

**CITY OF BLUE RIDGE, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**



**Cleveland Petty & Company, PC**  
**Certified Public Accountants**



**City of Blue Ridge, Texas  
Annual Financial Report  
For the Year Ended September 30, 2016**

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**City of Blue Ridge, Texas  
List of Principal Officials  
September 30, 2016**

**OFFICIALS**

Mayor ..... Rhonda Williams  
Mayor Pro-Tem ..... Christina Porath  
Council Member ..... Wendy Mattingly  
Council Member ..... JB Brown  
Council Member ..... Amber Wood  
Council Member ..... Kevin Bell  
City Secretary ..... Nacy Southard

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## FINANCIAL SECTION



# Cleveland Petty & Company, PC

Certified Public Accountants

Valerie L Cleveland, CPA MAC  
Victoria L Petty, CPA

Members of:  
American Institute of  
Certified Public Accountants  
Texas Society of  
Certified Public Accountants

## Independent Auditor's Report

To the City Council  
City of Blue Ridge, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the remaining aggregate funds of the City of Blue Ridge, Texas, as of and for the year ended September 30, 2016, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 units, each major fund, and the aggregate remaining funds of the City of Blue Ridge, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9 through 18 and page 53 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. These supplementary schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

*Cleveland Petty & Company, PC*

Cleveland Petty & Company, PC  
Certified Public Accountants

May 2, 2017



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**REQUIRED SUPPLEMENTARY INFORMATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**



## Management's Discussion and Analysis

As management for the City of Blue Ridge, Texas, we offer readers of the City's financial statements this overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2016. This discussion should be read in conjunction with the financial statements and related notes.

### **FINANCIAL HIGHLIGHTS:**

- Government-wide net position reported in the Statement of Activities is \$2,479,987. Of this amount \$2,318,380 is invested in capital assets, non-spendable, committed or restricted, leaving \$161,607 of unrestricted net position.
- Government-wide net position decreased by \$151,782 during 2016.
- Each of the City's fund financial statements reported changes in equity as follows:
  - General Fund - \$31,933 increase
  - Debt Service Fund – No increase or decrease
  - Water & Sewer Fund - \$157,744 decrease

### **USING THIS ANNUAL REPORT:**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the City as a whole and present a long-term view of the City's financial condition. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. Governmental fund statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for funding requests. Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and sewer system. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosures for the government-wide statements and the fund financial statements.



## **REPORTING THE CITY AS A WHOLE-GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

### **The Statement of Net Position and the Statement of Activities**

Government-wide financial statements provide an analysis of the City's overall financial condition and operations. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions and 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current year or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provides one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities:

*Governmental Activities* – Most of the City's services are reported here, including, administration, judicial, public works, police, and infrastructure. These activities are principally supported by taxes and intergovernmental revenues.

*Business-type Activities* – The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system, and solid waste operations are reported here.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS:**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds. The City's administration establishes funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary use different accounting approaches.

*Governmental Funds* – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City’s general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules found directly following each of the governmental fund financial statements.

*Proprietary Funds* – The Proprietary/Enterprise fund is used to account for operations that are financed in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water and sewer, and solid waste services to the general public on a continuing basis are financed through user charges.

### **FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS:**

In the government-wide financial statements, net position serves as one useful indicator of a government’s financial position. In the case of the City, combined net position exceeded liabilities by \$2,479,987 and \$2,631,769 at the close of FY 2016 and 2015, respectively.

The combined net position of the City’s activities decreased from \$2,631,769 to \$2,479,987 or \$151,782 during 2016. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements were \$161,607.

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

As the City completed the year, its governmental funds \$146,206 and proprietary funds \$1,986,490 reported combined fund balance and net position of \$2,132,696, a decrease of \$(125,811) over last year.

### **CAPITAL ASSET AND DEBT ADMINISTRATION:**

*Capital Assets* – the City’s investment in capital assets, net of related debt, reported in governmental activities and business-type activities was \$346,755 and \$1,891,781, respectively. This investment in capital assets includes land, buildings and improvements, infrastructure, equipment and vehicles. The change in the City’s net investment in capital assets for the current fiscal year was \$(16,092) and \$(42,344) in each of the respective activities.

*Long-term Debt* – at year-end the City had \$1,174,201 in debt outstanding which represents a decrease of \$49,112 from the prior year.



**BUDGETARY HIGHLIGHTS & ECONOMIC FACTORS:**

The annual budget is developed to provide efficient, effective, and economic uses of the City's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the City Council and administration set the direction of the City, allocate its resources and establish its priorities.

The City annually reviews all of its fees as part of the budget adoption process. Fees for general government, as well as user charges for the utilities are evaluated and, if needed, adjusted to meet the needs of the operations of the systems. The budget is adopted and a tax rate is approved to meet the demands of the budget. For 2017, rates set for fees and taxes are similar to the current year.

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact Rhonda Williams, Mayor for the City.



**CITY OF BLUE RIDGE, TEXAS**  
**COMPARATIVE STATEMENTS OF NET POSITION**

|                                  | <b>Governmental Activities</b> |                   | <b>Business-type Activities</b> |                     | <b>Total</b>        |                     |
|----------------------------------|--------------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
|                                  | <b>2016</b>                    | <b>2015</b>       | <b>2016</b>                     | <b>2015</b>         | <b>2016</b>         | <b>2015</b>         |
| <b>ASSETS</b>                    |                                |                   |                                 |                     |                     |                     |
| Current and other assets         | \$ 177,131                     | \$ 150,220        | \$ 211,057                      | \$ 299,121          | \$ 388,188          | \$ 449,341          |
| Capital assets, net              | 376,161                        | 396,147           | 3,036,576                       | 3,124,138           | 3,412,737           | 3,520,285           |
| <b>Total Assets</b>              | <b>\$ 553,292</b>              | <b>\$ 546,367</b> | <b>\$ 3,247,633</b>             | <b>\$ 3,423,259</b> | <b>\$ 3,800,925</b> | <b>\$ 3,969,626</b> |
| <b>LIABILITIES</b>               |                                |                   |                                 |                     |                     |                     |
| Other liabilities                | \$ 30,389                      | \$ 25,532         | \$ 140,253                      | \$ 111,790          | \$ 170,642          | \$ 137,322          |
| Long-term debt                   | 29,406                         | 33,300            | 1,120,890                       | 1,167,235           | 1,150,296           | 1,200,535           |
| <b>Total Liabilities</b>         | <b>\$ 59,795</b>               | <b>\$ 58,832</b>  | <b>\$ 1,261,143</b>             | <b>\$ 1,279,025</b> | <b>\$ 1,320,938</b> | <b>\$ 1,337,857</b> |
| <b>NET POSITION</b>              |                                |                   |                                 |                     |                     |                     |
| Net investment in capital assets | \$ 346,755                     | \$ 362,847        | \$ 1,891,781                    | \$ 1,934,125        | \$ 2,238,536        | \$ 2,296,972        |
| Restricted                       | 196                            | 196               | 79,648                          | 150,429             | 79,844              | 150,625             |
| Unrestricted                     | 146,546                        | 124,492           | 15,061                          | 59,680              | 161,607             | 184,172             |
| <b>Total Net Position</b>        | <b>\$ 493,497</b>              | <b>\$ 487,535</b> | <b>\$ 1,986,490</b>             | <b>\$ 2,144,234</b> | <b>\$ 2,479,987</b> | <b>\$ 2,631,769</b> |



