

COMPREHENSIVE ANNUAL FINANCIAL REPORT



City of Glenn Heights Texas

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015



Celebrating 46 Years of Excellence

**CITY OF
GLENN HEIGHTS, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

Prepared by:

The City's Finance Department

CITY OF GLENN HEIGHTS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2015

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INTRODUCTORY SECTION

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June 21, 2016

Honorable Mayor and Members of the City Council
City of Glenn Heights
Glenn Heights, Texas

The Finance Department is pleased to submit the Comprehensive Annual Financial Report of the City of Glenn Heights, Texas for the fiscal year ended September 30, 2015. This report was prepared through the cooperative efforts of the Finance Department and the City's independent auditor. It is published to provide the City Council, staff, citizens, bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation rests with the City. We believe the data, as presented, is accurate in all material respects. It is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; all disclosures necessary have been included to enable the reader to gain the maximum understanding of the City's financial affairs.

Management's discussion and analysis (MD&A) begins on page 4 and provides a narrative introduction, overview, and analysis of the City's basic financial statements. The MD&A also provides readers with management's viewpoint of the City's financial performance and should be read in conjunction with the financial statements.

CITY PROFILE

The City of Glenn Heights, Texas, a predominately residential community situated in Dallas and Ellis Counties, is a Texas municipality that incorporated in 1969 to operate as a general law city and currently operates as a home rule city. The City lies at the hub of Interstate 35E and Texas Farm-To-Market Road 664. Glenn Heights is a short drive from downtown Dallas and has an estimated population of 11,763 residents. The City operates under a council-manager form of government. The Council is comprised of seven officials including a mayor and six council members.

THE REPORTING ENTITY AND ITS SERVICES

Generally accepted accounting principles require that basic financial statements represent the City (the primary government) and its component units. The Council has the authority to enact legislature, appoint the City Manager, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Government Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity." The City is regulated by the Code of State Statutes of the State of Texas and is authorized to perform the following services: public safety (police and fire), development services (public works, planning, and inspections), economic development, sanitation, water and sewer utilities, storm drainage and general administrative services.

ECONOMIC OUTLOOK AND FINANCIAL CONDITION

The information presented in the financial statements should be considered from the broad perspective of the specific environment within which the City operates.

In recent years, the City of Glenn Heights has experienced excellent growth in population. The 1990 census was 4,564, and the 2010 census is 11,278, an increase of 247% over the past 20 years. The City's current ad valorem tax base is 92% residential and 8% commercial. The City recognizes the value of commercial development to its economic base and continues to encourage commercial growth that will be beneficial to the community.

There are obstacles that could hinder the City's abilities to attain future economic goals. One major obstacle is identifying available funding sources. For example, since one cent of City sales tax goes to funding mass public transportation (Dallas Area Rapid Transit) and is not available to fund other special service funds, long-term financial planning will be crucial in meeting certain goals such as economic development and infrastructure sustainability.

The City of Glenn Heights maintains sufficient cash reserves and unassigned fund balances/unrestricted net assets in its general and utility fund to avoid borrowing for general operating purposes and to handle emergency situations, while providing quality service levels to the public.

During fiscal year 2006, the City obtained certificates of obligation for \$2,535,000. These funds were used for major street improvements.

During fiscal year 2008, the City obtained certificate of obligation for \$2,050,000. These funds were used for major water, wastewater, and drainage infrastructure improvements.

During fiscal year 2010, the City refunded the 2003 certificates of obligation by obtaining a general obligation refunding bond in the amount of \$2,025,000.

The City also held a general obligation bond election in November 2015. In which the following propositions passed:

Proposition 1: \$3,500,000 for constructing, improving, renovating, expanding and equipping public safety facilities and the acquisition of land therefor.

Proposition 2: \$3,500,000 for acquiring, constructing, improving, expanding, renovating and equipping community centers and recreation facilities and the acquisition of land therefor.

Proposition 3: \$8,000,000 for constructing, reconstructing, improving, repairing, extending, and enhancing streets, thoroughfares, alleys, sidewalks, bridges, intersections and other public ways, including traffic signalization and monitoring equipment, street lighting, noise abatements, necessary and related storm drainage facilities and improvements and acquiring of needed rights of way therefor.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable. Expenditures are recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's proprietary funds are budgeted and maintained on this same basis of accounting for management purposes and converted to full accrual accounting for external reporting purposes.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. The internal control structure is designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. Internal controls also ensure the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits likely to be derived; the evaluation of cost and benefits requires estimates and judgments by management. We believe the City's internal control structure are developing and continued to be improved upon.

The budgetary process begins each year with the preparation of revenue estimates by the City's Department of Finance and expenditure estimates by each City department. Estimates are reviewed by the City Manager and evaluated within the total financial framework. Budget proposals are then recommended by the City Manager and reviewed extensively by the City Council, a process that includes public hearings. Throughout the process the City Council may make changes as deemed appropriate. The budget is then adopted by ordinance, as well as the City's ad valorem tax rate. All of the City's governmental funds as well as enterprise funds (water and sewer, and drainage) are included in the annual budgetary process.

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual budget adopted by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established at the fund

level. Department Directors are authorized to transfer budgeted expenditures between line items within their respective departments while the City Manager is authorized to transfer budgeted expenditures between departments within a City fund. However, any revisions that alter total expenditures of a City fund must be approved by the City Council.

AUDIT

The City Charter requires an annual audit of the books of accounts, financial records and transactions of all departments of the City by independent certified public accountants selected and engaged by the City Council.

We are proud to accept recommendations from our auditors, Pattillo, Brown & Hill, LLP, issued in the City's financial statements for fiscal year ended September 30, 2015. A schedule of recommendations and responses can be found in the financial section of this report.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Glenn Heights for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended 2013. This was the sixth consecutive year that the City has received this prestigious award. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement a government unit must publish an easily readable and efficiently organized CAFR with contents that conform to program standards. In addition, an award winning CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

CONCLUSION

The preparation of this report could not be accomplished without the dedicated services of the City's auditors, City Management, and staff of the City's Finance Department. The Finance staff has worked extremely hard to ensure the accuracy and timeliness of this report.

Respectfully submitted,

Lakeita Sutton

Lakeita Sutton
Director of Finance

CITY OF GLENN HEIGHTS, TEXAS

PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

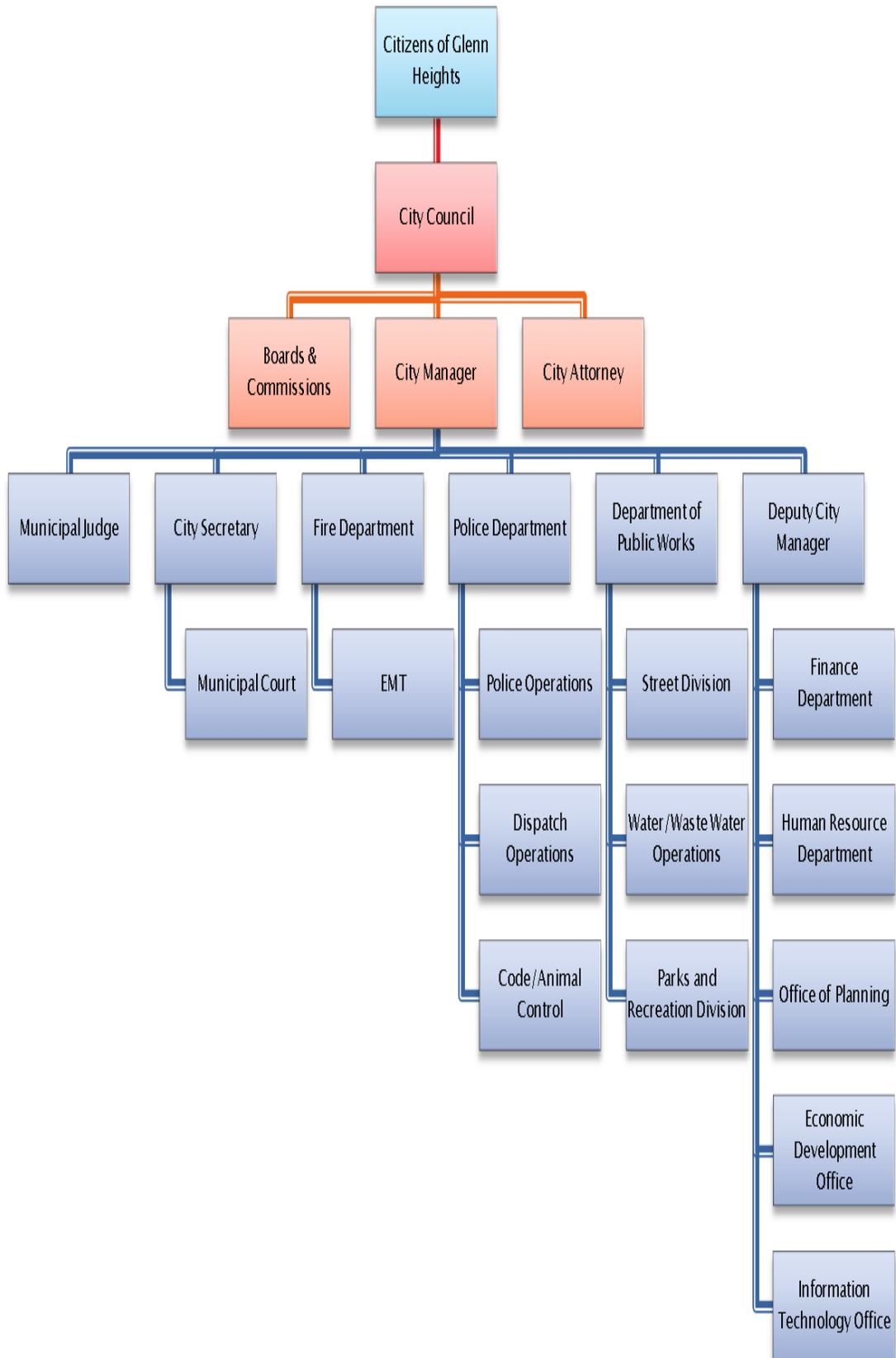
ELECTED OFFICIALS

Leon Tate	Mayor
Arleen Layne	Council Member, Place 1
Tony Bradley	Council Member, Place 2
Kathy Dixon	Council Member, Place 3
Michael Jones	Mayor Pro-Tem, Place 4
Elizabeth Cox	Council Member, Place 5
Glenn George	Council Member, Place 6

APPOINTED OFFICIALS

Aretha Ferrell-Benavides	City Manager
Vacant	Deputy City Manager
Vacant	Management Analyst
Lakeita Sutton	Director of Finance
David Hall	Director of Economic Development
Phillip M. Prasifka	Chief of Police
Eddie Burns	Fire Chief
Othel Murphree	City Secretary
Kacye Harvey	Director of Human Resources
Vacant	Director of Public Works
Jeremy Tennant	Senior Planner

CITY ORGANIZATIONAL CHART



FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and City of Council of
City of Glenn Heights, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Changes in the City's Net Pension Liability and Related Ratios and the Schedule of City Contributions on pages 4–13 and 46 – 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Glenn Heights, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016, on our consideration of the City of Glenn Heights, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Glenn Heights, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 21, 2016

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Glenn Heights, Texas' we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City. We encourage the readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended September 30, 2015, the City's assets and deferred outflows exceeded its liabilities by \$20,357,868 (net position). Of this amount, \$7,473,018 (or 36.7%) was unrestricted.
- For the fiscal year ended September 30, 2015, net position increased by \$1,483,799. In fiscal year 2014 the increase was \$1,081,613. The increase in fiscal year 2015 is primarily due to a reduction in expenses. Expenses were reduced as a result of vacancies in multiple management positions being filled later in the fiscal year than originally anticipated.
- At fiscal year-end, the City's governmental funds reported combined ending fund balances of \$4,882,789, of which \$1,985,599 (or 40.7%) was available for spending at the City's discretion (unassigned and assigned).
- For fiscal year 2015, the City's total capital assets net of accumulated depreciation decreased by \$188,308. The decrease is primarily due to depreciation of capital assets.
- The City's long-term liabilities increased by \$70,344. This increase primarily relates to new debt that was issued in fiscal year 2015 for the construction of a new City Hall.

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OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in *more detail* than the government-wide statements.
- *Governmental fund* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- The financial statements also include *notes to the financial statements* explaining some of the information in the financial statements and provide more detailed data.
- The report also contains other supplementary information in addition to the basic financial statements themselves.

**FIGURE A-1
REQUIRED COMPONENTS OF THE
CITY’S ANNUAL FINANCIAL REPORT**

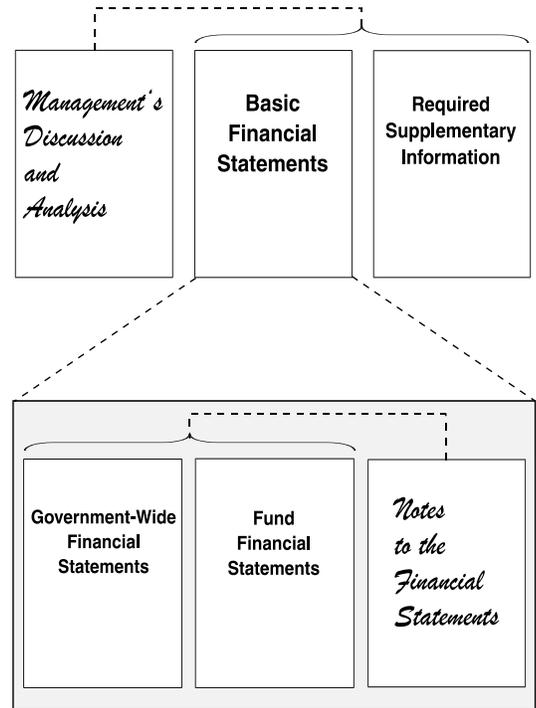


Figure A-1 shows how the parts of this annual report are arranged and related to one another.

The remainder of this overview explains the structure and contents of each of the statements.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector businesses. The statement of net position includes *all* of the government’s assets and liabilities. In the statement of activities, all of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid, and all of the City’s *governmental activities* and City services are combined and show how they are financed.

Both government-wide statements report the City’s *net position* and how they have changed. Net position, the difference between the City’s assets, deferred outflows of resources, and liabilities, are one way to measure the City’s financial health or position. Over time, increases or decreases in the City’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

Summary  Detail

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant (major) *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific revenue sources and spending for particular purposes.

- *Governmental fund*—The City’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because these funds do not encompass the additional long-term focus of the government-wide statements, additional information is provided following each fund statement that explains the relationship (or differences) between them.
- Some funds are required by State law, such as the debt service fund.
- Management may establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenue resources, such as capital project funds.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover, and the types of information they contain.

Figure A-2 - Major Features of the City's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Government-Wide	Fund Level	
		Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government, except fiduciary funds	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private business: utilities
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of Net Position ◆ Statement of Activities 	<ul style="list-style-type: none"> ◆ Balance Sheet ◆ Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> ◆ Statement of Net Position ◆ Statement of Revenues, Expenses & Changes in Fund Balances ◆ Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after year end; expenditures when goods or services have been received and payment is made during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

THE CITY AS A WHOLE (GOVERNMENT-WIDE)

FINANCIAL ANALYSIS

Over time net position serves as a useful indicator of a government's financial condition. As noted earlier, the City's assets and deferred outflows of resources exceeded its liabilities by \$20,357,868.

The largest portion of the City's net position, \$11,385,404 or 55.93%, represents the City's investment in capital (e.g., land, buildings, vehicles, equipment, and infrastructure) less any debt used to acquire assets still outstanding at year end. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of the City's net position, \$1,499,446 or 7.37%, represents resources that are subject to external restrictions on how they may be used (i.e., debt service, public safety, and capital improvements). The remaining portion, \$7,473,018 or 36.71% may be used at the City's discretion to meet ongoing obligations to its citizens and creditors (unrestricted).

