in Fund Balances	86,017
Fund Balances - Beginning of Year	<u>1,473,110</u>
Fund Balances - End of Year	<u>\$ 1,559,127</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF SAN FELIPE, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund
 (Continued)
 For the Year Ended September 30, 2014

Reconciliation of the change in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balances - governmental activities: \$ 86,017

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.

Capital outlay	64,398
Depreciation expense	(54,360)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(881)
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The issuance of long-term debt (e.g., bonds, certificates of obligation) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Loan Proceeds	(43,664)
Principal payments	35,000
Accrued interest	175

Change in net position of governmental activities	\$ 86,685
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The Accompanying Notes are an Integral Part of These Financial Statements.

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note A – Nature of the Entity and Summary of Significant Accounting Policies

Financial Reporting Entity

The Town of San Felipe, Texas (the Town) has governance responsibilities as permitted by the general laws of the State of Texas over all municipal activities within the legal boundaries of the Town. The Town's council consists of six members – the Mayor, Mayor Pro-Tem and four aldermen. The Town provides what are considered general government services: public safety to include police and fire services, municipal court, public works to include streets and drainage, and general administration.

As required by GAAP, the financial statements of the reporting entity must include those of the Town and its component units. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by GAAP. The criteria for including organizations as component units within the Town's reporting entity, as set forth by GASB Statement No. 14, *The Financial Reporting Entity*, include the following:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the Town has no component units. Additionally, the Town is not a component unit of any other reporting entity as defined by GASB Statement No. 14.

Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities are the government-wide financial statements. They report information on all of the Town's non-fiduciary activities with most of the interfund activities removed, if applicable. Governmental activities include programs supported by taxes, intergovernmental revenues, and other nonexchange transactions.

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note A – Nature of the Entity and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include fees, fines and charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of account. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing resources and expenditures and other financing uses).

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The Town considers them "available" if they will be collected within 60 days after year end.

Fund Accounting

The Town reports the following major governmental fund:

General Fund – This is the Town's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note A – Nature of the Entity and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with initial maturities of three months or less.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables

Accounts and property taxes receivable are reported net of allowances for uncollectible accounts. The allowance account represents management’s estimate of uncollectible accounts based on experience and historical trends.

Property taxes are levied during October of each year and are due upon receipt of the Town’s tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

Capital Assets

Capital assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives:

Furniture and Equipment	8 to 10 years
Buildings and Improvements	25 to 50 years
Infrastructure	20 to 40 years

The Town does not capitalize interest costs related to construction.

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note A – Nature of the Entity and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-Term Obligations

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

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

Equity Classifications

Government-Wide Financial Statement

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitution provisions or enabling legislation.
- c. Unrestricted – All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When the Town incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Town’s policy is to use restricted resources first, then unrestricted resources.

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note A – Nature of the Entity and Summary of Significant Accounting Policies (Continued)

Equity Classifications (Continued)

Fund Financial Statement

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, require that fund balances for the Town's governmental fund are displayed in the following classifications depicting the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance*—amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Town did not have any nonspendable fund balances at September 30, 2014.
- *Restricted fund balance*—amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.
- *Committed fund balance*—amounts that can be spent only for specific purposes determined by a formal action of the government's highest level of decision-making authority. The Town's highest level of decision-making authority is the Town Council. All fund balance commitments are authorized by ordinances, typically during the budgeting process. The Town did not have any committed fund balances at September 30, 2014.
- *Assigned fund balance*—amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The Town Council retains the authority to assign and unassign fund balances.
- *Unassigned fund balance*—amounts that are available for any purpose; these amounts can be reported only in the Town's General Fund. If a fund deficit exists in other funds, then that amount is reported as a negative unassigned fund balance.

The Town would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note A – Nature of the Entity and Summary of Significant Accounting Policies (Continued)

Budget

The original budget is adopted by the Town’s Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them. The Town’s Council may amend the budget throughout the year. Appropriations lapse at the end of the fiscal year.

Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation time per calendar year based on years of service as follows:

2 years	5 days
3 years	10 days
9 or more years	15 days

At the beginning of each calendar year, any unused vacation time is forfeited and employees’ accrued vacation time resets to the maximum amount allowed based on years of service. A liability for these amounts is reported in the fund financial statements since they are considered to be current liabilities. Compensated absences were \$2,790 at September 30, 2014.

Note B – Deposits and Investments

Deposits

At September 30, 2014, the carrying amount of the Town’s cash deposits was \$1,441,467 and the bank balance was \$1,460,509. The bank balance is categorized as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC), or collateralized with securities held by the Town or its agent in the Town’s name.	\$ 510,509
Collateralized with securities held by the pledging financial institution or its agent in the Town’s name	950,000
Total Bank Balance	\$ <u>1,460,509</u>

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note B – Deposits and Investments (Continued)

Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity of portfolio investments, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

At September 30, 2014, the Town had funds invested in the Texas Local Government Investment Pool (TexPool). The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the Office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with Securities and Exchange Commission Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets and to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of the TexPool shares. The fair market value of investments in TexPool at September 30, 2014 was \$77,543.

The fair value of the TexPool investments is recorded as cash and cash equivalents on the financial statements.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy addresses the following risks:

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note B – Deposits and Investments (Continued)

Policies Governing Deposits and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized ratings agencies are designed to give an indication of credit risk. The Town's investment policy limits exposure to credit risk by limiting investments to those authorized by the Public Funds Investment Act. At September 30, 2014, the Town was not significantly exposed to credit risk.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Town's name.

The Town's investment policy limits exposure to custodial credit risk by requiring all uninsured deposits and investments be covered by pledged collateral. At year-end, the Town was not exposed to custodial credit risk.

Concentrations of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The Town's investment policy limits overconcentration of its assets in specific instruments except U.S. Treasury Securities and insured or collateralized certificates of deposit. At year-end, the Town was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's investment policy limits exposure to interest rate risk by limiting average maturities to one year. At year-end, the Town was not exposed to interest rate risk.

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note B – Deposits and Investments (Continued)

Analysis of Specific Deposit and Investment Risks

Foreign Currency Risk

This the risk that exchange rates will adversely affect the fair value of an investment. The Town does not have a policy related to foreign currency risk. At year-end, the Town was not exposed to foreign currency risk.

Investment Accounting Policy

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

Note C – Accounts Receivable

The following comprise receivable balances at September 30, 2014:

Governmental Activities:	
State Sales Taxes Receivable	\$ 70,267
Property Taxes Receivable	7,641
Allowance for Uncollectible Accounts	<u>(764)</u>
Total Receivables, Net	<u>\$ 77,144</u>

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note D – Capital Assets

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

<u>Governmental Activities</u>	<u>Balance</u> <u>10/01/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2014</u>
Capital Assets Not Being Depreciated				
Land	\$ 21,405	\$ -	\$ -	\$ 21,405
Total Capital Assets Not Being Depreciated	<u>21,405</u>	<u>-</u>	<u>-</u>	<u>21,405</u>
Capital Assets Being Depreciated				
Buildings and Improvements	673,526	-	-	673,526
Furniture and Equipment	334,512	64,398	-	398,910
Infrastructure	468,763	-	-	468,763
Total Capital Assets Being Depreciated	<u>1,476,801</u>	<u>64,398</u>	<u>-</u>	<u>1,541,199</u>
Accumulated Depreciation				
Buildings and Improvements	(575,712)	(8,164)	-	(583,876)
Furniture and Equipment	(249,453)	(22,757)	-	(272,210)
Infrastructure	(253,114)	(23,439)	-	(276,553)
Total Accumulated Depreciation	<u>(1,078,279)</u>	<u>(54,360)</u>	<u>-</u>	<u>(1,132,639)</u>
Net Capital Assets Being Depreciated	<u>398,522</u>	<u>10,038</u>	<u>-</u>	<u>408,560</u>
Net Capital Assets	<u>\$ 419,927</u>	<u>\$ 10,038</u>	<u>\$ -</u>	<u>\$ 429,965</u>