**CITY OF BLUE RIDGE, TEXAS**  
**COMPARATIVE STATEMENTS OF ACTIVITIES**

|   | <b>Governmental Activities</b> |                   | <b>Business-type Activities</b> |                     | <b>Total</b>        |                     |
|---|--------------------------------|-------------------|---------------------------------|---------------------|---------------------|---------------------|
|   | <b>2016</b>                    | <b>2015</b>       | <b>2016</b>                     | <b>2015</b>         | <b>2016</b>         | <b>2015</b>         |
| Program revenues:                       |                                |                   |                                 |                     |                     |                     |
| Charges for services                    | \$ 9,729                       | \$ 34,174         | \$ 440,879                      | \$ 427,229          | \$ 450,608          | \$ 461,403          |
| Operating grants/contributions          |                                |                   |                                 |                     |                     |                     |
| Capital grants/contributions            |                                |                   |                                 |                     |                     |                     |
| General revenues:                       |                                |                   |                                 |                     |                     |                     |
| Ad valorem taxes                        | 160,492                        | 161,720           |                                 |                     | 160,492             | 161,720             |
| Sales taxes                             | 85,019                         | 71,142            |                                 |                     | 85,019              | 71,142              |
| Franchise Taxes                         | 32,403                         | 34,397            |                                 |                     | 32,403              | 34,397              |
| Other                                   | 10,608                         | 277,067           | 240                             | 258                 | 10,848              | 277,325             |
| Total revenues                          | \$ 298,251                     | \$ 578,500        | \$ 441,119                      | \$ 427,487          | \$ 739,370          | \$ 1,005,987        |
| Expenses:                               |                                |                   |                                 |                     |                     |                     |
| Administration                          | \$ 273,082                     | \$ 247,469        | \$ -                            | \$ -                | \$ 273,082          | \$ 247,469          |
| Public works                            | 19,207                         | 41,945            |                                 |                     | 19,207              | 41,945              |
| Water and Sewer Services                |                                |                   | 598,863                         | 533,053             | 598,863             | 533,053             |
| Total Expenses                          | \$ 292,289                     | \$ 289,414        | \$ 598,863                      | \$ 533,053          | \$ 891,152          | \$ 822,467          |
| Excess (deficiency)<br>before transfers | \$ 5,962                       | \$ 289,086        | \$ (157,744)                    | \$ (105,566)        | \$ (151,782)        | \$ 183,520          |
| Operating transfers                     | \$ -                           | \$ (163,741)      | \$ -                            | \$ 160,508          | \$ -                | \$ (3,233)          |
| <b>Change in Net Position</b>           | <b>\$ 5,962</b>                | <b>\$ 125,345</b> | <b>\$ (157,744)</b>             | <b>\$ 54,942</b>    | <b>\$ (151,782)</b> | <b>\$ 180,287</b>   |
| <b>Net position - October 1</b>         | <b>487,535</b>                 | <b>362,190</b>    | <b>2,144,234</b>                | <b>2,089,292</b>    | <b>2,631,769</b>    | <b>2,451,482</b>    |
| <b>Net position - September 30</b>      | <b>\$ 493,497</b>              | <b>\$ 487,535</b> | <b>\$ 1,986,490</b>             | <b>\$ 2,144,234</b> | <b>\$ 2,479,987</b> | <b>\$ 2,631,769</b> |

**CITY OF BLUE RIDGE, TEXAS  
COMPARATIVE BALANCE SHEETS  
GOVERNMENTAL FUNDS  
September 30, 2016 and 2015**

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|   | <u>2016</u>                  | <u>2015</u>                  |
|---|------------------------------|------------------------------|
| <b><u>ASSETS</u></b>                            |                              |                              |
| Cash and cash equivalents                       | \$ 141,608                   | \$ 73,055                    |
| Sales and franchise taxes receivable            | 39,654                       | 36,751                       |
| Property taxes receivable, net                  | 2,371                        | 12,695                       |
| Other receivable                                | -                            | 27,719                       |
| <b>Total Assets</b>                             | <b><u>\$ 183,633</u></b>     | <b><u>\$ 150,220</u></b>     |
| <br><b><u>LIABILITIES AND FUND BALANCES</u></b> |                              |                              |
| <b><u>LIABILITIES</u></b>                       |                              |                              |
| Accounts payable                                | \$ 12,540                    | \$ 4,002                     |
| Accrued payroll liabilities                     | 832                          | 3,137                        |
| Due to enterprise fund                          | 6,502                        |                              |
| Due to component unit                           | 15,182                       | 16,113                       |
| Current portion of note payable                 | -                            | -                            |
| <b>Total Liabilities</b>                        | <b><u>\$ 35,056</u></b>      | <b><u>\$ 23,252</u></b>      |
| <br><b><u>DEFERRED INFLOWS OF RESOURCES</u></b> |                              |                              |
| Unavailable revenue                             | 2,371                        | 12,695                       |
| <b>Total deferred inflows of resources</b>      | <b><u>\$ 2,371</u></b>       | <b><u>\$ 12,695</u></b>      |
| <br><b><u>FUND BALANCES</u></b>                 |                              |                              |
| Restricted                                      | \$ 196                       | \$ 196                       |
| Unassigned                                      | 146,010                      | 114,077                      |
| <b>Total Fund Balances</b>                      | <b><u>\$ 146,206</u></b>     | <b><u>\$ 114,273</u></b>     |
| <br><b>Total Liabilities and Fund Balances</b>  | <br><b><u>\$ 183,633</u></b> | <br><b><u>\$ 150,220</u></b> |

**CITY OF BLUE RIDGE, TEXAS**  
**Comparative Statements of Revenues, Expenditures, and Changes in Net Position**  
**Governmental Fund**  
**Years Ended September 30, 2016 and 2015**

|  | <u>2016</u>              | <u>2015</u>               |
|--|--------------------------|---------------------------|
| <b>REVENUES:</b>   |                          |                           |
| Ad valorem taxes   | \$ 170,816               | \$ 162,291                |
| Franchise taxes  | 32,403                   | 34,397                    |
| Sales tax  | 85,019                   | 71,142                    |
| Permits  | 9,729                    | 34,174                    |
| Other income   | 10,606                   | 2,068                     |
| <b>Total Revenues</b>                                    | <u><u>\$ 308,573</u></u> | <u><u>\$ 304,072</u></u>  |
| <b>EXPENDITURES:</b>                                     |                          |                           |
| Administration   | \$ 246,126               | \$ 232,672                |
| Public works   | 19,207                   | 27,592                    |
| <b>Debt Service:</b>                                     |                          |                           |
| Principal  | 3,892                    | 4,133                     |
| Interest   | 986                      | 1,117                     |
| Capital outlay   | 6,429                    | 61,950                    |
| <b>Total Expenditures</b>                                | <u><u>\$ 276,640</u></u> | <u><u>\$ 327,464</u></u>  |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u><u>\$ 31,933</u></u>  | <u><u>\$ (23,392)</u></u> |
| <b>OTHER FINANCING SOURCES (USES):</b>                   |                          |                           |
| Proceeds from legal settlement                           | -                        | 275,000                   |
| Operating transfers                                      | -                        | (163,741)                 |
| <b>Total Other Financing Sources (Uses)</b>              | <u><u>\$ -</u></u>       | <u><u>\$ 111,259</u></u>  |
| <b>Net change in fund balances</b>                       | <u><u>\$ 31,933</u></u>  | <u><u>\$ 87,867</u></u>   |
| <b>Net position, October 1</b>                           | <u><u>117,153</u></u>    | <u><u>26,406</u></u>      |
| <b>Net position, September 30</b>                        | <u><u>\$ 149,086</u></u> | <u><u>\$ 114,273</u></u>  |

**CITY OF BLUE RIDGE, TEXAS**  
**COMPARATIVE STATEMENTS OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**September 30, 2016 and 2015**

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|   | <b>2016</b>              | <b>2015</b>              |
|---|--------------------------|--------------------------|
|   | <b>Enterprise Fund</b>   | <b>Enterprise Fund</b>   |
|   | <b>Water &amp; Sewer</b> | <b>Water &amp; Sewer</b> |
|   | <b>Activities</b>        | <b>Activities</b>        |
| <b>ASSETS</b>                                   |                          |                          |
| Cash and cash equivalents                       | \$ 69,266                | \$ 92,474                |
| Certificates of deposit                         | -                        | 14,510                   |
| Accounts receivable, net                        | 55,641                   | 41,708                   |
| Due from primary government                     | 6,502                    |                          |
| <b>Restricted assets:</b>                       |                          |                          |
| Cash and cash equivalents                       | 56,066                   | 126,989                  |
| Certificates of deposit                         | 23,582                   | 23,440                   |
| <b>Total current assets</b>                     | <b>\$ 211,057</b>        | <b>\$ 299,121</b>        |
| <b>Capital Assets:</b>                          |                          |                          |
| Land  | 31,079                   | 31,079                   |
| Water & sewer infrastructure                    | 4,027,279                | 4,027,279                |
| Equipment                                       | 15,561                   | 15,561                   |
| Vehicles  | 17,429                   | 11,000                   |
| Less accumulated depreciation                   | (1,054,772)              | (960,781)                |
| <b>Capital Assets, net</b>                      | <b>3,036,576</b>         | <b>3,124,138</b>         |
| <b>Total assets</b>                             | <b>\$ 3,247,633</b>      | <b>\$ 3,423,259</b>      |
| <b>LIABILITIES</b>                              |                          |                          |
| Accounts payable                                | \$ 12,113                | \$ 106                   |
| Accrued payroll liabilities                     | 21,827                   | 5,695                    |
| Compensated absences                            | 2,697                    | 1,784                    |
| Meter deposits payable                          | 52,971                   | 54,687                   |
| <b>Payable from restricted assets:</b>          |                          |                          |
| Accrued interest payable                        | 26,740                   | 26,740                   |
| Notes payable - current                         | 3,905                    | 3,778                    |
| Bonds payable - current                         | 20,000                   | 19,000                   |
| <b>Total current liabilities</b>                | <b>140,253</b>           | <b>111,790</b>           |
| Notes payable - long-term                       | 1,330                    | 5,235                    |
| Bonds payable - long-term                       | 1,119,560                | 1,162,000                |
| <b>Total non-current liabilities</b>            | <b>1,120,890</b>         | <b>1,167,235</b>         |
| <b>Total liabilities</b>                        | <b>\$ 1,261,143</b>      | <b>\$ 1,279,025</b>      |
| <b>NET POSITION</b>                             |                          |                          |
| Invested in capital assets, net of related debt | \$ 1,891,781             | \$ 1,934,125             |
| Restricted for debt service                     | 79,648                   | 150,429                  |
| Unrestricted                                    | 15,061                   | 59,680                   |
| <b>Total Net Position</b>                       | <b>\$ 1,986,490</b>      | <b>\$ 2,144,234</b>      |