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

CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 5,965,845	\$ 4,471,828	\$ 5,408,872	\$ 4,600,108	\$ 11,374,717	\$ 9,071,936
Capital assets, net	<u>5,750,366</u>	<u>5,727,742</u>	<u>8,948,183</u>	<u>9,159,115</u>	<u>14,698,549</u>	<u>14,886,857</u>
Total assets	<u>11,716,211</u>	<u>10,199,570</u>	<u>14,357,055</u>	<u>13,759,223</u>	<u>26,073,266</u>	<u>23,958,793</u>
Total deferred outflows of resources	<u>118,891</u>	<u>-</u>	<u>37,413</u>	<u>13,575</u>	<u>156,304</u>	<u>13,575</u>
Current and other liabilities	443,154	279,285	829,832	775,372	1,272,986	1,054,657
Long-term liabilities	<u>3,775,720</u>	<u>3,404,531</u>	<u>812,865</u>	<u>1,110,429</u>	<u>4,588,585</u>	<u>4,514,960</u>
Total liabilities	<u>4,218,874</u>	<u>3,683,816</u>	<u>1,642,697</u>	<u>1,885,801</u>	<u>5,861,571</u>	<u>5,569,617</u>
Total deferred inflows of resources	<u>8,308</u>	<u>-</u>	<u>1,823</u>	<u>13,575</u>	<u>10,131</u>	<u>13,575</u>
Net position:						
Net investment in capital assets	3,420,929	3,057,623	7,964,475	7,796,457	11,385,404	10,854,080
Restricted	1,044,381	822,641	455,065	361,759	1,499,446	1,184,400
Unrestricted	<u>3,142,610</u>	<u>2,635,490</u>	<u>4,330,408</u>	<u>3,728,781</u>	<u>7,473,018</u>	<u>6,364,271</u>
Total net position	<u>\$ 7,607,920</u>	<u>\$ 6,515,754</u>	<u>\$ 12,749,948</u>	<u>\$ 11,886,997</u>	<u>\$ 20,357,868</u>	<u>\$ 18,402,751</u>

The following table provides a summary of the City's operations for the year ended September 30, 2015. Overall, the City had an increase in net position of \$1,483,799. This increase is attributable to the governmental activities for \$705,685 and business-type activities for \$778,114. Revenues for business-type activities increased by \$442,839. Revenue associated with governmental activities increased by \$669,600. Significant variances in governmental activities revenues include the following.

- \$111 thousand increase in property tax revenue;
- \$52 thousand increase in sales tax revenue;
- \$309 thousand increase in licenses and permits related primarily to building permits and plan review.

Total expenses for governmental activities increased by \$340,224, and total expenses for the City's business-type activities increased by \$370,029 when compared to 2014. Expenses for governmental activities and business-type activities in fiscal year 2015 compared to fiscal year 2014 are due to numerous factors. The primary factor is the filling of staff vacancies for the Managing Director, Director of Finance, Director of Human Resources, and City Planner. Expenses for business-type activities increased by 8% in comparison to fiscal year 2014.

CHANGE IN THE CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,278,757	\$ 785,237	\$ 5,133,748	\$ 4,912,267	\$ 6,412,505	\$ 5,697,504
Operating grants and contributions	105,567	128,248	-	-	105,567	128,248
Capital grants and contributions	-	-	278,367	51,428	278,367	51,428
General revenues:						
Property taxes	3,237,608	3,206,127	-	-	3,237,608	3,206,127
Sales taxes	515,847	457,443	-	-	515,847	457,443
Franchise fees	678,807	574,502	-	-	678,807	574,502
Interest	21,763	18,396	2,194	2,705	23,957	21,101
Other	21,239	20,035	567	5,637	21,806	25,672
Total revenues	<u>5,859,588</u>	<u>5,189,988</u>	<u>5,414,876</u>	<u>4,972,037</u>	<u>11,274,464</u>	<u>10,162,025</u>
Expenses:						
General government	1,074,430	872,399	-	-	1,074,430	872,399
Public safety	3,075,807	3,166,101	-	-	3,075,807	3,166,101
Development services	718,798	530,798	-	-	718,798	530,798
Parks and recreation	295,728	256,306	-	-	295,728	256,306
Economic development	225	-	-	-	225	-
Interest and fiscal charges	150,994	150,154	-	-	150,994	150,154
Water, sewer, drainage	-	-	4,474,683	4,104,654	4,474,683	4,104,654
Total expenses	<u>5,315,982</u>	<u>4,975,758</u>	<u>4,474,683</u>	<u>4,104,654</u>	<u>9,790,665</u>	<u>9,080,412</u>
Change in net position before transfers	543,606	214,230	940,193	867,383	1,483,799	1,081,613
Transfers	<u>162,079</u>	<u>309,032</u>	<u>(162,079)</u>	<u>(309,032)</u>	<u>-</u>	<u>-</u>
Change in net position	705,685	523,262	778,114	558,351	1,483,799	1,081,613
Net position, beginning	<u>6,515,754</u>	<u>6,010,524</u>	<u>11,886,997</u>	<u>11,364,049</u>	<u>18,402,751</u>	<u>17,374,573</u>
Prior period adjustment	<u>386,481</u>	<u>(18,032)</u>	<u>84,837</u>	<u>(35,403)</u>	<u>471,318</u>	<u>(53,435)</u>
Net position, ending	<u>\$ 7,607,920</u>	<u>\$ 6,515,754</u>	<u>\$ 12,749,948</u>	<u>\$ 11,886,997</u>	<u>\$ 20,357,868</u>	<u>\$ 18,402,751</u>

FINANCIAL ANALYSIS AND BUDGETARY HIGHLIGHTS OF CITY FUNDS

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

GOVERNMENTAL FUNDS

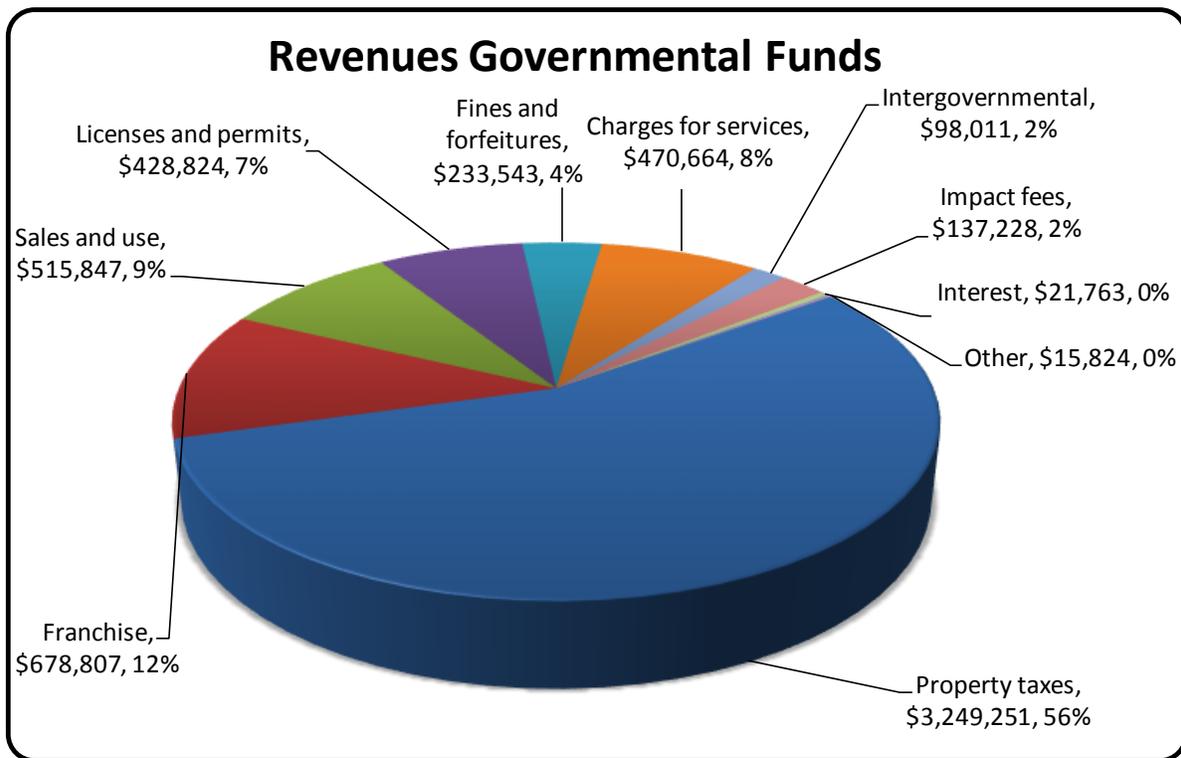
The focus of the City's governmental funds provides information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,882,789. Approximately 40.67% of the total amount constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,987,611, while total fund balance was \$2,242,086. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38.30% of total General Fund expenditures, while total fund balance represents 43.21% of that same amount. The net decrease in fund balance during the current year in the General Fund was \$65,290. An analysis of the General Fund operations in the current year is as follows:

- The City's property tax rate for maintenance and operations increased from \$0.678914 to \$0.683390 in the current fiscal year and coupled with an increase in assessed property values M&O taxes increased by \$136 thousand over the previous fiscal year.
- Fines and forfeitures increased by \$6 thousand over the previous fiscal year.
- Charges for Services increased by \$104 thousand from the previous fiscal year. Ambulance revenues finished \$21 thousand more than fiscal year 2014, coming in over the fiscal year 2015 budget amount.
- Licenses and fees increased by \$309 thousand from the previous year.
- Sales and use tax increased by 13% or \$58 thousand.
- General Fund expenditures reflected an increase of \$736 thousand which is primarily due to an increase in personnel related expenditures after filling several vacancies, associated increases in operating costs, and increased capital outlay expenditures over the prior fiscal year.

The majority of revenues for the City's governmental funds are generated from taxes (64.36%), fines and forfeitures (3.99%), and franchise fees (11.60%). The remaining (20.04%) is obtained from charges for services, grants and contributions, licenses and permits, and other miscellaneous sources.



UTILITY FUNDS

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

Unrestricted net position of the Water and Sewer and Drainage funds at the end of the year amounted to \$3,915,667 and \$414,741, respectively. The total growth in net position for both funds was \$633,359 and \$144,755, respectively. Other factors concerning the finance of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

General Fund revenues were more than expected. Revenue sources were more than anticipated in property taxes, franchise tax, sales and use, licenses and permits, charges for services, intergovernmental, other and interest. See details of budget and actual revenues and expenditures on page 46.

City policy requires the General unassigned fund balance to reflect no less than 60 days of General Fund expenditures. At September 30, 2015, unassigned General fund balance reflected 140 days total General Fund expenditures.

CAPITAL ASSETS

As of September 30, 2015, the City had invested \$24,126,767 in a broad range of capital assets, including infrastructure, equipment, buildings, and vehicles. More detailed information about the City's capital assets can be found in the notes to the financial statements on pages 34 and 35.

CITY'S CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 1,050,373	\$ 850,176	\$ 35,161	35,161	\$ 1,085,534	\$ 885,337
Construction in progress	-	-	-	-	-	-
Buildings	163,496	131,805	224,274	224,274	387,770	356,079
Improvements	766,000	766,000	-	-	766,000	766,000
Infrastructure	4,656,858	4,656,858	14,103,427	14,103,426	18,760,285	18,760,284
Vehicles and equipment	1,888,666	1,751,488	1,238,512	1,052,535	3,127,178	2,804,023
Total cost	8,525,393	8,156,327	15,601,374	15,415,396	24,126,767	23,571,723
Accumulated depreciation	(2,775,027)	(2,428,585)	(6,653,191)	(6,256,281)	(9,428,218)	(8,684,866)
Total capital assets, net	\$ 5,750,366	\$ 5,727,742	\$ 8,948,183	\$ 9,159,115	\$ 14,698,549	\$ 14,886,857

During the current year, significant additions to capital assets include the following:

- Land – \$200,197
- 12 Air-Pack Units – \$81,273
- Dump truck – \$96,684

DEBT ADMINISTRATION

At year-end, the City had \$4,753,764 in outstanding debt, as shown below. More detailed information about the City's debt is presented in the notes to the financial statements on pages 36 through 38.

CITY'S LONG-TERM DEBT

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Certificates of obligation	\$ 3,670,000	\$ 3,270,000	\$ -	\$ -	\$ 3,670,000	\$ 3,270,000
General obligation						
refunding bonds	-	-	1,014,545	1,258,929	1,014,545	1,258,929
Notes payable	-	-	28,924	47,336	28,924	47,336
Capital leases	-	34,711	40,295	72,444	40,295	107,155
	\$ 3,670,000	\$ 3,304,711	\$ 1,083,764	\$ 1,378,709	\$ 4,753,764	\$ 4,683,420

Capital leases, notes and bonds decreased in the current year primarily due to annual payments made.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In fiscal year 2015, the City's net taxable property values increased approximately 4.39%, from \$390,879,178 in FY 2014 to \$408,046,433 in FY 2015. The City's total property tax rate increased .0003 to \$0.7953, the City's I&S tax remained the same at \$0.1161, and the City's M&O tax rate increased from \$0.6789 to \$0.6837.

While total General Fund revenues adopted in FY 2016 are expected to increase by approximately 3.8% when compared to FY 2015 actual revenues. Additionally, voters of the City of Glenn Heights, Texas voted for and the Council approved the issuance of 3 General Obligation Bonds. The General Obligations bonds include \$3.5 million for public safety facilities, \$3.5 million for Community Centers and Recreation Facilities and \$8 million for Street Improvements. City management anticipates ending FY 2016 with approximately 134 days of fund balance unassigned after taking into account the land purchase.

Enterprise Funds for Water and Sewer and Drainage adopted fiscal year 2016 total revenues is expected to decrease 1.1% in comparison to fiscal year 2015 actual revenues.

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 demonstrate the City's accountability for the money it receives. Any questions about this report or need for additional financial information should be addressed to City of Glenn Heights, Attn: City Secretary, 1938 South Hampton Road, Glenn Heights, TX, 75154.