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

Governmental Activities:	
Administrative and Personnel	\$ 4,286
Public Safety	17,162
Public Works	32,912
Total Governmental Activities Depreciation Expense	<u>\$ 54,360</u>

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note E – Long-Term Debt

Long-Term Debt Activity

Long-term debt activity for the year ended September 30, 2014 was as follows:

	Balance 10/01/2013	Additions	Reductions	Balance 09/30/2014	Due Within One Year
Governmental Activities:					
Certificates of Obligation, Series 2003	\$ 190,000	\$ -	\$ (35,000)	\$ 155,000	\$ 35,000
Notes Payable	-	43,664	-	43,664	5,559
Total governmental activities	<u>\$ 190,000</u>	<u>\$ 43,664</u>	<u>\$ (35,000)</u>	<u>\$ 198,664</u>	<u>\$ 40,559</u>

Description of Debt

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2003

On December 18, 2003, the Town issued \$500,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2003 for public works, including construction and equipment of certain streets, sidewalks, drainage and park improvements. Principal is due annually on February 15. Interest is due semiannually on February 15 and August 15 at a rate of 3.99%. The final maturity date of the bonds is February 15, 2018.

Note Payable – Citizens State Bank

On September 12, 2014, the Town entered into a loan agreement with Citizens State Bank to borrow the sum of \$43,664 for the purchase of a new police vehicle. Terms include 35 payments due monthly in the amount of \$600, which includes interest at 3.99% and one balloon payment of the entire unpaid balance of principal and interest due September 12, 2017. The loan matured and was paid in full during fiscal year ended September 30, 2014.

Debt Service Requirements

Debt service requirements at September 30, 2014 were as follows:

Year Ended September 30,	Principal	Interest	Total
2015	\$ 40,559	\$ 7,128	\$ 47,687
2016	45,785	5,405	51,190
2017	72,320	3,574	75,894
2018	40,000	798	40,798
Total	<u>\$ 198,664</u>	<u>\$ 16,905</u>	<u>\$ 215,569</u>

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note F – Operating Leases

The Town leases office equipment under a non-cancellable operating lease. Total expenditures for the operating lease for the year ended September 30, 2014 were \$2,652.

The future minimum lease payments for the non-cancellable operating lease are as follows:

Year Ended September 30,	Principal
2015	\$ 2,652
2016	1,105
Total	<u>\$ 3,757</u>

Note G – Pension Plan

Plan Description

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

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

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note G – Pension Plan (Continued)

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 December 31, 2013 valuation; previously, the Projected Unit Credit actuarial 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 town. 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 Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$	7,567
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
Annual Pension Cost (APC)		<u>7,567</u>
Contributions Made		<u>(7,567)</u>
Increase (decrease) in net pension		-
Net Pension Obligation/(Asset), beginning of year		<u>-</u>
Net Pension Obligation/(Asset), end of year	\$	<u><u>-</u></u>

Three-year trend information:

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC contributed	Net Pension Obligation (Asset)
2012	\$ 5,009	\$ 5,009	100%	\$ -
2013	\$ 4,157	\$ 4,157	100%	\$ -
2014	\$ 7,567	\$ 7,567	100%	\$ -

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note G – Pension Plan (Continued)

Contributions (Continued)

The required contributions 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>December 31, 2011</u>	<u>December 31, 2012</u>	<u>December 31, 2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortizaion Period	21.0 years; closed period	20.1 years; closed period	18.0 years; closed period
Amortization Period for new Gains/Losses	9 years	7 years	9 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	0%	0%	0%

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).

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note G – Pension Plan (Continued)

Contributions (Continued)

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

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) = (1) / (2)	Unfunded AAL (UAAL) (4) = (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) = (4) / (5)
12/31/2013	\$ 174,708	\$ 228,464	76.5%	\$ 53,756	\$ 124,130	43.3%

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, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits

The Town also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town 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 Town 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.