**CITY OF BLUE RIDGE, TEXAS**  
**Comparative Statements of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Years Ended September 30, 2016 and 2015**

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|  | <b>2016</b><br><b>Enterprise Fund</b><br><b>Water and</b><br><b>Sewer</b> | <b>2015</b><br><b>Enterprise Fund</b><br><b>Water and</b><br><b>Sewer</b> |
|--|---|---|
| <b>OPERATING REVENUES:</b>                               |   |   |
| Water, sewer and trash sales                             | \$ 440,857  | \$ 427,163  |
| Other fees   | 22  | 66  |
| <b>Total Operating Revenues</b>                          | <b>\$ 440,879</b>   | <b>\$ 427,229</b>   |
| <b>OPERATING EXPENSES:</b>                               |   |   |
| Salaries, taxes, and benefits                            | 166,140   | 124,588   |
| Dues, subscriptions and permits                          | 3,401   | 2,316   |
| Garbage collection                                       | 80,856  | 64,075  |
| Repairs and facility maintenance                         | 102,548   | 58,022  |
| Utilities and telephone                                  | 37,829  | 36,643  |
| Water/Sewer testing                                      | 7,036   | 9,627   |
| Chemicals  | 6,201   | 2,959   |
| Conservation   | 3,331   | 3,538   |
| Depreciation and amortization                            | 93,991  | 94,276  |
| Other expense  | 41,279  | 78,088  |
| <b>Total Operating Expenses</b>                          | <b>\$ 542,612</b>   | <b>\$ 474,132</b>   |
| <b>Operating Income (Loss)</b>                           | <b>\$ (101,733)</b>   | <b>\$ (46,903)</b>  |
| <b>NONOPERATING REVENUES (EXPENSES):</b>                 |   |   |
| Interest income  | \$ 240  | \$ 258  |
| Capital grant proceeds                                   | -   | -   |
| Interest and fiscal charges                              | (56,251)  | (58,921)  |
| <b>Total Nonoperating Revenues (Expenses)</b>            | <b>\$ (56,011)</b>  | <b>\$ (58,663)</b>  |
| <b>Income (loss) before capital grants and transfers</b> | <b>\$ (157,744)</b>   | <b>\$ (105,566)</b>   |
| Operating transfers                                      | \$ -  | \$ 160,508  |
| <b>Change in net position</b>                            | <b>\$ (157,744)</b>   | <b>\$ 54,942</b>  |
| <b>Net position, October 1</b>                           | <b>2,144,234</b>  | <b>2,089,292</b>  |
| <b>Net position, September 30</b>                        | <b>\$ 1,986,490</b>   | <b>\$ 2,144,234</b>   |



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## BASIC FINANCIAL STATEMENTS



**CITY OF BLUE RIDGE, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2016**

|   | Primary Government         |                             |                                |                    |
|---|----------------------------|-----------------------------|--------------------------------|--------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | Total<br>Primary<br>Government | Component<br>Units |
| <b>ASSETS</b>                                   |                            |                             |                                |                    |
| Cash and cash equivalents                       | \$ 141,412                 | \$ 69,266                   | \$ 210,678                     | \$ -               |
| Certificates of deposit                         |                            | -                           | -                              |                    |
| Sales and franchise taxes receivable            | 39,654                     |                             | 39,654                         |                    |
| Property taxes receivable, net                  | 2,371                      |                             | 2,371                          |                    |
| Accounts receivable, net                        | -                          | 55,641                      | 55,641                         |                    |
| Due from primary government                     | (6,502)                    | 6,502                       |                                | 15,182             |
| <b>Restricted assets:</b>                       |                            |                             |                                |                    |
| Cash and cash equivalents                       | 196                        | 56,066                      | 56,262                         | 136,376            |
| Certificates of deposit                         |                            | 23,582                      | 23,582                         |                    |
| <b>Capital assets:</b>                          |                            |                             |                                |                    |
| Capital assets, not being depreciated           | 20,000                     | 31,079                      | 51,079                         | 52,588             |
| Capital assets, net of accumulated depreciation | 356,161                    | 3,005,497                   | 3,361,658                      | 250,037            |
| <b>Total Assets</b>                             | <b>\$ 553,292</b>          | <b>\$ 3,247,633</b>         | <b>\$ 3,800,925</b>            | <b>\$ 454,183</b>  |
| <b>LIABILITIES</b>                              |                            |                             |                                |                    |
| Accounts payable                                | \$ 12,540                  | \$ 12,113                   | \$ 24,653                      | \$ 5,684           |
| Accrued payroll liabilities                     | 832                        | 21,827                      | 22,659                         |                    |
| Compensated absences                            | 1,835                      | 2,697                       | 4,532                          |                    |
| Due to component units                          | 15,182                     |                             | 15,182                         |                    |
| Meter deposits payable                          |                            | 52,971                      | 52,971                         |                    |
| <b>Payable from restricted assets:</b>          |                            |                             |                                |                    |
| Accrued interest payable                        |                            | 26,740                      | 26,740                         |                    |
| <b>Long-term liabilities:</b>                   |                            |                             |                                |                    |
| Notes payable - Due within one year             | 4,400                      | 3,905                       | 8,305                          | 13,219             |
| Bonds payable - Due within one year             |                            | 20,000                      | 20,000                         |                    |
| Notes payable - Due in more than one year       | 25,006                     | 1,330                       | 26,336                         | 189,093            |
| Bonds payable - Due in more than one year       |                            | 1,119,560                   | 1,119,560                      |                    |
| <b>Total Liabilities</b>                        | <b>\$ 59,795</b>           | <b>\$ 1,261,143</b>         | <b>\$ 1,320,938</b>            | <b>\$ 207,996</b>  |
| <b>NET POSITION</b>                             |                            |                             |                                |                    |
| Net investment in capital assets                | \$ 346,755                 | \$ 1,891,781                | \$ 2,238,536                   | \$ 100,313         |
| Restricted for:                                 |                            |                             |                                |                    |
| Debt payment                                    | 196                        | 79,648                      | 79,844                         |                    |
| Library   |                            |                             |                                | 5,934              |
| Economic Development                            |                            |                             |                                | 29,355             |
| Community Development                           |                            |                             |                                | (100,119)          |
| Unassigned                                      | 146,546                    | 15,061                      | 161,607                        | 210,704            |
| <b>Total Net Position</b>                       | <b>\$ 493,497</b>          | <b>\$ 1,986,490</b>         | <b>\$ 2,479,987</b>            | <b>\$ 246,187</b>  |

The accompanying notes are an integral part of these financial statements



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The accompanying notes are an integral part of these financial statements