**BASIC
FINANCIAL STATEMENTS**

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CITY OF GLENN HEIGHTS, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,001,022	\$ 3,931,176	\$ 8,932,198
Restricted cash and cash equivalents	-	466,798	466,798
Receivables, net	596,740	778,297	1,375,037
Internal balances	(2,560)	2,560	-
Prepaid expenses	68,482	163,713	232,195
Net pension asset	302,161	66,328	368,489
Capital assets:			
Non-depreciable	1,050,373	35,161	1,085,534
Depreciable, net	4,699,993	8,913,022	13,613,015
Total assets	<u>11,716,211</u>	<u>14,357,055</u>	<u>26,073,266</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	11,314	11,314
Deferred outflows related to pensions	118,891	26,099	144,990
Total deferred outflows of resources	<u>118,891</u>	<u>37,413</u>	<u>156,304</u>
LIABILITIES			
Accounts payable	316,404	45,910	362,314
Accrued liabilities	77,474	16,293	93,767
Accrued interest	15,955	2,798	18,753
Unearned revenue	33,321	-	33,321
Customer deposits	-	469,357	469,357
Long-term liabilities:			
Due within one year	376,144	295,474	671,618
Due in more than one year	3,399,576	812,865	4,212,441
Total liabilities	<u>4,218,874</u>	<u>1,642,697</u>	<u>5,861,571</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	8,308	1,823	10,131
Total deferred inflows of resources	<u>8,308</u>	<u>1,823</u>	<u>10,131</u>
NET POSITION			
Net investment in capital assets	3,420,929	7,964,475	11,385,404
Restricted for:			
Debt service	32,056	-	32,056
Street improvements	395,311	-	395,311
Public safety	400,793	-	400,793
Parks	216,221	-	216,221
Water and sewer improvements	-	455,065	455,065
Unrestricted	3,142,610	4,330,408	7,473,018
Total net position	<u>\$ 7,607,920</u>	<u>\$ 12,749,948</u>	<u>\$ 20,357,868</u>

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

CITY OF GLENN HEIGHTS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 1,074,430	\$ 128,996	\$ 2,576	\$ -
Public safety	3,075,807	510,150	97,085	-
Development services	718,798	566,052	-	-
Parks and recreation	295,728	73,559	5,906	-
Economic development	225	-	-	-
Interest on long-term debt	150,994	-	-	-
Total governmental activities	<u>5,315,982</u>	<u>1,278,757</u>	<u>105,567</u>	<u>-</u>
Business-type activities:				
Water and sewer	4,366,961	4,868,772	-	278,367
Drainage	<u>107,722</u>	<u>264,976</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>4,474,683</u>	<u>5,133,748</u>	<u>-</u>	<u>278,367</u>
Total primary government	<u>\$ 9,790,665</u>	<u>\$ 6,412,505</u>	<u>\$ 105,567</u>	<u>\$ 278,367</u>

General revenues:

- Property taxes
- Sales taxes
- Franchise fees
- Interest
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Prior period adjustment

Net position, ending

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

Net (Expense) Revenues and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$(942,858)	\$ -	\$(942,858)
(2,468,572)	-	(2,468,572)
(152,746)	-	(152,746)
(216,263)	-	(216,263)
(225)	-	(225)
<u>(150,994)</u>	<u>-</u>	<u>(150,994)</u>
<u>(3,931,658)</u>	<u>-</u>	<u>(3,931,658)</u>
-	780,178	780,178
<u>-</u>	<u>157,254</u>	<u>157,254</u>
<u>-</u>	<u>937,432</u>	<u>937,432</u>
<u>(3,931,658)</u>	<u>937,432</u>	<u>(2,994,226)</u>
3,237,608	-	3,237,608
515,847	-	515,847
678,807	-	678,807
21,763	2,194	23,957
21,239	567	21,806
<u>162,079</u>	<u>(162,079)</u>	<u>-</u>
<u>4,637,343</u>	<u>(159,318)</u>	<u>4,478,025</u>
705,685	778,114	1,483,799
<u>6,515,754</u>	<u>11,886,997</u>	<u>18,402,751</u>
<u>386,481</u>	<u>84,837</u>	<u>471,318</u>
<u>\$ 7,607,920</u>	<u>\$ 12,749,948</u>	<u>\$ 20,357,868</u>

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CITY OF GLENN HEIGHTS, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	<u>General</u>	<u>Bonds</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,350,015	\$ 1,340,563	\$ 1,310,444	\$ 5,001,022
Receivables:				
Taxes	224,357	-	26,495	250,852
Accounts	257,416	-	-	257,416
Court fines	88,472	-	-	88,472
Due from other funds	-	-	17,351	17,351
Prepaid items	<u>66,974</u>	<u>-</u>	<u>1,508</u>	<u>68,482</u>
Total assets	<u>2,987,234</u>	<u>1,340,563</u>	<u>1,355,798</u>	<u>5,683,595</u>
LIABILITIES				
Accounts payable	314,897	-	1,507	316,404
Accrued liabilities	77,474	-	-	77,474
Due to other funds	17,899	-	2,012	19,911
Unearned revenue	<u>5,803</u>	<u>-</u>	<u>27,518</u>	<u>33,321</u>
Total liabilities	<u>416,073</u>	<u>-</u>	<u>31,037</u>	<u>447,110</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable:				
Property taxes	133,343	-	24,621	157,964
Court fines	80,648	-	-	80,648
Ambulance	<u>115,084</u>	<u>-</u>	<u>-</u>	<u>115,084</u>
Total deferred inflows of resources	<u>329,075</u>	<u>-</u>	<u>24,621</u>	<u>353,696</u>
FUND BALANCES				
Nonspendable - prepaid items	66,974	-	1,508	68,482
Restricted for:				
Public safety	-	-	400,793	400,793
Debt service	-	-	23,390	23,390
Capital projects	-	1,340,563	-	1,340,563
Street improvements	-	-	395,311	395,311
Park improvements	-	-	216,221	216,221
Assigned for:				
Subsequent year's budget	187,501	-	-	187,501
Vehicle replacement	-	-	264,929	264,929
Unassigned	<u>1,987,611</u>	<u>-</u>	<u>(2,012)</u>	<u>1,985,599</u>
Total fund balances	<u>2,242,086</u>	<u>1,340,563</u>	<u>1,300,140</u>	<u>4,882,789</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,987,234</u>	<u>\$ 1,340,563</u>	<u>\$ 1,355,798</u>	<u>\$ 5,683,595</u>

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

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CITY OF GLENN HEIGHTS, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds balance sheet		\$	4,882,789
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,750,366
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Property taxes	157,964		
Court fines	80,648		
Ambulance	115,084		
Net pension asset	302,161		
Deferred outflow related to pensions	<u>118,891</u>		
			774,748
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.			
Certificates of obligation	(3,670,000)		
Compensated absences	(105,720)		
Interest payable on long-term debt	<u>(15,955)</u>		
			(3,791,675)
Deferred inflow related to pensions to be recognized in the government-wide statements in a future period.			<u>(8,308)</u>
Net position of governmental activities - statement of net position		\$	<u>7,607,920</u>

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CITY OF GLENN HEIGHTS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>General</u>	<u>Bonds</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2,792,205	\$ -	\$ 457,046	\$ 3,249,251
Franchise	678,807	-	-	678,807
Sales and use	515,847	-	-	515,847
Licenses and permits	428,824	-	-	428,824
Fines and forfeitures	222,688	-	10,855	233,543
Charges for services	322,327	-	148,337	470,664
Intergovernmental	96,453	-	1,558	98,011
Impact fees	-	-	137,228	137,228
Interest	19,305	971	1,487	21,763
Other	15,824	-	-	15,824
Total revenues	<u>5,092,280</u>	<u>971</u>	<u>756,511</u>	<u>5,849,762</u>
EXPENDITURES				
Current:				
General government	1,069,237	-	-	1,069,237
Public safety	3,008,155	-	7,494	3,015,649
Development services	524,797	-	15,704	540,501
Parks and recreation	213,359	-	-	213,359
Economic development	225	-	-	225
Capital outlay	337,375	-	31,691	369,066
Debt service:				
Principal	34,649	-	325,000	359,649
Interest and other charges	1,437	20,000	131,098	152,535
Total expenditures	<u>5,189,234</u>	<u>20,000</u>	<u>510,987</u>	<u>5,720,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(96,954)</u>	<u>(19,029)</u>	<u>245,524</u>	<u>129,541</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	13,118	-	-	13,118
Issuance of bonds	-	725,000	-	725,000
Transfers in	265,144	-	164,929	430,073
Transfers out	<u>(246,598)</u>	<u>-</u>	<u>(21,396)</u>	<u>(267,994)</u>
Total other financing sources (uses)	<u>31,664</u>	<u>725,000</u>	<u>143,533</u>	<u>900,197</u>
NET CHANGE IN FUND BALANCES	<u>(65,290)</u>	<u>705,971</u>	<u>389,057</u>	<u>1,029,738</u>
FUND BALANCES, BEGINNING	<u>2,307,376</u>	<u>634,592</u>	<u>911,083</u>	<u>3,853,051</u>
FUND BALANCES, ENDING	<u>\$ 2,242,086</u>	<u>\$ 1,340,563</u>	<u>\$ 1,300,140</u>	<u>\$ 4,882,789</u>

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

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CITY OF GLENN HEIGHTS, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Amounts reported for governmental activities in the Statement of Activities are different

Net change in fund balances - total governmental funds:	\$ 1,029,738
<p>Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>	
Capital outlay	369,066
Depreciation	(346,442)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Property taxes	(11,643)
Court fines	(3,579)
Ambulance	11,930
<p>The issuance of long-term debt (e.g., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt related items.</p>	
Issuance of capital lease	(725,000)
Principal payments on long-term debt	359,711
<p>Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized.</p>	
	26,263
<p>Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(5,900)
Interest on long-term debt	<u>1,541</u>
Change in net position of governmental activities	<u>\$ 705,685</u>

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CITY OF GLENN HEIGHTS, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2015

	Enterprise Funds		
	Water and Sewer	Drainage	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,549,722	\$ 381,454	\$ 3,931,176
Cash and cash equivalents - restricted	466,798	-	466,798
Accounts receivable, net	740,121	38,176	778,297
Due from other funds	2,560	-	2,560
Prepaid items	163,713	-	163,713
Total current assets	4,922,914	419,630	5,342,544
Noncurrent assets:			
Net pension asset	62,643	3,685	66,328
Capital assets:			
Non-depreciable	35,161	-	35,161
Depreciable, net	8,699,483	213,539	8,913,022
Total noncurrent assets	8,797,287	217,224	9,014,511
Total assets	13,720,201	636,854	14,357,055
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	11,314	-	11,314
Deferred outflows related to pensions	24,649	1,450	26,099
Total deferred outflows of resources	35,963	1,450	37,413
LIABILITIES			
Current liabilities:			
Accounts payable	40,970	4,940	45,910
Accrued liabilities	15,118	1,175	16,293
Accrued interest	2,798	-	2,798
Compensated absences	5,718	471	6,189
Capital leases	19,960	-	19,960
Notes payable	-	19,325	19,325
Bonds payable	250,000	-	250,000
Payable from restricted assets:			
Customer deposits	469,357	-	469,357
Total current liabilities	803,921	25,911	829,832
Noncurrent liabilities:			
Compensated absences	16,499	1,887	18,386
Capital leases	20,335	-	20,335
Notes payable	-	9,599	9,599
Bonds payable	764,545	-	764,545
Total noncurrent liabilities	801,379	11,486	812,865
Total liabilities	1,605,300	37,397	1,642,697
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	1,722	101	1,823
Total deferred inflows of resources	1,722	101	1,823
NET POSITION			
Net investment in capital assets	7,778,410	186,065	7,964,475
Restricted for water and sewer improvements	455,065	-	455,065
Unrestricted	3,915,667	414,741	4,330,408
Total net position	\$ 12,149,142	\$ 600,806	\$ 12,749,948

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

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CITY OF GLENN HEIGHTS, TEXAS

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION**

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Funds		
	Water and Sewer	Drainage	Total
OPERATING REVENUES			
Water	\$ 1,977,172	\$ -	\$ 1,977,172
Sewer	2,449,480	-	2,449,480
Drainage	-	264,974	264,974
Service charges	268,831	-	268,831
Water and sewer connections	54,294	-	54,294
Other	118,995	2	118,997
Total operating revenues	4,868,772	264,976	5,133,748
OPERATING EXPENSES			
Personnel services	695,933	57,819	753,752
Supplies	140,632	4,489	145,121
Contractual services	1,898,260	12,043	1,910,303
Wastewater treatment	557,903	-	557,903
Water purchases	674,008	-	674,008
Depreciation	367,329	29,580	396,909
Total operating expenses	4,334,065	103,931	4,437,996
OPERATING INCOME	534,707	161,045	695,752
NONOPERATING REVENUES (EXPENSES)			
Interest income	2,193	1	2,194
Interest and other	(32,896)	(3,791)	(36,687)
Other	567	-	567
Total nonoperating revenues (expenses)	(30,136)	(3,790)	(33,926)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	504,571	157,255	661,826
Capital contributions	278,367	-	278,367
Transfers in	81,669	-	81,669
Transfers out	(231,248)	(12,500)	(243,748)
CHANGE IN NET POSITION	633,359	144,755	778,114
NET POSITION, BEGINNING	11,435,659	451,338	11,886,997
PRIOR PERIOD ADJUSTMENT	80,124	4,713	84,837
NET POSITION, ENDING	\$ 12,149,142	\$ 600,806	\$ 12,749,948

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

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

	Enterprise Funds		
	Water and Sewer	Drainage	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,859,033	\$ 262,623	\$ 5,121,656
Payments to suppliers	(3,389,448)	(16,532)	(3,405,980)
Payments to employees	(707,026)	(62,507)	(769,533)
Net cash provided by operating activities	<u>762,559</u>	<u>183,584</u>	<u>946,143</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash paid to other funds	5,122	-	5,122
Transfers out to other funds	(231,248)	(12,500)	(243,748)
Net cash used for noncapital financing activities	<u>(226,126)</u>	<u>(12,500)</u>	<u>(238,626)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	278,367	-	278,367
Acquisition and construction of capital assets	(185,410)	-	(185,410)
Principal paid on long-term debt	(272,149)	(23,120)	(295,269)
Interest and other charges paid	(28,955)	(3,874)	(32,829)
Net cash provided (used) by capital and related financing activities	<u>(126,478)</u>	<u>(26,994)</u>	<u>(153,472)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received	2,193	1	2,194
Net cash provided by investing activities	<u>2,193</u>	<u>1</u>	<u>2,194</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	412,148	144,091	556,239
CASH AND CASH EQUIVALENTS, BEGINNING	<u>3,604,372</u>	<u>237,363</u>	<u>3,841,735</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>4,016,520</u>	<u>381,454</u>	<u>4,397,974</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	534,707	161,045	695,752
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	367,329	29,580	396,909
Change in assets, deferred outflows and inflows, and liabilities:			
(Increase) decrease in accounts receivable	(36,254)	(2,128)	(38,382)
(Increase) decrease in prepaid items	(152,937)	-	(152,937)
(Increase) decrease in deferred outflow related to pensions	(12,531)	(737)	(13,268)
(Increase) decrease in net pension asset	5,363	315	5,678
Increase (decrease) in accounts payable	34,292	(4,938)	29,354
Increase (decrease) in accrued liabilities	725	345	1,070
Increase (decrease) in customer deposits	26,515	-	26,515
Increase (decrease) in compensated absences	(6,372)	1	(6,371)
Increase (decrease) in deferred outflow related to pensions	1,722	101	1,823
Total adjustments	<u>227,852</u>	<u>22,539</u>	<u>250,391</u>
Net cash provided by operating activities	<u>\$ 762,559</u>	<u>\$ 183,584</u>	<u>\$ 946,143</u>

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

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CITY OF GLENN HEIGHTS, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Glenn Heights, Texas (the City) was incorporated on September 16, 1969, to operate as a general law city. In August 1987, the City amended its charter and currently operates as a home rule city. The City is regulated by the Code of State Statutes of the State of Texas and is authorized to perform the following services: public safety (police and fire), public works, planning, inspection, sanitation, water and sewer utilities, storm drainage and general administrative services. The City operates under a council-manager form of government. The Council is comprised of seven officials including a mayor and six council members.

The City prepares its financial statements in conformity with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

The Council has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the GASB. There are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining funds are aggregated and reported as nonmajor funds.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements have been met, including any time requirements, and the amount is received during the period or within the period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 day of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Bonds Fund** accounts for the acquisition of capital assets or construction of major capital projects being financed by 2006, 2008 and 2015 bond proceeds.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** is used to account for water and sewer improvements and operations.

The **Drainage Fund** is used to account for drainage improvements and operations.

During the course of the operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included in internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The Enterprise Fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

1. Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at cost.

2. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.”

3. Capital Assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40
Infrastructure	20 - 50
Improvements	5 - 20
Equipment	5 - 10
Vehicles	3 - 5

4. Pensions

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

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for this amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refundings – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

8. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purposes unless the City removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The City's General Fund policy requires no less than 60 days of General Fund expenditures in unassigned fund balance.