TOWN OF SAN FELIPE, TEXAS

Notes to the Financial Statements
September 30, 2014

Note G – Pension Plan (Continued)

Supplemental Death Benefits (Continued)

The Town's contributions to the TMRS SDBF for the years ending September 30, 2014, 2013, and 2012 were \$295, \$197, and \$261, respectively, which equaled the required contributions each year.

Note H – Net Position

Implementation of New Accounting Principles

Governmental Accounting Standards Board Statement No. 65

The Town adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement modifies financial reporting of certain assets and liabilities to be reclassified as deferred outflows of resources or deferred inflows of resources. This statement mandates that debt issuance costs, which had previously been capitalized and amortized over the life of the related debt, be expensed as incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any items that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from uncollected property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF SAN FELIPE, TEXAS

Required Supplemental Information
 Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
 General Fund
 For the Year Ended September 30, 2014

	Budget Amounts		2014 Actual (Budget Basis)	Variance With Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ 130,000	\$ 130,000	\$ 135,620	\$ 5,620
Sales, Franchise and Other Taxes	331,300	331,300	431,741	100,441
Permits and Licenses	1,500	1,500	780	(720)
Fines and Forfeiture	15,000	15,000	19,542	4,542
Interest on Investments	20,125	20,125	13,798	(6,327)
Other Revenue	25,600	25,600	15,204	(10,396)
Total Revenues	<u>523,525</u>	<u>523,525</u>	<u>616,685</u>	<u>93,160</u>
EXPENDITURES				
Administrative and Personnel	345,200	355,200	381,785	(26,585)
Public Safety	45,430	10,230	61,085	(50,855)
Public Works	113,000	132,155	131,462	693
Total Expenditures	<u>503,630</u>	<u>497,585</u>	<u>574,332</u>	<u>(76,747)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	43,664	43,664	-
Total other financing sources (uses)	<u>-</u>	<u>43,664</u>	<u>43,664</u>	<u>-</u>
Net Change in Fund Balances	<u>19,895</u>	<u>69,604</u>	<u>86,017</u>	<u>16,413</u>
Fund Balances - Beginning of Year	<u>1,473,110</u>	<u>1,473,110</u>	<u>1,473,110</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 1,493,005</u>	<u>\$ 1,542,714</u>	<u>\$ 1,559,127</u>	<u>\$ 16,413</u>

TOWN OF SAN FELIPE, TEXAS

Required Supplemental Information
Notes to the Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2014

Note A – Budgetary Procedures

The following procedures are followed in establishing the budgetary data:

- a. Prior to the beginning of the fiscal year, the Town prepares a budget for the next succeeding fiscal year.
- b. A meeting of the Town Council is then called for the purpose of adopting the proposed budget.
- c. Prior to the start of the next fiscal year, the budget is legally enacted through passage of an ordinance by the Town Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Town Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Town Council, and are not made after fiscal year end.

Note B – Excess of Expenditures Over Appropriations

Actual expenditures exceeded appropriations by \$76,747 for the year ended September 30, 2014 in the General Fund. This was mainly due to the purchase of necessary Police and Public Works department vehicles.

TOWN OF SAN FELIPE, TEXAS

Required Supplemental Information

Texas Municipal Retirement System Schedule of Funding Progress (Unaudited)

For the Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (2)	Funded Ratio (3) = (1) / (2)	Unfunded AAL (UAAL) (4) = (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (6) = (4) / (5)
12/31/2011	\$ 134,145	\$ 180,889	74.2%	\$ 46,744	\$ 138,455	33.8%
12/31/2012	\$ 154,463	\$ 190,741	81.0%	\$ 36,278	\$ 124,599	29.1%
12/31/2013	\$ 174,708	\$ 228,464	76.5%	\$ 53,756	\$ 124,130	43.3%

SUPPLEMENTAL INFORMATION

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

To the Honorable Mayor and Town Council
Town of San Felipe, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Town of San Felipe, Texas (the Town) as of and for the year ended September 30, 2014, and related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated September 30, 2015.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

San Antonio, Texas
September 30, 2015