**CITY OF BLUE RIDGE, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**September 30, 2016**

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|   | General           | Debt Service<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|-----------------------|--------------------------------|
| <b>ASSETS</b>   |                   |                       |                                |
| Cash and cash equivalents   | \$ 141,412        | \$ 196                | \$ 141,608                     |
| Sales and franchise taxes receivable  | 39,654            |                       | 39,654                         |
| Property taxes receivable, net  | 2,371             |                       | 2,371                          |
| Other receivable  | -                 |                       | -                              |
| <b>Total assets</b>   | <b>\$ 183,437</b> | <b>\$ 196</b>         | <b>\$ 183,633</b>              |
| <b>LIABILITIES</b>  |                   |                       |                                |
| Accounts payable  | \$ 12,540         | \$ -                  | \$ 12,540                      |
| Accrued payroll liabilities   | 832               |                       | 832                            |
| Due to enterprise fund  | 6,502             |                       | 6,502                          |
| Due to component units  | 15,182            |                       | 15,182                         |
| <b>Total liabilities</b>  | <b>\$ 35,056</b>  | <b>\$ -</b>           | <b>\$ 35,056</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                   |                       |                                |
| Unavailable revenue   | 2,371             | -                     | 2,371                          |
| <b>Total deferred inflows of resources</b>  | <b>\$ 2,371</b>   | <b>\$ -</b>           | <b>\$ 2,371</b>                |
| <b>FUND BALANCES</b>  |                   |                       |                                |
| Restricted for:   |                   |                       |                                |
| Debt Service  | \$ -              | \$ 196                | 196                            |
| Unassigned  | 146,010           |                       | 146,010                        |
| <b>Total fund balances</b>  | <b>\$ 146,010</b> | <b>\$ 196</b>         | <b>\$ 146,206</b>              |
| <b>Total liabilities deferred inflows of resources<br/>and fund balances</b>  | <b>\$ 183,437</b> | <b>\$ 196</b>         | <b>\$ 183,633</b>              |
| <b>Governmental fund balance as presented above:</b>  |                   |                       | <b>146,206</b>                 |
| <b>Amounts presented for governmental activities in the statement of<br/>net assets are different because:</b>  |                   |                       |                                |
| Capital assets reported in the statement of net assets are not<br>current financial resources and are not reported in the fund balance sheet.   |                   |                       | 376,161                        |
| Other long-term assets (receivables) are not available to pay current-period<br>expenditures and, therefore, are deferred in the funds. These include<br>deferred property taxes of \$2,371 |                   |                       | 2,371                          |
| Long-term liabilities are reported in the statement of net<br>assets but they are not due and payable in the current period   |                   |                       | (31,241)                       |
| <b>Net Position of Governmental Activities</b>  |                   |                       | <b>\$ 493,497</b>              |

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

**CITY OF BLUE RIDGE, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Fund**  
**Year Ended September 30, 2016**

|  | <u>General<br/>Fund</u>  | <u>Debt<br/>Service</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|--------------------------|-------------------------|---|
| <b>REVENUES:</b>   |                          |                         |   |
| Ad valorem taxes   | \$ 170,816               | \$                      | \$ 170,816                              |
| Franchise taxes  | 32,403                   |                         | 32,403                                  |
| Sales tax  | 85,019                   |                         | 85,019                                  |
| Permits  | 9,729                    |                         | 9,729                                   |
| Other income   | 10,606                   | -                       | 10,606                                  |
| <b>Total Revenues</b>                                    | <u><u>\$ 308,573</u></u> | <u><u>\$ -</u></u>      | <u><u>\$ 308,573</u></u>                |
| <b>EXPENDITURES:</b>                                     |                          |                         |   |
| <b>Current:</b>  |                          |                         |   |
| Administration   | \$ 246,126               | \$ -                    | \$ 246,126                              |
| Public works   | 19,207                   |                         | 19,207                                  |
| <b>Debt Service:</b>                                     |                          |                         |   |
| Principal  | 3,892                    |                         | 3,892                                   |
| Interest   | 986                      |                         | 986                                     |
| Capital outlay   | 6,429                    |                         | 6,429                                   |
| <b>Total Expenditures</b>                                | <u><u>\$ 276,640</u></u> | <u><u>\$ -</u></u>      | <u><u>\$ 276,640</u></u>                |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <u><u>\$ 31,933</u></u>  | <u><u>\$ -</u></u>      | <u><u>\$ 31,933</u></u>                 |
| <b>OTHER FINANCING SOURCES (USES):</b>                   |                          |                         |   |
| <b>Total Other Financing Sources (Uses)</b>              | <u><u>\$ -</u></u>       | <u><u>\$ -</u></u>      | <u><u>\$ -</u></u>                      |
| <b>Income (loss) before transfers</b>                    | \$ 31,933                | \$ -                    | \$ 31,933                               |
| Operating transfers                                      | -                        | -                       | -                                       |
| <b>Net change in fund position</b>                       | \$ 31,933                | \$ -                    | \$ 31,933                               |
| <b>Net position at beginning of year</b>                 | 114,077                  | 3,076                   | 117,153                                 |
| <b>Net position at end of year</b>                       | <u><u>\$ 146,010</u></u> | <u><u>\$ 3,076</u></u>  | <u><u>\$ 149,086</u></u>                |

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

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**CITY OF BLUE RIDGE, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balance of Governmental Fund**  
**to the Statement of Activities**  
**Year Ended September 30, 2016**

**Net change in fund balance - Governmental fund**

|   |                        |
|---|------------------------|
| <b>Amounts reported for governmental activities in the statement of net assets</b>  | <b>\$ 31,933</b>       |
| <b>are different because:</b>   |                        |
| Governmental funds report capital outlays as expenditures, while in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense \$26,41 exceeded capital expenditures of \$(6,429) in the current period. | (19,986)               |
| Repayment of long-term debt is reported as an expenditure for governmental funds but is reported as a reduction of debt in the statement of activities.   | 3,893                  |
| Changes in the liability for compensated absences are reported as an increase or decrease to expense in the government-wide financial statements but are not reported in governmental funds if the amounts are not expected to be paid from current resources.  | 445                    |
| Revenues in the statement of activities that do not provide current resources are not reported as revenues in the funds. This includes the change in unavailable revenue of \$(10,323)  | (10,323)               |
| <b>Change in net position of governmental activities</b>  | <b><u>\$ 5,962</u></b> |

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



**CITY OF BLUE RIDGE, TEXAS**  
**Statement of Fund Net Position**  
**Proprietary Fund**  
**September 30, 2016**

|   | <u>Enterprise Fund</u><br><u>Water and</u><br><u>Sewer Fund</u> |
|---|---|
| <b>ASSETS</b>                                   |   |
| Cash and cash equivalents                       | \$ 69,266   |
| Certificates of deposit                         | -   |
| Accounts receivable, net                        | 55,641  |
| Due from primary government                     | 6,502   |
| <b>Restricted assets:</b>                       |   |
| Cash and cash equivalents                       | 56,066  |
| Certificates of deposit                         | 23,582  |
| <b>Total current assets</b>                     | <b>\$ 211,057</b>   |
| <b>Capital Assets:</b>                          |   |
| Land  | 31,079  |
| Water & sewer infrastructure                    | 4,027,279   |
| Equipment                                       | 15,561  |
| Vehicles  | 17,429  |
| Less accumulated depreciation                   | (1,054,772)   |
| <b>Capital Assets, net</b>                      | <b>\$ 3,036,576</b>   |
| <b>Total assets</b>                             | <b>\$ 3,247,633</b>   |
| <b>LIABILITIES</b>                              |   |
| Accounts payable                                | \$ 12,113   |
| Accrued payroll liabilities                     | 21,827  |
| Compensated absences                            | 2,697   |
| Meter deposits payable                          | 52,971  |
| <b>Payable from restricted assets:</b>          |   |
| Accrued interest payable                        | 26,740  |
| Notes payable - current                         | 3,905   |
| Bonds payable - current                         | 20,000  |
| <b>Total current liabilities</b>                | <b>\$ 140,253</b>   |
| Notes payable - long-term                       | \$ 1,330  |
| Bonds payable - long-term                       | 1,119,560   |
| <b>Total non-current liabilities</b>            | <b>\$ 1,120,890</b>   |
| <b>Total liabilities</b>                        | <b>\$ 1,261,143</b>   |
| <b>NET POSITION</b>                             |   |
| Invested in capital assets, net of related debt | \$ 1,891,781  |
| Restricted for debt service                     | 79,648  |
| Unrestricted                                    | 15,061  |
| <b>Total Net Position</b>                       | <b>\$ 1,986,490</b>   |

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

**CITY OF BLUE RIDGE, TEXAS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**Year Ended September 30, 2016**

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|   | <u>Enterprise Fund</u><br><u>Water and</u><br><u>Sewer Fund</u> |
|---|---|
| <b>OPERATING REVENUES:</b>                    |   |
| Water, sewer and trash fees                   | \$ 440,857  |
| Other fees                                    | 22  |
| <b>Total Operating Revenues</b>               | <u><u>\$ 440,879</u></u>  |
| <b>OPERATING EXPENSES:</b>                    |   |
| Salaries, taxes, and benefits                 | \$ 166,140  |
| Dues, subscriptions and permits               | 3,401   |
| Garbage collection                            | 80,856  |
| Repairs and facility maintenance              | 102,548   |
| Utilities and telephone                       | 37,829  |
| Water/Sewer testing                           | 7,036   |
| Chemicals                                     | 6,201   |
| Conservation                                  | 3,331   |
| Depreciation and amortization                 | 93,991  |
| Other expense                                 | 41,279  |
| <b>Total Operating Expenses</b>               | <u><u>\$ 542,612</u></u>  |
| <b>Operating Income (Loss)</b>                | <u><u>\$ (101,733)</u></u>                                      |
| <b>NONOPERATING REVENUES (EXPENSES):</b>      |   |
| Interest income                               | \$ 240  |
| Interest and fiscal charges                   | (56,251)  |
| <b>Total Nonoperating Revenues (Expenses)</b> | <u><u>\$ (56,011)</u></u>                                       |
| <b>Income (loss) before transfers</b>         | <u><u>\$ (157,744)</u></u>                                      |
| Operating transfers                           | <u>-</u>  |
| <b>Change in net position</b>                 | <u><u>\$ (157,744)</u></u>                                      |
| <b>Net position beginning of year</b>         | 2,144,234   |
| <b>Net position end of year</b>               | <u><u>\$ 1,986,490</u></u>                                      |