9. Net Position

Net positions represent the difference between assets, deferred outflows/inflows and liabilities. Net position – investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

11. Prior Period Adjustment

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

The implementation of Statement No. 68 resulted restatement of beginning net position for the elimination of the previously reported net pension asset, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying these changes results in decreased beginning net position as of October 1, 2014, as follows.

	Government-wide Statement of Activities		Fund Level	
			Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds	
	Governmental Activities	Business-type Activities	Water & Sewer	Drainage
Net position at September 30, 2014, as previously reported	\$ 6,515,754	\$ 11,886,997	\$ 11,435,659	\$ 451,338
Recording of net pension asset as of September 30, 2014	328,031	72,006	68,006	4,000
Deferral for pension contributions made after the measurement date	<u>58,450</u>	<u>12,831</u>	<u>12,118</u>	<u>713</u>
Net position at September 30, 2014, as restated	<u>\$ 6,902,235</u>	<u>\$ 11,971,834</u>	<u>\$ 11,515,783</u>	<u>\$ 456,051</u>

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Expenditures Exceeded Budget

Expenditures exceeded the budget in the General Fund by \$363,149. These expenditures were funded by more than anticipated revenue and existing fund balance of the City.

Deficit Fund Equity

As of year-end, the Municipal Court Technology Fund had a deficit fund balance of \$504. The court fees restricted for municipal court technology expenditures will eliminate the deficit in the subsequent fiscal year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash and Investments

The City may invest in obligations of the U. S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2015, the City had the following investments:

<u>Investment</u>	<u>S&P Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
TexStar	AAAm	\$ 1,197,255	39

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

1. Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is: The Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC). The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

2. Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are in TexStar investment pool ("TexStar"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government's funds in authorized short-term investments. Local government pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Pool uses amortized cost rather than fair value to report net position to compute share prices. Accordingly, the fair value of the position in the Pool is the same as the value of Pool shares. Administration of TexStar is performed by a Board of Directors, which is an administrative agency created under the Interlocal Act. The City is not exposed to custodial credit risk for its investments.

3. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy requires management to minimize risk of loss due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

B. Receivables

Receivables at September 30, 2015, consisted of the following:

	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Drainage</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 213,003	\$ 40,280	\$ -	\$ -	\$ 253,283
Sales taxes	88,472	-	-	-	88,472
Franchise fees	36,462	-	-	-	36,462
Ambulance	272,660	-	-	-	272,660
Garbage	123,306	-	863,578	39,582	1,026,466
Court fines	403,239	-	-	-	403,239
Other	16,348	-	-	-	16,348
Gross receivables	1,153,490	40,280	863,578	39,582	2,096,930
Less: allowance for uncollectibles	(583,245)	(13,785)	(123,457)	(1,406)	(721,893)
Net total receivables	<u>\$ 570,245</u>	<u>\$ 26,495</u>	<u>\$ 740,121</u>	<u>\$ 38,176</u>	<u>\$ 1,375,037</u>

Property taxes are based on the appraised values provided by the Dallas County and Ellis County Appraisal Districts. Taxes are levied by October 1 of each year, and are due in full with no discounts granted. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of 20 years. Taxes levied on personal property can be deemed uncollectible by the City. The City's current policy is to write off uncollectible personal property taxes after four years.

C. Interfund Transfers

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

	<u>Transfers in</u>			
	<u>General</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer</u>	<u>Totals</u>
Transfers out:				
General	\$ -	\$ 164,929	\$ 81,669	\$ 246,598
Nonmajor government:	21,396	-	-	21,396
Water and sewer	231,248	-	-	231,248
Drainage	12,500	-	-	12,500
Totals	<u>\$ 265,144</u>	<u>\$ 164,929</u>	<u>\$ 81,669</u>	<u>\$ 511,742</u>

Interfund transfers are used to 1) move unrestricted water, sewer and drainage revenues to the General Fund in accordance with budgetary authorizations; and 2) move resources expended in a Capital Projects Fund on a drainage capital asset.

D. Interfund Balances

The compositions of interfund balances for the year ended September 30, 2015, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
Nonmajor governmental	General	\$ 17,351
Water and Sewer	General	548
Water and Sewer	Nonmajor governmental	<u>2,012</u>
		<u>\$ 19,911</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable cash transfers between funds are made.

E. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 850,176	\$ 200,197	\$ -	\$ 1,050,373
Total assets not being depreciated	<u>850,176</u>	<u>200,197</u>	<u>-</u>	<u>1,050,373</u>
Capital assets, being depreciated:				
Buildings	131,805	-	-	131,805
Parks and improvements	766,000	31,691	-	797,691
Infrastructure-streets	4,656,858	-	-	4,656,858
Vehicles	1,143,302	27,420	-	1,170,722
Equipment	608,186	109,758	-	717,944
Total capital assets being depreciated	<u>7,306,151</u>	<u>168,869</u>	<u>-</u>	<u>7,475,020</u>
Less accumulated depreciation:				
Buildings	83,764	5,184	-	88,948
Parks and improvements	440,345	79,506	-	519,851
Infrastructure-streets	447,756	167,315	-	615,071
Vehicles	944,944	55,296	-	1,000,240
Equipment	511,776	39,141	-	550,917
Total accumulated depreciation	<u>2,428,585</u>	<u>346,442</u>	<u>-</u>	<u>2,775,027</u>
Total capital assets being depreciated, net	<u>4,877,566</u>	<u>(177,573)</u>	<u>-</u>	<u>4,699,993</u>
Governmental activities capital assets, net	<u>\$ 5,727,742</u>	<u>\$ 22,624</u>	<u>\$ -</u>	<u>\$ 5,750,366</u>

Depreciation expense was charged to the governmental activities functions/programs of the City as follows:

General government	\$ 7,124
Public safety	77,077
Development services	179,610
Parks and recreation	<u>82,631</u>
	<u>\$ 346,442</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 35,161	\$ -	\$ -	\$ 35,161
Total assets not being depreciated	<u>35,161</u>	<u>-</u>	<u>-</u>	<u>35,161</u>
Capital assets, being depreciated:				
Buildings	224,274	-	-	224,274
Infrastructure-water	8,065,050	-	-	8,065,050
Infrastructure-sewer	5,842,307	-	-	5,842,307
Infrastructure-drainage	196,068	-	-	196,068
Vehicles	380,236	66,286	-	446,522
Equipment	<u>672,299</u>	<u>119,691</u>	<u>-</u>	<u>791,990</u>
Total capital assets being depreciated	<u>15,380,234</u>	<u>185,977</u>	<u>-</u>	<u>15,566,211</u>
Less accumulated depreciation:				
Buildings	115,167	12,355	-	127,522
Infrastructure-water	3,700,374	170,976	-	3,871,350
Infrastructure-sewer	1,598,593	116,952	-	1,715,545
Infrastructure-drainage	34,349	14,780	-	49,129
Vehicles	366,277	22,272	-	388,549
Equipment	<u>441,520</u>	<u>59,574</u>	<u>-</u>	<u>501,094</u>
Total accumulated depreciation	<u>6,256,280</u>	<u>396,909</u>	<u>-</u>	<u>6,653,189</u>
Total capital assets being depreciated, net	<u>9,123,954</u>	<u>(210,932)</u>	<u>-</u>	<u>8,913,022</u>
Business-type activities capital assets, net	<u>\$ 9,159,115</u>	<u>\$(210,932)</u>	<u>\$ -</u>	<u>\$ 8,948,183</u>

Depreciation expense was charged to the business-type activities functions/programs of the City as follows:

Water and sewer	\$ 367,329
Drainage	<u>29,580</u>
	<u>\$ 396,909</u>

F. Long-term Obligations

Long-term liability activity for the year ended September 30, 2015, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 3,270,000	\$ 725,000	\$(325,000)	\$ 3,670,000	\$ 355,000
Capital lease obligations	34,711	-	(34,711)	-	-
Compensated absences	<u>99,820</u>	<u>138,313</u>	<u>(132,413)</u>	<u>105,720</u>	<u>21,144</u>
Total governmental activities	<u>\$ 3,404,531</u>	<u>\$ 863,313</u>	<u>\$(492,124)</u>	<u>\$ 3,775,720</u>	<u>\$ 376,144</u>
Business-type activities:					
General obligation refunding bonds	\$ 1,245,000	\$ -	\$(240,000)	\$ 1,005,000	\$ 250,000
Bond issuance discount	11,453	-	(1,908)	9,545	-
Notes payable	47,336	-	(18,412)	28,924	19,325
Capital lease obligations	72,444	-	(32,149)	40,295	19,960
Compensated absences	<u>30,946</u>	<u>12,227</u>	<u>(18,599)</u>	<u>24,574</u>	<u>6,189</u>
Total business-type activities	<u>\$ 1,407,179</u>	<u>\$ 12,227</u>	<u>\$(311,068)</u>	<u>\$ 1,108,338</u>	<u>\$ 295,474</u>

The General Fund is used to liquidate the liability for governmental activities compensated absences and capital leases.

Capital Leases

The City has entered into certain capital lease agreements for equipment and vehicles. As of September 30, 2015, the equipment and vehicles leased under governmental activities and business-type activities had a carrying value of \$102,293 and \$97,302, respectively, which are included in the capital assets depreciable section on the statement of net position. Effective interest rates range from 1.88% to 9.99%. Pursuant to the terms of the capital lease agreements, the City will be required to make future minimum payments as follows:

Years Ending September 30,	Business-type Activities
2016	\$ 20,718
2017	<u>20,717</u>
Total minimum lease payments	41,435
Less: amount representing interest	<u>1,140</u>
Present value of minimum lease payments	<u>\$ 40,295</u>

Bonds Payable

Governmental activities bonds payable at September 30, 2015, are comprised of the following issues:

2003 Certificates of Obligation, original issue \$750,000, dated September 1, 2003, due in annual installments through September 1, 2018, at 4.65% interest.	\$ 195,000
2006 Certificates of Obligation, original issue \$2,535,000, dated September 1, 2003, due in annual installments through September 1, 2018, at 4.65% interest.	1,230,000
2008 Certificates of Obligation, original issue \$2,050,000, dated September 1, 2003, due in annual installments through September 1, 2018, at 4.65% interest.	1,520,000
2015 Certificates of Obligation, original issue \$725,000, dated September 10, 2015, due in annual installments through September 1, 2025, at 4.65% interest.	<u>725,000</u>
Total governmental activities tax supported debt	<u>\$ 3,670,000</u>

The annual debt payment requirements of governmental activities bonded debt outstanding as of September 30, 2015, are as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 355,000	\$ 132,185	\$ 487,185
2017	375,000	118,443	493,443
2018	395,000	102,699	497,699
2019	415,000	85,212	500,212
2020	435,000	69,451	504,451
2021-2025	1,270,000	185,249	1,455,249
2026-2029	<u>425,000</u>	<u>26,361</u>	<u>451,361</u>
Total	<u>\$ 3,670,000</u>	<u>\$ 719,600</u>	<u>\$ 4,389,600</u>

Business-type activities bonds payable at September 30, 2015, are comprised of the following individual issues for the Water and Sewer Fund.

2010 General Obligation Refunding Bonds, original issue \$2,025,000, dated July 1, 2010, due in annual installments through February 15, 2020.	<u>\$ 1,005,000</u>
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The annual debt payment requirements of the bonded debt outstanding for the business-type activities as of September 30, 2015, are as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 250,000	\$ 25,925	\$ 275,925
2017	255,000	18,975	273,975
2018	265,000	11,175	276,175
2019	115,000	5,475	120,475
2020	<u>120,000</u>	<u>1,875</u>	<u>121,875</u>
Total	<u>\$ 1,005,000</u>	<u>\$ 63,425</u>	<u>\$ 1,068,425</u>

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At September 30, 2015, the City does not have bonds considered defeased.

Notes Payable

Notes payable in the business-type activities at September 30, 2015, consisted of the following:

The City received a loan from Prosperity Bank in the amount of \$120,000 for the purchase of equipment. Payable in monthly installments of \$1,692, including interest of 4.85%.

\$ 28,924

The annual debt payment requirements for notes payable as of September 30, 2015, are as follows:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 19,325	\$ 977	\$ 20,302
2017	<u>9,599</u>	<u>132</u>	<u>9,731</u>
Total	<u>\$ 28,924</u>	<u>\$ 1,109</u>	<u>\$ 30,033</u>

III. OTHER INFORMATION

A. Defined Benefit Pension Policies

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

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

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	6%
Matching ratio (City to employee)	1 to 1
Years required for vesting	5
Service requirement eligibility	60/5, 0/25
Updated service credit	100% repeating, Transfers
Annuity increase to retirees	70% of CPI

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	70
Active employees	<u>66</u>
	<u>170</u>

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

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.35% and 3.40% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$99,077, and were equal to the required contributions.

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

Actuarial assumptions:

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

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflati

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

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

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

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

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

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 6,497,045	\$ 6,897,083	\$(400,038)
Changes for the year:			
Service cost	256,970	-	256,970
Interest	456,404	-	456,404
Difference between expected and actual experience	(14,257)	-	(14,257)
Contributions - employer	-	96,517	(96,517)
Contributions - employee	-	180,931	(180,931)
Net investment income	-	394,578	(394,578)
Benefit payments, including refunds of employee contributions	(210,935)	(210,935)	-
Administrative expense	-	(4,119)	4,119
Other changes	-	(339)	339
Net changes	<u>488,182</u>	<u>456,633</u>	<u>31,549</u>
Balance at 12/31/2014	<u>\$ 6,985,227</u>	<u>\$ 7,353,716</u>	<u>\$(368,489)</u>

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

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability (asset)	\$ 808,874	\$(368,489)	\$(1,310,752)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2015, the City recognized pension expense of \$67,624.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 10,131
Difference between projected and actual investment earnings	70,574	-
Contributions subsequent to the measurement date	<u>74,416</u>	<u>-</u>
Total	<u>\$ 144,990</u>	<u>\$ 10,131</u>

\$74,416 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2016	\$ 13,519
2017	13,519
2018	15,762
2019	17,643

Subsequent event:

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

B. Other Postemployment Benefits

Supplemental Death Benefits Plan

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.

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 prefund retiree term life insurance during employee's entire careers.

The City's contributions to the TMRS SDBF for the years ended 2013, 2014, and 2015 were \$3,888, \$4,121 and, \$4,834 respectively, which equaled the required contributions.

C. 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 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 City pays an annual premium to the funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property - Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

D. Water and Sewer Contracts

The City has separate contracts with the City of Dallas and Services ("DUS") and the Trinity River Authority of Texas ("TRA") for the purchase of treated water and for the transportation, treatment and disposal of wastewater. The DUS agreement expires in 2039. The contracts require the City to pay varying amounts based on the costs associated with water purchased and wastewater transported and/or treated and disposed. The costs include the City's proportionate share of TRA's operating and maintenance expenses, related debt service costs, plus certain other miscellaneous charges.

Payments during 2015 for the purchase of treated water from DUS were \$674,008 and payments made for the transportation, treatment, and disposal of wastewater by TRA were \$1,826,077. If the City were unable to fulfill its obligations under the contracts, the only liability for future payment would be its proportionate share of debt service requirements. In addition, the City does not retain an ongoing financial interest in TRA and has no representation on the TRA Board; therefore, the TRA contracts are not considered to be joint venture agreements.

E. Contingencies

The City is a defendant in several pending lawsuits. City management estimates, based on the advice of legal counsel, that the potential claims against the City, in excess of insurance coverage, would not materially affect the basic financial statements of the City. The City participates in a number of federal and state grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any programs are subject to program compliance audits by the grantors of their representatives. Any liability that may arise as the result of these audits is not believed to be estimable or probable.

F. Subsequent Events

On November 11, 2015, the Citizens of the City of Glenn Heights, Texas voted for and the Council approved the issuance of 3 General Obligation Bonds. The General Obligation Bonds are as follows:

- \$3.5 million for Public Safety Facilities;
- \$3.5 million for Community Centers and Recreation Facilities;
- And \$8 million for Street Improvements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF GLENN HEIGHTS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,788,550	\$ 2,788,550	\$ 2,792,205	\$ 3,655
Franchise	606,275	675,375	678,807	3,432
Sales and use	445,000	508,000	515,847	7,847
Licenses and permits	100,150	413,106	428,824	15,718
Fines and forfeitures	334,000	227,000	222,688	(4,312)
Charge for services	273,872	403,872	322,327	(81,545)
Intergovernmental	13,000	13,000	96,453	83,453
Interest	10,000	15,800	19,305	3,505
Other	10,350	8,850	15,824	6,974
Total revenues	<u>4,581,197</u>	<u>5,053,553</u>	<u>5,092,280</u>	<u>38,727</u>
EXPENDITURES				
Current:				
General government	1,130,605	1,051,423	1,069,237	(17,814)
Public safety	3,316,727	3,054,610	3,008,155	46,455
Development services	467,959	476,543	524,797	(48,254)
Parks and recreation	223,757	163,507	213,359	(49,852)
Economic development	-	-	225	(225)
Capital outlay	44,600	44,600	337,375	(292,775)
Debt service:				
Principal	36,402	36,402	34,649	1,753
Interest and other charges	-	-	1,437	(1,437)
Total expenditures	<u>5,220,050</u>	<u>4,827,085</u>	<u>5,189,234</u>	<u>(362,149)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(638,853)</u>	<u>226,468</u>	<u>(96,954)</u>	<u>(323,422)</u>
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	10,350	3,500	13,118	9,618
Transfers in	324,634	324,634	265,144	(59,490)
Transfers out	-	-	(246,598)	(246,598)
Total other financing sources (uses)	<u>334,984</u>	<u>328,134</u>	<u>31,664</u>	<u>(296,470)</u>
NET CHANGE IN FUND BALANCE	<u>(303,869)</u>	<u>554,602</u>	<u>(65,290)</u>	<u>(619,892)</u>
FUND BALANCE, BEGINNING	<u>2,307,376</u>	<u>2,307,376</u>	<u>2,307,376</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 2,003,507</u>	<u>\$ 2,861,978</u>	<u>\$ 2,242,086</u>	<u>\$(619,892)</u>

CITY OF GLENN HEIGHTS, TEXAS

NOTES TO BUDGETARY SCHEDULE

SEPTEMBER 30, 2015

Budgetary Information

Annual operating budgets are adopted on a modified accrual basis (GAAP basis) for the General Fund, Municipal Court Technology Fund, Municipal Court Security Fund, 911 Wireless Fund, Grants Fund, and Debt Service Fund. The legal level of budgetary control is the fund. All annual appropriations lapse at fiscal year-end. Budgetary appropriations for the Capital Projects Funds are adopted on an individual project basis and extend through project completion.

The City follows these procedures in establishing the annually operating budgets reflected in the financial statements.

1. Prior to August 1, the City Manager prepares a proposed annual operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The annual operating budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year-end, encumbrances are canceled or re-appropriated as part of the following year budget.

CITY OF GLENN HEIGHTS, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year	<u>2014</u>
A. Total pension liability	
Service Cost	\$ 256,970
Interest (on the Total Pension Liability)	456,404
Difference between expected and actual experience	(14,257)
Benefit payments, including refunds of employee contributions	(210,935)
Net change in total pension liability	488,182
Total pension liability - beginning	<u>6,497,045</u>
Total pension liability - ending (a)	<u>\$ 6,985,227</u>
B. Plan fiduciary net position	
Contributions - employer	\$ 96,517
Contributions - employee	180,931
Net investment income	394,578
Benefit payments, including refunds of employee contributions	(210,935)
Administrative expenses	(4,119)
Other	<u>(339)</u>
Net change in plan fiduciary net position	456,633
Plan fiduciary net position - beginning	<u>6,897,083</u>
Plan fiduciary net position - ending (b)	<u>\$ 7,353,716</u>
C. Net pension liability (asset) - ending (a) - (b)	<u>\$ (368,489)</u>
D. Plan fiduciary net position as a percentage of total pension liability	105.28%
E. Covered employee payroll	\$ 3,015,520
F. Net pension liability (asset) as a percentage of covered employee payroll	(12.22)%

CITY OF GLENN HEIGHTS, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Fiscal Year	<u>2014</u>	<u>2015</u>
Actuarial determined contribution	\$ 88,118	\$ 99,077
Contributions in relation to the actuarially determined contribution	<u>(88,118)</u>	<u>(99,077)</u>
Contribution deficiency (excess)	-	-
Covered employee payroll	2,789,600	3,075,330
Contributions as a percentage of covered employee payroll	3.16%	3.22%

NOTES TO SCHEDULE OF CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The *Special Revenue Funds* are used to account for specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Municipal Court Technology Fund – to account for municipal court fees collected through the court to enhance existing operations through technology.

Municipal Court Security Fund – to account for municipal court fees collected through the court to provide for various municipal court security features.

911 Wireless Fund – to account for 911 wireless revenue collected to enhance the 911 network within the City.

Police-Seizure Fund – accounts for the revenue and expenditures related to the award of monies or property by the courts or federal government to the police department. The funds are expended for specified police department purposes.

Grants Fund – accounts for the revenue and expenditures related to various state and federal grants.

DEBT SERVICE FUND

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities.

Park Development Fund – to account for the acquisition of capital assets or construction of major capital projects being financed by park development fees.

Street Impact Fee Fund – to account for the acquisition of capital assets or construction of major capital projects being financed by street impact fees.

Vehicle Replacement Fund – to accumulate resources for the acquisition of vehicles funded by the general fund.

CITY OF GLENN HEIGHTS, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	Special Revenue Funds			
	Municipal Court Technology	Municipal Court Security	911 Wireless	Police Seizure
ASSETS				
Cash and cash equivalents	\$ -	\$ 26,177	\$ 361,295	\$ 11,977
Receivables - taxes	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	<u>1,508</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,508</u>	<u>26,177</u>	<u>361,295</u>	<u>11,977</u>
LIABILITIES				
Accounts payable	-	-	-	-
Due to other funds	2,012	-	-	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,012</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable - property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid items	1,508	-	-	-
Restricted for:				
Public safety - court and police	-	26,177	361,295	11,977
Debt service	-	-	-	-
Capital projects	-	-	-	-
Street improvements	-	-	-	-
Park improvements	-	-	-	-
Assigned for:				
Vehicle replacement	-	-	-	-
Unassigned	<u>(2,012)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>(504)</u>	<u>26,177</u>	<u>361,295</u>	<u>11,977</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,508</u>	<u>\$ 26,177</u>	<u>\$ 361,295</u>	<u>\$ 11,977</u>

Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental
Grants	Debt Service	Park Development	Street Impact Fee	Vehicle Replacement	
\$ 3,177	\$ 21,516	\$ 227,345	\$ 394,028	\$ 264,929	\$ 1,310,444
-	26,495	-	-	-	26,495
-	-	16,068	1,283	-	17,351
-	-	-	-	-	1,508
<u>3,177</u>	<u>48,011</u>	<u>243,413</u>	<u>395,311</u>	<u>264,929</u>	<u>1,355,798</u>
1,132	-	375	-	-	1,507
-	-	-	-	-	2,012
<u>701</u>	-	<u>26,817</u>	-	-	<u>27,518</u>
<u>1,833</u>	-	<u>27,192</u>	-	-	<u>31,037</u>
-	<u>24,621</u>	-	-	-	<u>24,621</u>
-	<u>24,621</u>	-	-	-	<u>24,621</u>
-	-	-	-	-	1,508
1,344	-	-	-	-	400,793
-	23,390	-	-	-	23,390
-	-	-	-	-	-
-	-	-	395,311	-	395,311
-	-	216,221	-	-	216,221
-	-	-	-	264,929	264,929
-	-	-	-	-	(2,012)
<u>1,344</u>	<u>23,390</u>	<u>216,221</u>	<u>395,311</u>	<u>264,929</u>	<u>1,300,140</u>
<u>\$ 3,177</u>	<u>\$ 48,011</u>	<u>\$ 243,413</u>	<u>\$ 395,311</u>	<u>\$ 264,929</u>	<u>\$ 1,355,798</u>

CITY OF GLENN HEIGHTS, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds			
	Municipal Court Technology	Municipal Court Security	911 Wireless	Police Seizure
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	6,707	4,148	-	-
Charges for services	-	-	81,101	-
Intergovernmental	-	-	-	-
Impact fees	-	-	-	-
Interest	-	13	182	7
Total revenues	6,707	4,161	81,283	7
EXPENDITURES				
Current:				
Public safety	7,280	-	-	-
Development services	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	7,280	-	-	-
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	(573)	4,161	81,283	7
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(21,396)	-
Total other financing sources (uses)	-	-	(21,396)	-
NET CHANGE IN FUND BALANCES	(573)	4,161	59,887	7
FUND BALANCES, BEGINNING	69	22,016	301,408	11,970
FUND BALANCES, ENDING	\$(504)	\$ 26,177	\$ 361,295	\$ 11,977

<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>			<u>Total Nonmajor Governmental</u>
<u>Grants</u>	<u>Debt Service</u>	<u>Park Development</u>	<u>Street Impact Fee</u>	<u>Vehicle Replacement</u>	
\$ -	\$ 457,046	\$ -	\$ -	\$ -	\$ 457,046
-	-	-	-	-	10,855
-	-	67,236	-	-	148,337
1,558	-	-	-	-	1,558
-	-	-	137,228	-	137,228
-	-	484	801	-	1,487
<u>1,558</u>	<u>457,046</u>	<u>67,720</u>	<u>138,029</u>	<u>-</u>	<u>756,511</u>
214	-	-	-	-	7,494
-	-	15,704	-	-	15,704
-	-	31,691	-	-	31,691
-	325,000	-	-	-	325,000
-	131,098	-	-	-	131,098
<u>214</u>	<u>456,098</u>	<u>47,395</u>	<u>-</u>	<u>-</u>	<u>510,987</u>
<u>1,344</u>	<u>948</u>	<u>20,325</u>	<u>138,029</u>	<u>-</u>	<u>245,524</u>
-	-	-	-	164,929	164,929
-	-	-	-	-	(21,396)
-	-	-	-	164,929	143,533
1,344	948	20,325	138,029	164,929	389,057
-	22,442	195,896	257,282	100,000	911,083
<u>\$ 1,344</u>	<u>\$ 23,390</u>	<u>\$ 216,221</u>	<u>\$ 395,311</u>	<u>\$ 264,929</u>	<u>\$ 1,300,140</u>

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INDIVIDUAL FUND SCHEDULES

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CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

MUNICIPAL COURT TECHNOLOGY

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
REVENUES				
Fines and forfeitures	<u>5,000</u>	<u>5,000</u>	<u>6,707</u>	<u>1,707</u>
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>6,707</u>	<u>1,707</u>
EXPENDITURES				
Current:				
Public safety	<u>5,000</u>	<u>5,000</u>	<u>7,280</u>	<u>(2,280)</u>
Total expenditures	<u>5,000</u>	<u>5,000</u>	<u>7,280</u>	<u>(2,280)</u>
NET CHANGE IN FUND BALANCE	-	-	<u>(573)</u>	<u>(573)</u>
FUND BALANCE, BEGINNING	<u>69</u>	<u>69</u>	<u>69</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 69</u>	<u>\$ 69</u>	<u>\$(504)</u>	<u>\$(573)</u>

CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

MUNICIPAL COURT SECURITY

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
REVENUES				
Fines and forfeitures	\$ 4,500	\$ 4,500	\$ 4,148	\$(352)
Interest	<u> -</u>	<u> -</u>	<u> 13</u>	<u> 13</u>
Total revenues	<u>4,500</u>	<u>4,500</u>	<u>4,161</u>	<u>(339)</u>
EXPENDITURES				
Current:				
Public safety	<u>17,488</u>	<u>17,488</u>	<u> -</u>	<u>17,488</u>
Total expenditures	<u>17,488</u>	<u>17,488</u>	<u> -</u>	<u>17,488</u>
NET CHANGE IN FUND BALANCE	(12,988)	(12,988)	4,161	17,149
FUND BALANCE, BEGINNING	<u>22,016</u>	<u>22,016</u>	<u>22,016</u>	<u> -</u>
FUND BALANCE, ENDING	<u>\$ 9,028</u>	<u>\$ 9,028</u>	<u>\$ 26,177</u>	<u>\$ 17,149</u>

CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

911 WIRELESS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
REVENUES				
Charges for services	\$ 75,000	\$ 75,000	\$ 81,101	\$ 6,101
Interest	<u>200</u>	<u>200</u>	<u>182</u>	<u>(18)</u>
Total revenues	<u>75,200</u>	<u>75,200</u>	<u>81,283</u>	<u>6,083</u>
EXPENDITURES				
Current:				
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>75,200</u>	<u>75,200</u>	<u>81,283</u>	<u>6,083</u>
OTHER FINANCING SOURCES (USES)				
Transfer out	<u>(33,000)</u>	<u>(33,000)</u>	<u>(21,396)</u>	<u>11,604</u>
Total other financing sources (uses)	<u>(33,000)</u>	<u>(33,000)</u>	<u>(21,396)</u>	<u>11,604</u>
NET CHANGE IN FUND BALANCE	42,200	42,200	59,887	17,687
FUND BALANCE, BEGINNING	<u>301,408</u>	<u>301,408</u>	<u>301,408</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 343,608</u>	<u>\$ 343,608</u>	<u>\$ 361,295</u>	<u>\$ 17,687</u>

CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

GRANTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 5,375	\$ 5,375	\$ 1,558	\$(3,817)
Total revenues	<u>5,375</u>	<u>5,375</u>	<u>1,558</u>	<u>(3,817)</u>
EXPENDITURES				
Current:				
Public safety	<u>5,375</u>	<u>5,375</u>	<u>214</u>	<u>5,161</u>
Total expenditures	<u>5,375</u>	<u>5,375</u>	<u>214</u>	<u>5,161</u>
NET CHANGE IN FUND BALANCE	-	-	1,344	1,344
FUND BALANCE, BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,344</u>	<u>\$ 1,344</u>

CITY OF GLENN HEIGHTS, TEXAS

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget - Positive <u>(Negative)</u>
REVENUES				
Property taxes	\$ 476,419	\$ 476,419	\$ 457,046	\$(19,373)
Total revenues	<u>476,419</u>	<u>476,419</u>	<u>457,046</u>	<u>(19,373)</u>
EXPENDITURES				
Debt service:				
Principal	325,000	325,000	325,000	-
Interest and other charges	<u>133,419</u>	<u>133,419</u>	<u>131,098</u>	<u>2,321</u>
Total expenditures	<u>458,419</u>	<u>458,419</u>	<u>456,098</u>	<u>2,321</u>
NET CHANGE IN FUND BALANCE	18,000	18,000	948	(17,052)
FUND BALANCE, BEGINNING	<u>22,442</u>	<u>22,442</u>	<u>22,442</u>	<u>-</u>
FUND BALANCE, ENDING	\$ <u>40,442</u>	\$ <u>40,442</u>	\$ <u>23,390</u>	\$(<u>17,052</u>)

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STATISTICAL SECTION

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STATISTICAL SECTION

(Unaudited)