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

**CITY OF BLUE RIDGE, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2015**

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|   | <u>Enterprise Fund</u><br><u>Water and</u><br><u>Sewer Fund</u> |
|---|---|
| <b>Cash flows from operating activities:</b>                                |   |
| Cash received from customers and users                                      | \$ 431,732  |
| Cash paid to suppliers  | (252,298)   |
| Cash paid to employees  | (166,140)   |
| <b>Net cash provided (used) by operating activities</b>                     | <u>\$ 13,294</u>  |
| <b>Cash flows from noncapital financing activities:</b>                     |   |
| Operating transfer to general fund  | \$ -  |
| <b>Net cash provided (used) for noncapital financing activities</b>         | <u>\$ -</u>   |
| <b>Cash flows from capital and related financing activities:</b>            |   |
| Acquisition of capital assets   | \$ (6,429)  |
| Proceeds of notes payable   | -   |
| Principal payments - notes payable  | (3,778)   |
| Principal payments - bonds payable  | (41,440)  |
| Interest paid on debt   | (56,018)  |
| <b>Net cash provided (used) by capital and related financing activities</b> | <u>\$ (107,665)</u>   |
| <b>Cash flows from investing activities:</b>                                |   |
| Interest on deposits and investments  | \$ 240  |
| <b>Net cash provided (used) by investing activities</b>                     | <u>\$ 240</u>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>                 | <u>\$ (94,131)</u>  |
| <b>Cash and cash equivalents, October 1</b>                                 | <b>219,463</b>  |
| <b>Cash and cash equivalents, September 30</b>                              | <u><u>\$ 125,332</u></u>  |

(Continued)

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



**CITY OF BLUE RIDGE, TEXAS**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended September 30, 2015**

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**Reconciliation of Net Income to Net Cash Provided (Used)**  
**by Operating Activities**

|   | <u>Enterprise Fund</u><br><u>Water and</u><br><u>Sewer Fund</u> |
|---|---|
| <b>Operating income (loss)</b>  | <b>\$ (101,733)</b>   |
| <b>Adjustments to reconcile net income to net cash provided (used)</b><br><b>by operating activities:</b> |   |
| Depreciation  | 93,991  |
| Change in accounts receivable (net)   | (7,431)   |
| Change in customer deposits   | (1,716)   |
| Change in accounts payable  | 30,183  |
| Total Adjustments   | <u>\$ 115,027</u>   |
| <b>Net cash provided (used) by operating activities</b>   | <u><u>\$ 13,294</u></u>   |

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

**City of Blue Ridge, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2016**

**1. Introduction and Summary of Significant Accounting Policies:**

The financial statements of the City of Blue Ridge, Texas and its component units, Blue Ridge Economic Development Corporation (EDC) and Blue Ridge Community Development Corporation (CDC), collectively identified as the (“City”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City’s financial activities for the fiscal year ending September 30, 2016.

**(A) Reporting Entity and Related Organizations**

The City is a municipal corporation governed by an elected mayor and five member City Council. The City provides general administration, water and sewer, sanitation services, public works, police and judicial, and community development services to its residents.

The City Council has the authority to make decisions, appoint administrators and managers, significantly influence operations; and has the primary accountability for fiscal matters. The City is not included in any other governmental “reporting entity” as defined in Section 2100, codification of Governmental Accounting and Financial Reporting Standards.

In evaluating how to define the City, 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 in GASB Statements No. 14 and 39. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. In addition, component units may be included in the reporting entity based on the nature and significance of the relationship with the primary government, or based on being closely related or financially integrated with the primary government. Based on these criteria the City has the following component units at September 30, 2016:

**Discretely Presented Component Units:**

Blue Ridge Economic Development Corporation (BREDC) – BREDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the BREDC board for cause. BREDC is a nonprofit corporation governed by Section 4A of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering economic development within the City of Blue Ridge Texas.



## 1. Introduction and Summary of Significant Accounting Policies - continued:

Blue Ridge Community Development Corporation (BRCDC) - BRCDC serves all citizens of the government and is governed by a board appointed by the City Council. The City Council may remove the BRCDC board at will. BRCDC is a nonprofit corporation governed by Section 4B of the Texas Development Corporation Act of 1979 and organized for the public purpose of aiding, promoting and furthering community development within the City of Blue Ridge Texas.

### (B) Government-Wide and Fund Financial Statements

#### *Government-wide financial statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes, fines, and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenue includes: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### *Fund financial statements*

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds and enterprise funds are reported in separate columns. Other nonmajor funds are combined in a single column on the fund financial statements.

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The government-wide statements report using the *economic resources measurement focus* and the *accrual basis of accounting* generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

## 1. Introduction and Summary of Significant Accounting Policies - continued:

Governmental fund financial statements report using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and capital lease principal and interest which are reported as expenditures in the year due.

Major revenues sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, grant revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary fund are charges to customers for water and sewer sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

### (D) Fund Types and Major Funds

#### *Governmental Funds*

The City reports the following major governmental fund:

*General Fund* - reports as the primary operating fund of the City. This fund is used to account for all financial resources not reported in other funds.

*Debt Service Fund* – accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation debt.

#### *Proprietary Funds*

The City reports the following major proprietary fund:

*Water and Sewer Fund* - accounts for the operating activities of the City's water and sewer utilities services.



## 1. **Introduction and Summary of Significant Accounting Policies - continued:**

### **(E) Assets, Liabilities and Net Assets or Equity**

#### **Cash and Investments**

The City maintains non-pooled cash and certificates of deposit which are separately held and reflected in the respective individual funds. This non-pooled cash and certificates of deposit are displayed on its respective balance sheet as “cash and cash equivalents” and “certificates of deposit”.

Restricted cash and cash equivalents are restricted for debt service requirements (\$56,262).

Investments are reported at fair value determined as follows. Short-term, highly liquid investments are reported at cost, which approximates fair value. Cash deposits are reported at the carrying amount which reasonably estimates fair value.

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

#### **Inventories and Prepaids**

Inventories consisting of expendable supplies held for consumption in governmental funds are reported using the expenditure method. Under this method, amounts paid for these items are reported as expenditures when purchased. Inventories, when material, are recorded at cost stated on a first-in, first-out basis in the government-wide financial statements and proprietary fund statements.

Prepaids record payments to vendors that benefit future reporting periods and are reported on the consumption basis at cost. Prepaids are similarly reported in government-wide and fund financial statements.

#### **Capital Assets, Depreciation, and Amortization**

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost, or if historical cost is not available, they are stated at estimated historical cost. These assets are comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with a cost of \$1,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

## 1. **Introduction and Summary of Significant Accounting Policies - continued:**

Estimated useful lives, in years, for depreciable assets are as follows:

|                              |       |
|------------------------------|-------|
| Buildings and Improvements   | 20-40 |
| Water & Sewer Infrastructure | 10-50 |
| Equipment and Vehicles       | 5-20  |
| Road Infrastructure          | 15-30 |

### **Long-term Debt, Bond Discounts/Premiums, and Issuance Costs**

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. 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 premium or discount. Issuance costs, except any portion related to prepaid insurance costs (if applicable), are recognized as an expense in the period incurred.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

### **Compensated Absences**

Full-time employees earn vacation leave for each month of work performed. Progressive accrual of vacation leave is based on the number of years the individual is employed by the City. After completion of a probationary period of employment, accrued vacation leave is paid upon termination of employment.

Full-time employees also earn sick leave time. Unused sick leave is not paid upon termination of employment.

Compensated absences are reported as accrued in the government-wide, proprietary and component units fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and these are included in wages and benefits payable.