This part of City of Glenn Heights, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.	59 – 69
Revenue Capacity These schedules contain trend information to help the reader assess the factors affecting the City's ability to generate its electric utility, sales tax and property tax revenues.	70 – 73
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and its ability to issue additional debt in the future.	74 – 77
Economic and Demographic Indicators These schedules contain economic and demographic information to help the reader understand the environment within which the City's financial activities take place.	78 – 80
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	81 – 83

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF GLENN HEIGHTS, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
Governmental activities:				
Net investment in capital assets	\$ 556,500	\$ 390,564	\$ 517,255	\$ 507,320
Restricted	2,830,291	2,398,086	4,771,034	4,405,139
Unrestricted	(1,283,857)	(552,473)	(1,999,219)	(1,654,521)
Total governmental activities net position	\$ <u>2,102,934</u>	\$ <u>2,236,177</u>	\$ <u>3,289,070</u>	\$ <u>3,257,938</u>
Business-type activities:				
Net investment in capital assets	\$ 7,294,045	\$ 7,810,544	\$ 7,864,160	\$ 7,957,585
Restricted	2,310,670	1,305,567	-	-
Unrestricted	<u>777,620</u>	<u>551,394</u>	<u>335,206</u>	<u>575,731</u>
Total business-type activities net position	\$ <u>10,382,335</u>	\$ <u>9,667,505</u>	\$ <u>8,199,366</u>	\$ <u>8,533,316</u>
Primary government:				
Net investment in capital assets	\$ 7,850,545	\$ 8,201,108	\$ 8,381,415	\$ 8,464,905
Restricted	5,140,961	3,703,653	4,771,034	4,405,139
Unrestricted	(506,237)	(1,079)	(1,664,013)	(1,078,790)
Total primary government net position	\$ <u>12,485,269</u>	\$ <u>11,903,682</u>	\$ <u>11,488,436</u>	\$ <u>11,791,254</u>

TABLE 1

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 777,007	\$ 3,019,534	\$ 3,101,367	\$ 2,985,184	\$ 3,057,623	\$ 3,420,929
4,152,298	841,581	911,058	711,864	822,641	1,044,381
(1,383,267)	1,506,647	1,513,501	2,313,476	2,635,490	3,142,610
<u>\$ 3,546,038</u>	<u>\$ 5,367,762</u>	<u>\$ 5,525,926</u>	<u>\$ 6,010,524</u>	<u>\$ 6,515,754</u>	<u>\$ 7,607,920</u>
\$ 7,812,387	\$ 7,876,598	\$ 8,011,639	\$ 7,914,978	\$ 7,796,457	\$ 7,964,475
-	684,813	561,058	471,623	361,759	455,065
260,857	1,117,324	1,613,419	2,977,448	3,728,781	4,330,408
<u>\$ 8,073,244</u>	<u>\$ 9,678,735</u>	<u>\$ 10,186,116</u>	<u>\$ 11,364,049</u>	<u>\$ 11,886,997</u>	<u>\$ 12,749,948</u>
\$ 8,589,394	\$ 10,896,132	\$ 11,113,006	\$ 10,900,162	\$ 10,854,080	\$ 11,385,404
4,152,298	1,526,394	1,472,116	1,183,487	1,184,400	1,499,446
(1,122,410)	2,623,971	3,126,920	5,290,924	6,364,271	7,473,018
<u>\$ 11,619,282</u>	<u>\$ 15,046,497</u>	<u>\$ 15,712,042</u>	<u>\$ 17,374,573</u>	<u>\$ 18,402,751</u>	<u>\$ 20,357,868</u>

CITY OF GLENN HEIGHTS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
EXPENSES				
Governmental activities:				
General government	\$ 1,345,624	\$ 1,388,074	\$ 1,296,369	\$ 1,502,474
Public safety	1,759,196	1,797,862	2,209,801	2,538,381
Development services	474,440	1,725,213	822,832	531,970
Parks and recreation	72,682	75,209	120,652	22,648
Economic development	-	-	-	-
Interest and other	127,130	136,848	153,125	232,764
Total governmental activities expenses	<u>3,779,072</u>	<u>5,123,206</u>	<u>4,602,779</u>	<u>4,828,237</u>
Business-type activities:				
Water and sewer	3,747,199	3,497,511	3,884,636	3,542,027
Drainage	-	-	-	-
Total business-type activities expenses	<u>3,747,199</u>	<u>3,497,511</u>	<u>3,884,636</u>	<u>3,542,027</u>
Total primary government program expenses	<u>\$ 7,526,271</u>	<u>\$ 8,620,717</u>	<u>\$ 8,487,415</u>	<u>\$ 8,370,264</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	\$ 304,684	\$ 216,456	\$ 497,349	\$ 150,926
Public safety	504,991	391,834	97,959	465,020
Development services	-	-	275,961	357,155
Parks and recreation	-	-	31,032	72,454
Economic development	-	-	-	-
Operating grants and contributions	55,335	2,650	-	-
Capital grants and contributions	123,321	272,691	54,000	-
Total governmental activities program revenues	<u>988,331</u>	<u>883,631</u>	<u>956,301</u>	<u>1,045,555</u>
Business-type activities:				
Charges for services:				
Water and sewer	4,187,327	3,605,582	3,616,322	4,030,147
Drainage	-	-	-	-
Capital grants and contributions	-	210,673	-	-
Total business-type activities program revenues	<u>4,187,327</u>	<u>3,816,255</u>	<u>3,616,322</u>	<u>4,030,147</u>
Total primary government program revenues	<u>\$ 5,175,658</u>	<u>\$ 4,699,886</u>	<u>\$ 4,572,623</u>	<u>\$ 5,075,702</u>

TABLE 2

		Fiscal Year									
		2010	2011	2012	2013	2014	2015				
\$	1,258,541	\$	1,136,770	\$	1,014,655	\$	866,969	\$	872,399	\$	1,074,430
	2,704,675		2,910,502		3,059,521		2,908,130		3,166,101		3,075,807
	863,457		478,843		611,556		531,646		530,798		718,798
	195,540		259,338		268,638		260,362		256,306		295,728
	-		34,966		100,897		97,097		-		225
	<u>205,557</u>		<u>207,118</u>		<u>188,226</u>		<u>170,437</u>		<u>150,154</u>		<u>150,994</u>
	<u>5,227,770</u>		<u>5,027,537</u>		<u>5,243,493</u>		<u>4,834,641</u>		<u>4,975,758</u>		<u>5,315,982</u>
	3,864,798		4,048,691		4,077,224		3,703,399		3,927,273		4,366,961
	-		152,964		137,246		166,464		177,381		107,722
	<u>3,864,798</u>		<u>4,201,655</u>		<u>4,214,470</u>		<u>3,869,863</u>		<u>4,104,654</u>		<u>4,474,683</u>
\$	<u>9,092,568</u>	\$	<u>9,229,192</u>	\$	<u>9,457,963</u>	\$	<u>8,704,504</u>	\$	<u>9,080,412</u>	\$	<u>9,790,665</u>
\$	271,052	\$	154,948	\$	147,104	\$	157,837	\$	161,555	\$	128,996
	455,701		764,189		496,191		569,758		494,104		510,150
	182,009		152,957		111,229		104,212		110,784		566,052
	34,162		-		-		-		18,794		73,559
	-		12,743		19,390		19,496		-		-
	98,593		115,774		275,541		285,933		128,248		105,567
	<u>177,120</u>		<u>1,910,756</u>		<u>104,799</u>		<u>4,526</u>		<u>-</u>		<u>-</u>
	<u>1,218,637</u>		<u>3,111,367</u>		<u>1,154,254</u>		<u>1,141,762</u>		<u>913,485</u>		<u>1,384,324</u>
	4,022,536		4,868,627		4,650,370		4,675,400		4,656,527		4,868,772
	-		248,126		248,790		252,293		255,740		264,976
	-		137,981		174,407		58,772		51,428		278,367
	<u>4,022,536</u>		<u>5,254,734</u>		<u>5,073,567</u>		<u>4,986,465</u>		<u>4,963,695</u>		<u>5,412,115</u>
\$	<u>5,241,173</u>	\$	<u>8,366,101</u>	\$	<u>6,227,821</u>	\$	<u>6,128,227</u>	\$	<u>5,877,180</u>	\$	<u>6,796,439</u>

CITY OF GLENN HEIGHTS, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2006	2007	2008	2009
NET (EXPENSE) REVENUES				
Governmental activities	\$(2,790,741)	\$(4,239,575)	\$(3,646,478)	\$(3,782,682)
Business-type activities	<u>440,128</u>	<u>318,744</u>	<u>(268,314)</u>	<u>488,120</u>
Total primary government net expense	<u>(2,350,613)</u>	<u>(3,920,831)</u>	<u>(3,914,792)</u>	<u>(3,294,562)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	2,117,724	2,551,558	2,837,191	2,983,953
Franchise	259,258	271,848	306,367	325,120
Sales and use	240,729	267,720	241,445	230,557
Interest	40,764	93,112	97,880	52,966
Miscellaneous	71,421	76,951	-	-
Casualty loss on equipment	-	(6,848)	-	-
Transfers	<u>344,827</u>	<u>1,118,477</u>	<u>(89,079)</u>	<u>158,954</u>
Total governmental activities	<u>3,074,723</u>	<u>4,372,818</u>	<u>3,393,804</u>	<u>3,751,550</u>
Business-type activities:				
Interest	69,746	76,067	16,663	4,784
Miscellaneous	34,119	8,836	-	-
Transfers	<u>(344,827)</u>	<u>(1,118,477)</u>	<u>89,079</u>	<u>(158,954)</u>
Total business-type activities	<u>(240,962)</u>	<u>(1,033,574)</u>	<u>105,742</u>	<u>(154,170)</u>
Total primary government	<u>2,833,761</u>	<u>3,339,244</u>	<u>3,499,546</u>	<u>3,597,380</u>
CHANGE IN NET POSITION				
Governmental activities	283,982	133,243	(252,674)	(31,132)
Business-type activities	<u>199,166</u>	<u>(714,830)</u>	<u>(162,572)</u>	<u>333,950</u>
Total primary government	<u>\$ 483,148</u>	<u>\$(581,587)</u>	<u>\$(415,246)</u>	<u>\$ 302,818</u>

TABLE 2

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$(4,009,133)	\$(1,916,170)	\$(4,089,239)	\$(3,692,879)	\$(4,062,273)	\$(3,931,658)
<u>157,738</u>	<u>1,053,079</u>	<u>859,097</u>	<u>1,116,602</u>	<u>859,041</u>	<u>937,432</u>
<u>(3,851,395)</u>	<u>(863,091)</u>	<u>(3,230,142)</u>	<u>(2,576,277)</u>	<u>(3,203,232)</u>	<u>(2,994,226)</u>
3,065,690	3,255,045	3,113,736	3,100,573	3,206,127	3,237,608
341,930	417,009	371,361	334,731	574,502	678,807
241,531	353,784	370,598	416,161	457,443	515,847
28,717	11,681	10,017	14,102	18,396	21,763
-	32,902	26,087	13,817	20,035	21,239
-	-	-	-	-	-
<u>619,365</u>	<u>562,512</u>	<u>355,604</u>	<u>298,093</u>	<u>309,032</u>	<u>162,079</u>
<u>4,297,233</u>	<u>4,632,933</u>	<u>4,247,403</u>	<u>4,177,477</u>	<u>4,585,535</u>	<u>4,637,343</u>
1,555	7,879	3,888	2,864	2,705	2,194
-	-	-	356,560	5,637	567
<u>(619,365)</u>	<u>(562,512)</u>	<u>(355,604)</u>	<u>(298,093)</u>	<u>(309,032)</u>	<u>(162,079)</u>
<u>(617,810)</u>	<u>(554,633)</u>	<u>(351,716)</u>	<u>61,331</u>	<u>(300,690)</u>	<u>(159,318)</u>
<u>3,679,423</u>	<u>4,078,300</u>	<u>3,895,687</u>	<u>4,238,808</u>	<u>4,284,845</u>	<u>4,478,025</u>
288,100	2,716,763	158,164	484,598	523,262	705,685
<u>(460,072)</u>	<u>498,446</u>	<u>507,381</u>	<u>1,177,933</u>	<u>558,351</u>	<u>778,114</u>
<u>\$(171,972)</u>	<u>\$ 3,215,209</u>	<u>\$ 665,545</u>	<u>\$ 1,662,531</u>	<u>\$ 1,081,613</u>	<u>\$ 1,483,799</u>

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TABLE 3

CITY OF GLENN HEIGHTS, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General fund										
Reserved:										
Prepaid expense	\$ -	\$ -	\$ 216	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, designated for:										
Construction	1,131,955	3,803,796	1,113,269	1,095,345	1,107,017	-	-	-	-	-
Nonspendable	-	-	-	-	-	50,545	66,264	58,494	44,973	66,974
Restricted	-	-	-	-	-	196,564	-	-	-	-
Committed	-	-	-	-	-	-	83,000	166,000	-	-
Assigned	-	-	-	-	-	-	-	203,658	318,026	187,501
Unassigned	-	-	-	-	-	1,152,537	1,150,334	1,714,295	1,944,377	1,987,611
Total general fund	<u>\$ 1,131,955</u>	<u>\$ 3,803,796</u>	<u>\$ 1,113,485</u>	<u>\$ 1,095,345</u>	<u>\$ 1,107,017</u>	<u>\$ 1,399,646</u>	<u>\$ 1,299,598</u>	<u>\$ 2,142,447</u>	<u>\$ 2,307,376</u>	<u>\$ 2,242,086</u>
All other governmental funds										
Reserved:										
Debt service	\$ -	\$ -	\$ 39,465	\$ 42,648	\$ 159,014	\$ -	\$ -	\$ -	\$ -	\$ -
Special revenue funds	-	-	-	59,935	124,927	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	451,930	331,553	241,842	286,302	238,506	-	-	-	-	-
Capital projects funds	-	2,066,533	4,489,727	4,043,171	3,635,068	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	554	554	-	1,508
Assigned	-	-	-	-	-	-	-	-	100,000	264,929
Restricted	-	-	-	-	-	1,986,551	2,129,016	1,596,438	1,445,675	2,376,278
Unassigned	-	-	-	-	-	-	-	-	-	(2,012)
Total all other governmental funds	<u>\$ 451,930</u>	<u>\$ 2,398,086</u>	<u>\$ 4,771,034</u>	<u>\$ 4,432,056</u>	<u>\$ 4,157,515</u>	<u>\$ 1,986,551</u>	<u>\$ 2,129,570</u>	<u>\$ 1,596,992</u>	<u>\$ 1,545,675</u>	<u>\$ 2,640,703</u>

Note: In fiscal year 2011 the City implemented GASB 54.

CITY OF GLENN HEIGHTS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
REVENUES				
Taxes:				
Property	\$ 2,115,175	\$ 2,528,489	\$ 2,828,754	\$ 2,986,439
Franchise	259,258	271,848	306,367	325,120
Sales and use	240,729	267,720	241,445	230,557
Licenses and permits	233,551	170,578	84,896	154,923
Fines and forfeitures	422,937	286,463	322,636	346,149
Charges for services	78,409	77,873	127,966	111,590
Park fees	123,321	67,396	31,032	56,760
Donations	-	-	-	-
Intergovernmental	-	-	97,880	-
Impact fees	-	-	191,066	201,320
Interest	40,764	93,112	55,929	52,966
Other	201,534	372,328	142,776	174,813
Total revenues	<u>3,715,678</u>	<u>4,135,807</u>	<u>4,430,747</u>	<u>4,640,637</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Development services	-	-	-	-
Administration	403,018	322,498	466,690	412,869
City manager	121,730	101,359	147,387	312,058
Finance	80,712	97,055	151,421	163,940
City secretary/tax office	109,067	116,527	110,067	121,119
Public works	322,307	326,055	669,369	462,293
Police	1,178,736	1,133,652	1,306,039	1,672,701
Human resources	79,212	80,313	111,058	-
Municipal court	109,424	119,710	144,106	160,249
Fire	442,572	560,813	680,325	740,191
Code enforcement	60,874	70,235	73,527	-
Warehouse/shop	65,323	74,348	-	-
Parks and recreation	53,069	64,185	100,209	22,648
Animal control	44,764	44,119	62,984	-
Planning	70,170	70,850	82,996	271,495
Economic development	58,889	91,997	67,726	33,506
Sanitation	-	-	-	-
Building inspection	103,464	101,689	63,093	-
Community development	-	9,452	73,813	-
Capital outlay	437,129	1,715,476	1,074,940	286,292
Debt service				
Principal retirement	128,348	168,157	257,541	305,311
Interest and service charges	72,083	184,051	167,546	237,208
Total expenditures	<u>3,940,891</u>	<u>5,452,541</u>	<u>5,810,837</u>	<u>5,201,880</u>

TABLE 4

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$ 3,069,758	\$ 3,247,283	\$ 3,186,014	\$ 3,126,324	\$ 3,138,192	\$ 3,249,251
341,930	417,009	371,361	334,731	574,502	678,807
241,531	353,784	370,598	416,161	457,443	515,847
182,009	140,104	105,502	113,420	119,470	428,824
455,701	468,811	386,720	295,963	225,951	233,543
139,586	235,975	189,572	424,585	405,045	470,664
34,162	-	-	-	-	-
151	-	-	-	-	-
133,593	135,688	273,861	290,459	124,971	98,011
142,120	43,808	26,933	21,803	19,238	137,228
28,717	11,681	10,017	14,102	18,396	21,763
131,309	65,864	53,761	49,048	16,223	15,824
<u>4,900,567</u>	<u>5,120,007</u>	<u>4,974,339</u>	<u>5,086,596</u>	<u>5,099,431</u>	<u>5,849,762</u>
-	1,123,343	1,015,733	736,360	860,443	1,069,237
-	2,822,704	2,890,204	2,802,869	3,037,662	3,015,649
-	460,437	456,429	374,000	363,567	540,501
385,369	-	-	-	-	-
365,166	-	-	-	-	-
166,811	-	-	-	-	-
127,055	-	-	-	-	-
430,239	-	-	-	-	-
1,799,688	-	-	-	-	-
-	-	-	-	-	-
173,629	-	-	-	-	-
789,274	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
128,822	188,164	176,094	168,992	168,320	213,359
-	-	-	-	-	-
296,207	-	-	-	-	-
120,937	34,966	100,897	98,755	-	225
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
614,076	1,357,640	239,604	361,519	313,096	369,066
346,580	355,221	409,496	402,115	405,652	359,649
205,606	202,255	182,382	172,862	155,246	152,535
<u>5,949,459</u>	<u>2,138,246</u>	<u>5,470,839</u>	<u>5,117,472</u>	<u>5,303,986</u>	<u>5,720,221</u>

CITY OF GLENN HEIGHTS, TEXAS
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2006	2007	2008	2009
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$(225,213)	\$(1,316,734)	\$(1,380,090)	\$(561,243)
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	-	-
Issuance of long-term debt	2,535,000	-	2,050,000	-
Issuance of capital lease	61,078	-	174,600	45,170
Other financial sources (uses)	-	5,017	-	-
Transfers in	485,000	1,241,280	190,000	961,217
Transfers out	(140,173)	(122,803)	(279,079)	(802,263)
Total other financing sources (uses)	<u>2,940,905</u>	<u>1,123,494</u>	<u>2,135,521</u>	<u>204,124</u>
NET CHANGE IN FUND BALANCES	<u>\$ 2,715,692</u>	<u>\$(193,240)</u>	<u>\$ 755,431</u>	<u>\$(357,119)</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	<u>6.1%</u>	<u>10.4%</u>	<u>9.9%</u>	<u>12.4%</u>

Note: In fiscal year 2011 the City condensed several functions into three functions for expenditures on this table.

TABLE 4

Fiscal Year					
2010	2011	2012	2013	2014	2015
\$(1,048,892)	\$ 2,981,761	\$(496,500)	\$(30,876)	\$(204,555)	\$ 129,541
-	-	8,275	43,064	9,135	13,118
-	-	-	-	-	-
166,658	28,395	175,592	-	-	725,000
-	-	-	-	-	-
959,394	413,032	716,260	616,991	454,652	430,073
(340,029)	-	(360,656)	(318,898)	(145,620)	(267,994)
<u>786,023</u>	<u>441,427</u>	<u>539,471</u>	<u>341,157</u>	<u>318,167</u>	<u>900,197</u>
\$(262,869)	\$ 3,423,188	\$ 42,971	\$ 310,281	\$ 113,612	\$ 1,029,738
<u>11.5%</u>	<u>71.4%</u>	<u>11.3%</u>	<u>12.1%</u>	<u>11.2%</u>	<u>9.6%</u>

TABLE 5

CITY OF GLENN HEIGHTS, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Tax Year</u>	<u>Fiscal Year-end</u>	<u>Real Property Residential</u>	<u>Real Property Commercial</u>	<u>Real and Tangible Personal Utilities</u>	<u>Tangible Personal Property</u>	<u>Inventory</u>	<u>Less: Exempt Property</u>	<u>Total</u>	<u>Total Direct Tax Rate</u>
2005	2006	310,430,000	15,444,090	6,531,820	6,069,520	186,810	(15,440,577)	323,221,663	0.65310
2006	2007	364,479,481	15,366,320	6,215,700	5,728,300	106,130	(20,506,879)	371,389,052	0.69617
2007	2008	395,338,890	18,686,230	8,816,270	5,126,650	30,800	(20,971,040)	407,027,800	0.68404
2008	2009	407,869,663	18,051,850	13,110,380	9,559,826	33,710	(24,863,741)	423,761,688	0.68404
2009	2010	395,406,006	18,275,310	13,279,770	7,257,110	9,150	(25,118,616)	409,108,730	0.73932
2010	2011	385,394,092	19,071,780	12,215,220	5,294,110	2,707,890	(25,689,399)	398,993,693	0.79500
2011	2012	384,260,965	19,646,850	12,039,420	5,674,640	1,658,790	(26,600,522)	396,680,143	0.79500
2012	2013	389,484,865	19,826,492	12,113,060	5,654,020	1,634,710	(29,943,136)	398,770,011	0.79500
2013	2014	402,729,705	25,911,420	12,645,220	3,577,040	1,999,820	(20,636,060)	426,227,145	0.79500
2014	2015	386,358,856	41,024,850	13,061,980	4,480,220	2,584,020	(39,463,493)	408,046,433	0.79500

TABLE 6

**CITY OF GLENN HEIGHTS, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

Tax Year	Fiscal Year	City Direct Rates			Overlapping Rates							
		General	Debt Service	Total Direct	DeSoto ISD	Red Oak ISD	Ellis County	Ellis County Lateral Road	Dallas County	Dallas County Hospital District	Dallas County Community College District	Dallas County School Equalization Fund
2005	2006	0.575430	0.077670	0.653100	1.790000	1.640000	0.318906	0.031093	0.213900	0.254000	0.081600	0.005300
2006	2007	0.574420	0.121750	0.696170	1.760000	1.510000	0.320491	0.029009	0.213900	0.254000	0.081000	0.005034
2007	2008	0.567470	0.116570	0.684040	1.490000	1.300000	0.364598	0.029009	0.228100	0.254000	0.080400	0.004714
2008	2009	0.567470	0.126890	0.694360	1.510000	1.500000	0.360091	0.033508	0.228100	0.254000	0.089400	0.004928
2009	2010	0.596735	0.141970	0.738705	1.490000	1.540000	0.360091	0.033508	0.228100	0.274000	0.094900	0.005212
2010	2011	0.651400	0.143600	0.795000	1.490000	1.540000	0.360091	0.033508	0.243100	0.271000	0.099230	0.010000
2011	2012	0.631400	0.163600	0.795000	1.440000	1.540000	0.380091	0.033508	0.243100	0.271000	0.099670	0.010000
2012	2013	0.679065	0.115935	0.795000	1.440000	1.540000	0.380091	0.033508	0.243100	0.271000	0.119375	0.009937
2013	2014	0.678914	0.116086	0.795000	1.470000	1.540000	0.380091	0.033508	0.243100	0.286000	0.124775	0.010000
2014	2015	0.683390	0.111610	0.795000	1.470000	1.540000	0.380091	0.033508	0.243100	0.286000	0.124775	0.010000

Source: Dallas County and Ellis County Appraisal Districts

TABLE 7

CITY OF GLENN HEIGHTS, TEXAS

TEN LARGEST TAXPAYERS

CURRENT YEAR AND FOUR YEARS AGO

Taxpayer	2015			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Oncor Electric Delivery Co	\$ 9,725,020	1	2.38%	\$ 9,528,760	1	0.61%
Delaware Glenn Heights LLC	2,850,000	2	0.70%	-		- %
Margaux Bear Creek	2,046,870	3	0.50%	1,821,750	4	0.45%
Anew Properties INC	1,799,280	4	0.44%	-		- %
Mahs Inc	1,638,820	5	0.40%	-		- %
Glenn Heights Bargain Store	1,596,050	6	0.39%	1,980,000	3	0.48%
Sullivan Builders Inc	1,474,270	7	0.36%	-		- %
EBLA Investment LP	1,424,350	8	0.35%	1,407,090	7	0.34%
OSO Homes LLC	1,354,380	9	0.33%	-		- %
Hilco Electric Group	1,343,790	10	0.33%	-		- %
Abrams Plaza Ltd	-		- %	2,500,000	2	0.61%
Stanford David L	-		- %	1,576,440	5	0.39%
Valk, Don	-		- %	1,539,050	6	0.38%
Town & Country Park Ltd	-		- %	1,030,140	8	0.25%
Hi Ho RV Park, LP (Creek Road)	-		- %	1,012,230	9	0.25%
Total City Taxable Value	\$ <u>25,252,830</u>		<u>6.19%</u>	\$ <u>23,334,120</u>		<u>3.99%</u>

Source: Dallas County Tax Assessor/Collector

Note: The information from nine years ago is not available.

CITY OF GLENN HEIGHTS, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Total Tax Levy	Fiscal Year of Levy		Collections in Subsequent Years ¹	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	2,117,115	2,040,883	96.40%	70,052	2,110,935	99.71%
2007	2,585,499	2,456,745	95.02%	121,672	2,578,417	99.73%
2008	2,672,863	2,658,460	99.46%	2,763	2,661,223	99.56%
2009	2,937,878	2,838,397	96.61%	86,283	2,924,680	99.55%
2010	3,027,427	3,018,042	99.69%	(2,354)	3,015,688	99.61%
2011	3,172,000	3,153,285	99.41%	2,904	3,156,189	99.50%
2012	3,144,019	3,067,748	97.57%	41,772	3,109,520	98.90%
2013	3,084,308	3,034,752	98.39%	24,645	3,059,397	99.19%
2014	3,267,947	3,107,304	95.08%	-	3,107,304	95.08%
2015	3,243,969	3,195,631	98.51%	-	3,195,631	98.51%

Source: Dallas County Tax Assessor/Collector

¹ Collections in subsequent years includes refunds.

TABLE 9

CITY OF GLENN HEIGHTS, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS¹

Fiscal Year	Governmental Activities		Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita ¹
	Certificates of Obligation	Capital Leases	General Obligation Refunding Bonds	Certificates of Obligation	Notes Payable	Capital Leases			
2006	\$ 3,175,000	\$ 139,369	\$ 1,390,000	\$ 1,200,000	\$ -	\$ 7,622	\$ 5,911,991	N/A	\$ 563
2007	3,050,000	96,212	1,305,000	1,140,000	-	-	5,591,212	N/A	488
2008	4,925,000	188,271	1,215,000	1,080,000	-	61,519	7,469,790	N/A	641
2009	4,695,000	158,130	1,115,000	1,015,000	-	102,834	7,085,964	N/A	628
2010	4,435,000	238,208	2,025,000	-	112,685	98,248	6,909,141	0.29%	611
2011	4,160,000	186,382	1,865,000	-	97,514	86,132	6,395,028	0.32%	556
2012	3,875,000	237,478	1,712,170	-	81,591	49,965	5,956,204	N/A	508
2013	3,580,000	130,363	1,480,000	-	63,186	105,900	5,359,449	N/A	470
2014	3,270,000	34,649	1,256,453	-	47,336	72,444	4,669,429	N/A	397
2015	3,670,000	-	1,005,000	-	-	67,735	4,742,735	0.66%	406

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics on Table 13 for personal income and population data.

N/A Data not available at the time of this publication.

CITY OF GLENN HEIGHTS, TEXAS

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding			Less: Amount Available for Debt Service ³	Net General Bonded Debt	Percentage of Estimated Actual Taxable Value of Property ¹	Per Capita ²
	General Obligation Bonds	Certificates of Obligation	Total				
2006	\$ -	\$ 3,175,000	\$ 3,175,000	\$ -	\$ 3,175,000	0.98%	\$ 328
2007	-	3,050,000	3,050,000	-	3,050,000	0.82%	303
2008	-	4,925,000	4,925,000	39,465	4,885,535	1.20%	466
2009	-	4,695,000	4,695,000	42,648	4,652,352	1.10%	421
2010	2,025,000	4,435,000	6,460,000	159,014	6,300,986	1.54%	559
2011	1,865,000	4,160,000	6,025,000	290,457	5,734,543	1.44%	498
2012	1,712,170	3,875,000	5,587,170	290,457	5,296,713	1.34%	467
2013	1,480,000	3,580,000	5,060,000	290,786	4,769,214	1.26%	418
2014	1,256,453	3,270,000	4,515,000	22,422	4,492,578	1.05%	382
2015	1,005,000	3,670,000	4,675,000	23,390	4,668,009	1.14%	400

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on Table 5 for property value data.

² See the Schedule of Demographic and Economic Statistics on Table 13 for personal income and population data.

³ This is the amount restricted for debt service principal payments.

CITY OF GLENN HEIGHTS, TEXAS

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

AS OF SEPTEMBER 30, 2015

Government Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
DeSoto Independent School District	\$ 115,763,884	12.14%	\$ 14,053,736
Red Oak Independent School District	105,876,987	8.92%	9,444,227
Dallas County	84,725,000	0.15%	127,088
Dallas County Schools	60,215,000	0.15%	90,323
Dallas County Community College District	321,510,000	0.15%	482,265
Dallas County Hospital District	728,005,000	0.15%	1,092,008
Ellis County	45,821,262	1.05%	<u>481,123</u>
Subtotal overlapping debt			25,770,769
City of Glenn Heights' direct debt			<u>4,675,000</u>
Total direct and overlapping debt			<u>\$ 30,445,769</u>
Total direct and overlapping debt as % of Assessed Value:			6.91%
Total direct and overlapping debt per Capita:			\$ 2,625

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

Source: Municipal Advisory Council of Texas

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the government's boundaries and dividing it by the governmental unit's total taxable assessed value.