### **Fund Equity**

The City implemented GASB Statement 54 standards for the classification of fund balances in the governmental funds. The fund balances of governmental funds are defined as follows:

*Non-spendable* – amounts that cannot be spent either because they are in non-spendable form, such as inventory or prepaid items or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.



## 1. **Introduction and Summary of Significant Accounting Policies - continued:**

*Committed* – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through a formal resolution of the City Council.

*Assigned* – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for specific purposes that have been established by the City Council.

*Unassigned* – all other spendable amounts in the general fund.

The City Council delegates the responsibility to assign funds to the Mayor or other designee as determined by the Council. When expenditures are incurred for which both restricted and unrestricted fund balance is available the City considers restricted funds to have been spent first. Similarly, committed funds are considered to have been spent first when there is a choice for the use of less restricted funds, then assigned and then unassigned funds.

### **(F) Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a participant in the Texas Municipal League (TML) Employees Health Insurance Fund, Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The agreement provides that the trust established by TML will be self-sustaining through member premiums. The City pays annual premiums to TML for worker's compensation, general and auto liability, property damage, employee dishonesty, and public officials liability. The City does not anticipate any material additional insurance cost assessments as a result of participation in this risk management pool. There were no reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during any of the past three fiscal years.

### **(G) Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

### **(H) Deferred Inflows and Outflows of Resources**

Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources in the period that the amounts become available. The only item the City has that represents deferred inflows of resources in property tax revenue that is not available for revenue recognition in governmental funds.

## 1. **Introduction and Summary of Significant Accounting Policies - continued:**

Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The City has no items considered to be deferred outflows at year-end.

## 2. **Stewardship, Compliance, and Accountability:**

### **Budgetary Information**

The Mayor and the City Secretary submit an annual budget to the City Council in accordance with the laws of the State of Texas. The budget is presented to the City Council for review, budget workshops are held with the various City department officials, and public hearings are held to address priorities and the allocation of resources. Generally in August, the City Council adopts the annual fiscal year budgets for all City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and line item transfers are subject to final review by the City Council.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is to be incurred. The budget and actual required supplementary information is presented on this basis. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

## 3. **Deposits and Investments**

**Custodial credit risk** for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be fully secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health. Collateral agreements must be approved prior to deposit of funds. The City Council approves authorized depository institutions based on the recommendations of City management.

Deposits of the City are fully insured or collateralized with securities held by the reporting entity, its agent, or by the pledging financial institution's trust department or agent in the name of the reporting entity.



### 3. Deposits and Investments – continued

The city owned the following investments at September 30, 2016:

| Type of Investment      | Fair Value/<br>Carrying<br>Amount | Cost      | Credit<br>Rating (1) | Range of<br>Days to<br>Maturity |
|-------------------------|-----------------------------------|-----------|----------------------|---------------------------------|
| Proprietary Fund:       |                                   |           |                      |                                 |
| First National Bank CDs | \$ 23,582                         | \$ 23,582 |                      | 648-712                         |

(1) Ratings are provided where applicable to indicate associated **credit risk**.

#### Investment Policies

**Credit risk** is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the Mayor, City Secretary and two members of City Council. Investing is performed in accordance with investment policies adopted by the City Council complying with state statutes. City investment policy and state statute generally permit the City to invest in certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended September 30, 2016, the City did not own any types of securities other than those permitted by statute.

**Interest rate risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. City policy generally requires investment maturities to correspond to anticipated cash flow needs.

**Concentration of credit risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party.

At September 30, 2016 the City only has investments in Certificates of Deposits.

#### 4. **Receivables, and Uncollectible Accounts:**

##### *Enterprise Receivables and Uncollectible Accounts*

Significant receivables include amounts due from customers primarily for utility services and grants. These receivables are due within one year. The Enterprise Fund report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectible amounts. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days.

#### 4. **Receivables, Uncollectible Accounts, and Deferred Revenue-continued:**

Following is the detail of the Enterprise Fund receivables and the related allowance for uncollectible accounts:

|  |                  |
|--|------------------|
| Accounts receivable, gross                 | \$ 60,280        |
| Less: allowance for uncollectible accounts | (4,639)          |
| Net accounts receivable                    | <u>\$ 55,641</u> |

##### *Property Taxes Receivable and Property Tax Calendar*

The City's property tax is levied each October 1<sup>st</sup> on the assessed value listed as of the prior January 1<sup>st</sup> for all real property located within the City. Appraised values are established by the Collin Central Appraisal District at 100% of market value. As of January 1, 2015, all real property was assessed at a net taxable value of \$29,294,225.

The property tax rate for the year ended September 30, 2016 was 0.589522 per \$100 of the assessed valuation on taxable property. Following is a summary of the overall tax rate as levied by fund type:

|   |          |
|---|----------|
| Maintenance and operations - General Fund | 0.589522 |
|---|----------|

The property tax levy for the year ending September 30, 2016 was \$164,562. Collections of the current year property tax levy were \$163,908 or 99.6% of the current year tax levied.

In the governmental fund financial statements, property taxes are recorded as receivables in each of the respective funds on the tax levy date with appropriate allowances for estimated uncollectible amounts. At fiscal year-end, property tax receivables represent delinquent taxes. If delinquent taxes are not collected within 60 days of year-end, they are recorded as deferred revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City with appropriate allowances for estimated uncollectible amounts regardless of when cash is received. Over time substantially all property taxes are collected.

#### 4. Receivables, Uncollectible Accounts, and Deferred Revenue-continued:

The City's full year property tax calendar is as follows:

October 1 - Full year tax levy assessed for the current fiscal year - taxes are due and payable.

January 1 - Tax lien is attached to property to secure the payment of taxes, and penalty and interest as applicable.

February 1 - Penalty and interest charges begin to accrue on unpaid past due taxes.

July 1 - Taxes become delinquent and are subject to attorney fees incurred for collection.

##### *Allowance for Uncollectible Taxes*

The City records an allowance for uncollectible property taxes in order to estimate the amount of taxes that will ultimately prove to be uncollectible. Management has determined that an allowance in the amount of ten percent (10%) of the property taxes receivable in each of the applicable fund types should be adequate to provide for uncollectible property taxes. No provisions are made for uncollectible sales tax receivables, or grants receivable as management estimates that these amounts will be fully collectible.

Following is a summary of property taxes receivable and the related allowance for uncollectible accounts:

|  |                 |
|--|-----------------|
| Gross property taxes receivable            | \$ 2,635        |
| Less: allowance for uncollectible accounts | (264)           |
| Net accounts receivable                    | <u>\$ 2,371</u> |



## 5. Capital Assets:

The following table provides a summary of changes in capital assets, including assets recorded under capital leases:

|  | Beginning<br>Balance | Additions   | Deletions | Ending<br>Balance |
|--|----------------------|-------------|-----------|-------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                       |                      |             |           |                   |
| Nondepreciable Assets:                               |                      |             |           |                   |
| Land   | \$ 20,000            | \$ -        | \$ -      | \$ 20,000         |
| Total  | 20,000               | -           | -         | 20,000            |
| Depreciable Assets:                                  |                      |             |           |                   |
| Buildings & Improvements                             | 207,850              | -           | -         | 207,850           |
| Equipment  | 46,041               | 6,429       | -         | 52,470            |
| Infrastructure – Roads                               | 865,090              | -           | -         | 865,090           |
| Total  | 1,138,981            | 6,429       | -         | 1,125,410         |
| Less Accumulated Depreciation:                       |                      |             |           |                   |
| Buildings & Improvements                             | 115,366              | 7,161       | -         | 122,527           |
| Equipment  | 28,273               | 4,901       | -         | 33,174            |
| Infrastructure                                       | 599,195              | 14,353      | -         | 613,548           |
| Total  | 742,834              | 26,415      | -         | 769,249           |
| Total Governmental Activities<br>Capital Assets, net | \$ 396,147           | \$ (19,986) | \$ -      | \$ 376,161        |
| <b>BUSINESS-TYPE ACTIVITIES</b>                      |                      |             |           |                   |
| Nondepreciable Assets:                               |                      |             |           |                   |
| Land   | \$ 31,079            | \$ -        | \$ -      | \$ 31,079         |
| Total  | 31,079               | -           | -         | 31,079            |
| Depreciable Assets:                                  |                      |             |           |                   |
| Equipment  | 15,561               | -           | -         | 15,561            |
| Vehicles   | 11,000               | 6,429       | -         | 11,000            |
| Water & Sewer System                                 | 4,027,279            | -           | -         | 4,027,279         |
| Total  | 4,084,919            | 6,429       | -         | 4,053,840         |
| Less Accumulated Depreciation                        |                      |             |           |                   |
| Equipment  | 5,534                | 3,008       | -         | 8,542             |
| Vehicles   | 8,600                | 2,486       | -         | 11,086            |
| Infrastructure                                       | 946,647              | 88,497      | -         | 1,035,144         |
| Total  | 960,781              | 93,991      | -         | 1,054,772         |
| Business-type Activities<br>Capital Assets, net      | \$ 3,124,138         | \$ (87,562) | \$ -      | \$ 3,036,576      |

## 5. **Capital Assets - continued:**

Depreciation expense for governmental activities was charged to functions of the City was \$26,415.

Depreciation expense recorded in business-type activities and the Proprietary Fund was \$99,991.

## 6. **Long-Term Debt:**

General Fund:

### American National Bank Mortgage

October 8, 2012, the City took out a mortgage for \$45,000 to purchase a new city hall building, with an interest rate of 3.5% and a maturity date of October 8, 2022. Terms of the agreement include monthly payments of \$438, with the initial payment due November 8, 2012. At September 30, 2016 the principal balance was \$29,407.

Business-type Activities:

### American National Bank Note

January 24, 2014, the City borrowed \$15,041 for a new VacTron, with an interest rate of 3.3% and a maturity date of January 24, 2018. Terms of the agreement include monthly payments of \$335, with the initial payment due February 24, 2014. At September 30, 2016, the principal balance was \$5,235.

### Revenue Bonds

On March 1, 1994, the City issued Waterworks and Sewer System Revenue Bonds series 1994 in the aggregate amount of \$155,000 for constructing, improving and extending the City's waterworks and sewer system. The bonds were purchased by the United States of America acting through the Farmers Home Administration and serve as collateral for a loan in the same amount from the United States Department of Agriculture. Principal payments from \$1,000 to \$9,000 are payable on October 1<sup>st</sup> through the year 2034 with semiannual interest payments of 5%.

On November 4, 2008, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2008, in the aggregate amount of \$1,150,000 for paying all or a portion of the contractual obligations incurred in connection with constructing, installing and acquiring additions, extensions, and improvements to the City's waterworks and sewer system and legal, fiscal and engineering fees in connection with the project. The bonds were purchased by the United States of America Department of Agriculture (USDA), Rural Utilities Services, and serve as collateral for a loan from the USDA in the same amount. Principal payments from \$12,000 to \$59,000 annually are payable on February 15<sup>th</sup> through the year 2048 with semiannual interest payments of 4.25%.



## 6. Long-Term Debt - continued:

The following is a summary of changes in long-term debt for the year ended September 30, 2016:

| Description and purpose                 | Beginning Balance | Issued | Retired   | Ending Balance | Due Within One Year |
|---|-------------------|--------|-----------|----------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>          |                   |        |           |                |                     |
| American National Bank 3.5%             | 33,300            | -      | 3,893     | 29,407         | 4,400               |
| Compensated Absences                    | 2,279             | -      | 444       | 1,835          | 1,835               |
| Total Governmental Activities           | 35,579            | -      | 4,336     | 31,242         | 6,235               |
| <b>BUSINESS-TYPE ACTIVITIES</b>         |                   |        |           |                |                     |
| Waterworks and Sewer System             |                   |        |           |                |                     |
| Revenue Bonds Series 1994 - 5%          | \$ 110,000        | \$ -   | \$ 4,000  | \$ 106,000     | \$ 4,000            |
| Waterworks and Sewer System             |                   |        |           |                |                     |
| Revenue Bonds Series 2008 - 4.25%       | 1,071,000         | -      | 37,440    | 1,033,560      | 16,000              |
| American National Bank - 3.3%           | 9,013             | -      | 3,778     | 5,235          | 3,905               |
| Compensated Absences                    | 1,784             | 913    | -         | 2,697          | 2,697               |
| Total Business-type Activities          | 1,191,797         | 913    | 45,218    | 1,147,92       | 26,602              |
| Total Primary Government Long-Term Debt | \$ 1,227,376      | \$ 913 | \$ 49,554 | \$ 1,178,734   | \$ 32,837           |

The City's general obligation bonds are guaranteed by the full faith and credit of the City. The bond issues are approved by the voters and repaid with water and sewer revenues recorded in the Proprietary Fund. Current requirements for principal and interest of these obligations are accounted in the Proprietary Fund.

Compensated absences are paid from the fund responsible for the employee's compensation.

### Debt Service Requirements to Maturity

The annual debt service requirement to maturity for bonded debt and notes payable are as follows at year end:

| Fiscal<br>Year Ending<br>September 30, | Governmental Activities    |          | Total<br>Required |
|--|----------------------------|----------|-------------------|
|  | Notes Payable<br>Principal | Interest |                   |
| 2017                                   | \$ 4,400                   | \$ 850   | \$ 5,250          |
| 2018                                   | 4,540                      | 710      | 5,250             |
| 2019                                   | 4,685                      | 565      | 5,250             |
| 2020                                   | 4,835                      | 415      | 5,250             |
| 2021                                   | 4,989                      | 261      | 5,250             |
| Thereafter                             | 5,958                      | 102      | 6,060             |
| Totals                                 | \$ 29,407                  | \$ 2,903 | \$ 32,310         |

## 6. Long-Term Debt - continued:

| Fiscal<br>Year Ending<br>September 30, | Business-type Activities |            | Total<br>Required |
|--|--------------------------|------------|-------------------|
|  | Bonds Payable            |            |                   |
|  | Principal                | Interest   |                   |
| 2017                                   | \$ 20,000                | \$ 49,265  | \$ 69,265         |
| 2018                                   | 21,000                   | 48,384     | 69,384            |
| 2019                                   | 21,000                   | 47,481     | 68,481            |
| 2020                                   | 23,000                   | 46,558     | 69,558            |
| 2021                                   | 24,000                   | 45,546     | 69,546            |
| 2022 – 2026                            | 134,000                  | 211,280    | 345,280           |
| 2027 – 2031                            | 166,000                  | 179,384    | 345,384           |
| 2032 – 2036                            | 185,000                  | 140,338    | 325,338           |
| 2037 – 2041                            | 202,000                  | 99,960     | 301,960           |
| 2042 – 2046                            | 250,000                  | 52,063     | 302,063           |
| 2047 – 2049                            | 93,560                   | 4,971      | 98,531            |
| Totals                                 | \$ 1,139,560             | \$ 925,230 | \$ 2,064,790      |

Interest expense for the Enterprise (water and sewer) Fund was \$56,251 for the year.

## 7. Commitments/Contingencies:

The City participates in various state grant programs and contracts which are subject to financial and compliance audits by the grantors or their representatives. The City expects that costs disallowed by these various awarding agencies, if any, would be minimal.

## 8. Balances and Transfers/Payments Within the Reporting Entity:

### *Receivables and Payables*

Generally, outstanding balances between funds reported as “due to/from other funds” in the governmental fund financial statements include outstanding charges by one fund to another for services or goods, and other miscellaneous receivables/payables between funds. Activity between funds that are representative of lending/borrowing arrangements that are outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Outstanding balances between the City’s General Fund and its Proprietary Fund include funds for operating expenditures that will be transferred after the end of the year.

At September 30, 2016 the outstanding balance between funds is as follows:

| Receivable Fund | Payable Fund | Amount   | Purpose              |
|-----------------|--------------|----------|----------------------|
| Blue Ridge EDC  | General Fund | \$ 7,591 | Sales Tax Allocation |
| Blue Ridge CDC  | General Fund | 7,591    | Sales Tax Allocation |

## 8. Balances and Transfers/Payments Within the Reporting Entity - continued:

### *Transfers and Payments*

Transfers and payments within the reporting entity are substantially for the purposes of funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The government-wide statement of activities eliminates transfers reported within governmental activities.

The following schedule reports transfers and payments within the reporting entity:

| <b>Fund</b>      | <b>Transfers In</b> | <b>Transfers Out</b> |
|------------------|---------------------|----------------------|
| General Fund     |                     | \$ 8,441             |
| Proprietary Fund | \$ 12,178           |                      |
| Component Units  |                     | 3,737                |
| <b>Total</b>     | <b>\$ 12,178</b>    | <b>\$ 12,178</b>     |

## 9. Economic Dependence:

City operations are funded by taxes and revenues provided by the residents of the City of Blue Ridge, Texas. Accordingly, the City is economically dependent on the property values and local economy of City of Blue Ridge, Texas and the surrounding area.

## 10. Related Party Transactions:

The city occasionally paid for services in the normal course of business provided by individuals determined to be related parties. These individuals included relatives of council members and employees as well as individuals serving on the Boards of the Component Units. All of the transactions were disclosed, approved by the City Council, at amounts determined to be fair and would prevail in arm's-length transactions, and were separately and aggregately immaterial to the financial statements.

## 11. TMRS Pension Plan:

### Plan Description

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



## 11. TMRS Pension Plan - continued:

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 TMRS' website at [www.TMRS.com](http://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:

|   | <u>2014</u> | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|-------------|
| Employee deposit rate   | 7.0%        | 7.0%        | 7.0%        |
| Matching ratio (city to employee)                                     | 1 to 1      | 1 to 1      | 1 to 1      |
| Years required for vesting  | 5           | 5           | 5           |
| Service retirement eligibility<br>(expressed as age/years of service) | 60/5, 0/20  | 60/5, 0/20  | 60/5, 0/20  |
| Updated service credit  | 0%          | 0%          | 100%        |
| Annuity increase (to retirees)  | 0% of CPI   | 0% of CPI   | 0% of CPI   |

### Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (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.

# 11. TMRS Pension Plan - continued:

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

## Trend Information

| Fiscal Year Ending | Annual Pension Cost (APC) | Actual Contribution Made | Percentage Of APC Contributed | Net Pension Obligation / (Asset) |
|--------------------|---------------------------|--------------------------|-------------------------------|----------------------------------|
| 2012               | \$ 1,290                  | \$ 1,290                 | 100%                          | -0-                              |
| 2014               | 269                       | 269                      | 100%                          | -0-                              |
| 2015               | 339                       | 339                      | 100%                          | -0-                              |

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

| Valuation Date                                | 2012                       | 2011                       | 2010                       |
|---|----------------------------|----------------------------|----------------------------|
| Actuarial cost method                         | Projected Unit Credit      | Projected Unit Credit      | Projected Unit Credit      |
| Amortization method                           | Level percent of payroll   | Level percent of payroll   | Level percent of payroll   |
| GASB 25 equivalent single amortization period | 100.0 years; closed period | 100.0 years; closed period | 100.0 years; closed period |
| Amortization period for new gains/losses      | 25 years                   | 25 years                   | 25 years                   |
|   | 10-year smoothed market    | 10-year smoothed market    | 10-year smoothed market    |
| Asset valuation method                        |                            |                            |                            |
| Actuarial assumptions:                        |                            |                            |                            |
| Investment rate of return*                    | 7.0%                       | 7.0%                       | 7.5%                       |
| Projected salary increases*                   | Varies by age and service  | Varies by age and service  | Varies by age and service  |
| *Includes inflation at                        | 3.0%                       | 3.0%                       | 3.0%                       |
| Cost-of-living adjustments                    | 0.0%                       | 0.0%                       | 0.0%                       |



## 11. TMRS Pension Plan - continued:

### Funded Status and Funding Progress

The funded status as of December 31, 2016, the most recent actuarial valuation date, is presented as follows:

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(1)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(2)</b> | <b>Funded<br/>Ratio<br/>(3)<br/>(1) / (2)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(4)<br/>(2) – (1)</b> | <b>Covered<br/>Payroll<br/>(5)</b> | <b>UAAL as a<br/>Percentage<br/>of<br/>Payroll<br/>(6)<br/>(4) / (5)</b> |
|---|--|--|---|--|------------------------------------|--|
| 12/31/2012                              | \$ 89,460  | \$ 58,287  | 153.5%  | \$ (31,173)  | \$142,529                          | (21.9)%  |

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 liability of benefits.

The city 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 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.

| <b>The City of Blue Ridge offers supplemental death to:</b> | <b>Plan Year 2012</b> | <b>Plan Year 2014</b> |
|---|-----------------------|-----------------------|
| Active employees (yes or no)                                | Yes                   | Yes                   |
| Retirees (yes or no)  | Yes                   | Yes                   |

## 11. TMRS Pension Plan - continued:

### Contributions

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.

| <b>Schedule of Contribution Rates:</b>      |  |  |  |
|---|--|--|--|
| <b>(RETIREE – only portion of the rate)</b> |  |  |  |
| <b>Plan/Calendar<br/>Year</b>               | <b>Annual Required<br/>Contribution<br/>(Rate)</b> | <b>Actual<br/>Contribution<br/>Made (Rate)</b> | <b>Percentage<br/>of ARC<br/>Contributed</b> |
| 2012  | 0.11%  | 0.11%  | 100.0%                                       |
| 2014  | 0.09%  | 0.09%  | 100.0%                                       |
| 2015  | 0.16%  | 0.16%  | 100.0%                                       |

## 12. Litigation

The City is involved in litigation arising in the ordinary course of business. It is management's belief that any liability resulting from such litigation would not be material in relation to the City's financial position.

## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF BLUE RIDGE, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE-GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Remove Watermark Now

|  | <b>Budgeted Amounts</b> |                   | <b>Actual Amounts<br/>(Budgetary Basis)</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|--|-------------------------|-------------------|---|---|
|  | <b>Original</b>         | <b>Final</b>      |   |   |
| <b>REVENUES:</b>   |                         |                   |   |   |
| Ad valorem taxes   | \$ 160,000              | \$ 160,000        | \$ 170,816                                  | \$ 10,816   |
| Franchise taxes  | 39,000                  | 39,000            | 32,403                                      | (6,597)   |
| Sales tax  | 77,000                  | 77,000            | 85,019                                      | 8,019   |
| Permits  | 2,500                   | 2,500             | 9,729                                       | 7,229   |
| Other income   | 575                     | 575               | 10,606                                      | 10,031  |
| <b>Total Revenues</b>                                    | <b>\$ 279,075</b>       | <b>\$ 279,075</b> | <b>\$ 308,573</b>                           | <b>\$ 29,498</b>  |
| <b>EXPENDITURES:</b>                                     |                         |                   |   |   |
| <b>Current:</b>  |                         |                   |   |   |
| Administration   | \$ 242,990              | \$ 242,990        | \$ 246,126                                  | \$ (3,136)  |
| Public works   | 36,085                  | 36,085            | 19,207                                      | 16,878  |
| Capital outlay   | -                       | -                 | 6,429                                       | (6,429)   |
| Debt Service:  |                         |                   |   |   |
| Principal  | -                       | -                 | 3,892                                       | (3,892)   |
| Interest   | -                       | -                 | 986   | (986)   |
| <b>Total Expenditures</b>                                | <b>\$ 279,075</b>       | <b>\$ 279,075</b> | <b>\$ 276,640</b>                           | <b>\$ 2,435</b>   |
| <b>Excess (deficiency) of revenues over expenditures</b> | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ 31,933</b>                            | <b>\$ 31,933</b>  |
| <b>OTHER FINANCING SOURCES (USES):</b>                   |                         |                   |   |   |
| <b>Total Other Financing Sources (Uses)</b>              | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ -</b>                                 | <b>\$ -</b>   |
| Transfers to other funds                                 | \$ -                    | \$ -              | \$ -  | \$ -  |
| <b>Net Change in Fund Balances</b>                       | <b>\$ -</b>             | <b>\$ -</b>       | <b>\$ 31,933</b>                            | <b>\$ 31,933</b>  |
| <b>Net position beginning of year</b>                    | <b>114,077</b>          | <b>114,077</b>    | <b>114,077</b>                              | <b>-</b>  |
| <b>Net position end of year</b>                          | <b>\$ 114,077</b>       | <b>\$ 114,077</b> | <b>\$ 146,010</b>                           | <b>\$ 31,933</b>  |

**Notes to the budgetary comparison schedule:**

The General Fund budget is adopted on a basis consistent with generally accepted accounting principles for a governmental fund.

CITY OF BLUE RIDGE, TEXAS  
Texas Municipal Retirement System

Schedule of Funding Progress:

(unaudited)

| <b>Actuarial<br/>Valuation<br/>Date</b> | <b>Actuarial<br/>Value of<br/>Assets<br/>(1)</b> | <b>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)<br/>(2)</b> | <b>Funded<br/>Ratio<br/>(3)<br/>(1) / (2)</b> | <b>Unfunded<br/>AAL<br/>(UAAL)<br/>(4)<br/>(2) – (1)</b> | <b>Covered<br/>Payroll<br/>(5)</b> | <b>UAAL as a<br/>Percentage<br/>of<br/>Payroll<br/>(6)<br/>(4) / (5)</b> |
|---|--|--|---|--|------------------------------------|--|
| 12/31/2010                              | \$ 74,022  | \$ 52,186  | 141.8%  | \$ (21,836)  | \$157,998                          | (13.8)%  |
| 12/31/2011                              | 93,484   | 67,362   | 138.8%  | (26,122)   | 183,777                            | (14.2)%  |
| 12/31/2012                              | 89,460   | 58,287   | 153.5   | (31,173)   | 142,529                            | (21.9)%  |

 pdfelement