CITY OF GLENN HEIGHTS, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Tax Rate Limit	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
Debt Service Rate	<u>0.078</u>	<u>0.122</u>	<u>0.117</u>	<u>0.127</u>	<u>0.142</u>	<u>0.144</u>	<u>0.164</u>	<u>0.116</u>	<u>0.116</u>	<u>0.112</u>
Available Tax Rate	\$ <u>1.42</u>	\$ <u>1.38</u>	\$ <u>1.38</u>	\$ <u>1.37</u>	\$ <u>1.36</u>	\$ <u>1.36</u>	\$ <u>1.34</u>	\$ <u>1.38</u>	\$ <u>1.38</u>	\$ <u>1.39</u>
Percentage of allowable levy used	5.18%	8.12%	7.77%	8.46%	9.46%	9.57%	10.91%	7.73%	7.74%	7.44%

Economic Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 408,046,433
Economic debt limit indicator (5% of assessed value)	20,402,322
Annual debt requirement applicable to limit:	
General obligation refunding bonds	1,005,000
Certificates of obligation	3,670,000
Less Debt Service Fund Balance	(6,991) <u>4,504,031</u>
Economic debt margin	\$ <u>15,898,291</u>

All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal and interest on all ad valorem tax within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of \$2.50 per \$100 taxable assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

CITY OF GLENN HEIGHTS, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Calendar Year	Estimated Population ¹	Total Income (Amounts Expressed in Thousands)	Per Capita Personal Income ²	Median Age ³	School Enrollments ⁴		Unemployment Rate ²
					DeSoto ISD	Red Oak ISD	
2006	9,672	N/A	N/A	N/A	8,409	5,067	4.8%
2007	10,080	N/A	N/A	N/A	8,633	5,112	4.8%
2008	10,488	N/A	N/A	N/A	8,884	5,148	5.8%
2009	11,052	N/A	N/A	N/A	8,916	5,343	9.4%
2010 ³	11,278	225,898	20,030	30.91	9,045	5,389	13.2%
2011	11,504	236,407	20,550	29.80	9,165	5,494	8.3%
2012	11,330	N/A	N/A	29.40	9,019	5,601	N/A
2013	11,410	N/A	N/A	29.40	N/A	N/A	6.9%
2014	11,763	N/A	N/A	29.40	N/A	N/A	5.5%
2015	11,680	723961	61983	31.90	9600	5800	3.9%

Sources: ¹ North Texas Council of Governments unless otherwise denoted.

² Per Texas Workforce Commission, Dallas-Fort Worth - Arlington Metropolitan Statistical Area

³ U. S. Census Bureau, County and City Data Book, Dallas County, Census 2000 and 2010

⁴

The City of Glenn Heights is located in both Dallas and Ellis Counties. School children residing in Dallas County are enrolled in the DeSoto Independent School District while those residing in Ellis County are enrolled in Red Oak Independent School District. Data retrieved from Texas Education Agency.

N/A Data not available at the time of publication.

CITY OF GLENN HEIGHTS, TEXAS

PRINCIPAL EMPLOYERS IN SURROUNDING AREA

CURRENT YEAR AND FOUR YEARS AGO

Employer	County	2015		
		Employees	Rank	Industry
Methodist Charlton Medical Center	Dallas	1,000-2,499	N/A	Health care/social assistance
Swift Transportation	Dallas	1,000-2,499	N/A	Transportation/warehousing
Wal-Mart Super Center	Ellis	453	N/A	Retail trade
Wal-Mart Super Center	Dallas	250-499	N/A	Retail trade
Walgreen's Distribution Center	Ellis	690	N/A	Transportation/warehousing
Schnieder National	Dallas	500	N/A	Transportation/warehousing
Owens-Corning Fiberglass	Ellis	500-999	N/A	Manufacturing
Home Depot	Dallas	500-999	N/A	Transportation/warehousing
Ennis, Inc.	Ellis	85	N/A	Manufacturing
DART Container Corporation	Ellis	651	N/A	Manufacturing

Employer	County	2011		
		Employees	Rank	Industry
Methodist Charlton Medical Center	Dallas	1,000-2,499	N/A	Health care/social assistance
Swift Transportation	Dallas	1,000-2,499	N/A	Transportation/warehousing
Wal-Mart Super Center	Ellis	453	N/A	Retail trade
Wal-Mart Super Center	Dallas	250-499	N/A	Retail trade
Walgreen's Distribution Center	Ellis	690	N/A	Transportation/warehousing
Schnieder National	Dallas	500	N/A	Transportation/warehousing
Owens-Corning Fiberglass	Ellis	500-999	N/A	Manufacturing
Home Depot	Dallas	500-999	N/A	Transportation/warehousing
Ennis, Inc.	Ellis	85	N/A	Manufacturing
DART Container Corporation	Ellis	651	N/A	Manufacturing

Source: North Central Texas Council of Governments

Notes: The City of Glenn Heights is located in Dallas County and Ellis County. All of the listed employers are located within a 10-mile radius of the City of Glenn Heights.

Data from the period nine years ago is not available.

CITY OF GLENN HEIGHTS, TEXAS

EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administrative services	4	3	4	4	4	6	6	6	6	7
Community services	1	1	1	1	1	1	2	2	2	1
Development services	2	2	4	3	3	4	3	3	2	2
Police	24	26	26	26	26	27	27	26	26	27
Fire	10	9	9	9	9	18	21	25	26	25
Financial services	3	3	3	4	4	3	2	2	2	2
Municipal services	<u>6</u>	<u>6</u>	<u>2</u>	<u>1</u>						
Total general fund	<u>50</u>	<u>50</u>	<u>49</u>	<u>48</u>	<u>48</u>	<u>60</u>	<u>62</u>	<u>65</u>	<u>65</u>	<u>65</u>
Utility administration	3	3	3	3	3	3	3	3	3	3
Water services	8	8	9	9	9	10	10	10	10	11
Wastewater services	4	4	6	6	6	3	3	3	3	2
Stormwater drainage	<u>4</u>	<u>4</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>3</u>
Total utility fund	<u>19</u>	<u>19</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>17</u>	<u>19</u>
Total all funds	<u><u>69</u></u>	<u><u>69</u></u>	<u><u>73</u></u>	<u><u>72</u></u>	<u><u>72</u></u>	<u><u>77</u></u>	<u><u>79</u></u>	<u><u>82</u></u>	<u><u>82</u></u>	<u><u>84</u></u>

Source: City of Glenn Heights' Human Resource Department

TABLE 16

CITY OF GLENN HEIGHTS, TEXAS

OPERATING INDICATORS BY FUNCTION

LAST NINE FISCAL YEARS

Function/Program	Fiscal Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Community services:									
Parks and recreation:									
Total acreage maintained city parks	44	44	44	44	57	57	57	57	57
Development services:									
Planning:									
Zoning cases	4	28	20	17	6	5	5	4	4
Plats/replats	5	31	17	7	2	2	2	5	5
Development contacts	12	105	247	998	N/A	15	N/A	9	9
Building inspections:									
Permits issued	127	167	448	374	217	221	440	731	1358
Inspections	762	992	1,208	1,907	1,437	1,086	1,336	1,319	1,302
Emergency services:									
Police administration:									
Administrative calls	200	883	879	910	917	895	1,049	840	920
Reports prepared	700	2,161	2,531	2,508	2,994	3,129	2,606	2,452	2,522
Community relations programs initiated	10	19	21	16	22	22	9	27	15
Fire administration:									
Fire calls	248	257	827	1,077	463	175	194	222	233
EMS calls	683	733	851	862	852	768	9	961	961
Code enforcement:									
Vehicle related violations	636	529	437	278	454	330	202	235	N/A
Nuisance violations	492	497	1,096	704	620	788	611	691	N/A
Environmental violations	11	22	22	63	687	60	21	20	N/A
Sign violations	504	802	601	396	539	771	152	114	N/A
Other ordinance violations	288	308	307	416	134	171	227	132	N/A
Court summons/citations	245	97	118	70	86	70	51	80	69
Animal control:									
Animals impounded	300	344	288	283	274	214	160	119	174
Animal registrations	108	326	264	168	137	100	14	9	9
Calls for service	648	748	1,022	762	796	602	524	476	520
Court summons/citations	84	128	108	89	71	88	42	7	7
Financial services:									
Finance:									
Accounts payable invoices processed	1,800	2,400	3,131	3,279	3,601	3,822	3,834	3,824	3321
Payrolls processed	26	26	26	26	26	26	26	26	26
Annual budget document	1	1	1	1	1	1	1	1	1
Monthly financial reports	12	12	12	12	12	12	12	12	12

CITY OF GLENN HEIGHTS, TEXAS
OPERATING INDICATORS BY FUNCTION
LAST NINE FISCAL YEARS

Function/Program	Fiscal Year								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Financial services: (Continued)									
Municipal court:									
New cases filed	2,533	4,558	5,090	4,452	4,829	5,493	3,309	2,165	1,824
Warrants issued	1,119	2,644	1,332	3,892	2,612	2,822	2,324	1,587	1,043
Completed cases	1,439	2,500	3,926	3,685	3,948	4,732	3,915	3,042	1,515
Warrants cleared	690	1,559	414	1,544	2,065	1,924	2,148	2,550	879
Utility administration:									
Customers serviced	55,200	60,816	60,000	49,292	50,159	62,739	50,780	51,129	52,038
Late notices	10,000	N/A	N/A	15,185	10,014	12,405	12,703	12,595	12,499
Cut-offs	2,000	2,400	1,819	1,483	636	1,662	494	1,353	1,612
Municipal services:									
Streets:									
Days of street paving or re-paving	15	25	25	15	33	25	26	29	29
Days of ROW maintenance	21	21	21	22	25	25	30	27	30
Days of pothole repairs	52	52	52	80	51	50	48	47	50
Wastewater services:									
Maintain lift stations (weekly checks)	52	52	52	52	52	52	52	52	52

Note: Data prior to fiscal year 2006 not available.

Source: Various City departments

CITY OF GLENN HEIGHTS, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
LAST NINE FISCAL YEARS

Function/Program	Fiscal Year								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public safety:									
Police stations	1	1	1	1	1	1	1	1	1
Fire stations	1	1	1	1	1	1	1	1	1
Public works:									
Streets - paved (miles)	47	47	47	47	47	47	47	47	47
Parks and recreation:									
Parks	1	1	2	2	3	3	3	3	3
Playgrounds	1	1	2	2	2	2	2	2	2
Water and sewer									
Water mains (miles)	57	57	57	57	57	57	57	57	57
Overhead storage tanks	1	1	1	1	1	1	1	1	1
Ground storage tanks	3	3	3	3	3	3	3	3	3
Sanitary sewers (miles)	43	43	43	43	43	43	43	44	44
Number of lift stations	3	3	3	3	3	3	3	3	3

Note: Data prior to 2006 is not available.

Source: City departments

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COMPLIANCE SECTION

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

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

To the Honorable Mayor
and City Council
City of Glenn Heights, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Glenn Heights, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Glenn Heights, Texas' basic financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses (Items 2015-01 – 2015-06).

Compliance and Other Matters

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

City of Glenn Heights, Texas Response to Findings

The City of Glenn Heights, Texas' response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Glenn Heights, Texas' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 21, 2016

CITY OF GLENN HEIGHTS, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

2015-01: Building Inspection and Permits

Criteria: Reconciliation procedures are independent checks of the accounting system to identify errors and misrepresentations. Reconciliations should take place after the fact, by an individual who is not directly involved with the transaction or task being verified. Through reconciliation procedures, management can assess the performance of individuals, the integrity of the transaction processing system, and the correctness of the data contained in accounting records.

Condition: There are currently no standard procedures in place to ensure that the activity recorded in these decentralized functions is being properly recorded in the City's general ledger.

Effect: A weak internal control structure can make it possible for errors or other misrepresentations to go long periods of time without being detected.

Cause: Internal controls are currently inadequate to ensure that the activity recorded in these decentralized systems is reconciled to the activity recorded in the City's general ledger.

Recommendation: A control needs to be included in the permits accounting process to reconcile the department's daily activity to what is recorded into the financial software of the City.

Management's Response: The Permits Technician was relocated to Public Works. Permit fee collections are processed by the Utility Billing clerks. The software that is utilized to initiate permits at Public Works has been underutilized in its ability to initiate a process for reconciliation. A control to reconcile the department's daily activity to what is recorded in the City's financial software has been developed but not implemented.

2015-02: Accounts Payable

Criteria & Condition: Reconciling the accounts payable sub-ledger and the general ledger is an essential part of internal controls over financial reporting. During the process discrepancies between the accounts payable sub-ledger and the balance reported within each of the funds were identified, but not resolved.

Effect: A misstatement could occur in accounts payable and expenditures.

Cause: Discrepancies that were discovered through management's process were not resolved.

Recommendation: The City should resolve discrepancies discovered should be investigated and resolved by management.

Management's Response: Reconciling the accounts payable sub-ledger to the general ledger was not routinely performed, but will be performed monthly going forward.

2015-03: Credit Card Purchases

Criteria & Condition: The City requires receipts for all transactions made on the City credit card. The receipts for credit card purchases should include the date of purchase, amount per item, total, and a written description of all attendees present (if applicable) and the reason for the purchase. A receipt was not immediately available for a few credit card transactions.

Effect: Documentation of a few items purchased was not available when the transaction was paid for by the City.

Cause: Reconciling and requesting documentation for all credit card purchases identified items in which all required support documentation wasn't available, but wasn't resolved prior to payment of the credit card statement.

Recommendation: We recommend that receipts for each credit card transaction are reconciled to the statement and retained for documentation purposes.

Management's Response: The City's purchasing policy was adopted in April 2012. The policy specifies that receipts are required for transactions made on the City's credit cards. There is no policy to assist with the enforcement of this requirement. Management has suggested enforcement of the policy.

2015-04: Approved Vendors

Criteria & Condition: There is a possibility that unauthorized vendors could be disbursed City funds.

Effect: An unauthorized vendor could be entered into the system and disbursed City funds.

Cause: The City does not require vendor files to be entered in the accounts payable system by someone other than the Director of Finance and that the vendor files are reviewed and approved prior to input.

Recommendation: We recommend the City implement a policy requiring all vendors be approved and then entered into the system by someone other than the Director of Finance or a list of all vendors be approved by someone other than the Director of Finance.

Management's

Response: The finance department has two staff members. When there is a vacancy there is one person who has been responsible for entering vendors into the system. The City Council and City Manager review a check register monthly that lists all vendors that were paid during the month.

2015-05: Journal Entries and Cash Collections

Criteria &
Condition:

Documentation of journal entries was not always available for non-routine transactions, and the Director of Finance is the only person proposing and entering journal entries. Additionally, clerks may void their own receipts and they reconcile their own cash drawer. There is not a review of voids or adjustments and reconciliations of the tills are not performed to verify that till amounts are accurate.

Effect: An intentional or unintentional error could occur without a review process.

Cause: A control is not in place to prevent an intentional or unintentional error from occurring.

Recommendation: We recommend that the City prepare and retain documentation of all journal entries. This documentation could include a journal entry form that would assist in documenting the individual approving and inputting the information. Additionally, journal entry source documents, supportive calculations and/or other items necessary to substantiate the accuracy of the journal entry should be attached to the form. Finally, we recommend the City doesn't allow cash collection clerks to process voids or have another individual review the voids.

Management's

Response: A process for having documentation for each journal entry with back up documentation was implemented in September 2015. Currently, journal entries are created by either of the two finance employees; Director of Finance or the Finance Analyst. Clerks' cash drawers are reconciled by the clerk and checked by the Utility Billing Supervisor. A review of daily cash collection activity is performed daily by the Utility Billing

Supervisor and monthly by the Director of Finance during the bank reconciliation process. All voids will now be reviewed by the Utility Billing Supervisor.

2015-06:

Bank Reconciliations

Criteria &

Condition:

The bank reconciliation process identified some discrepancies, but the items were not resolved within a timely manner.

Effect:

There is a risk that the City may over or under state cash balances on the general ledger.

Cause:

The City's turnover in the Director of Finance Position led to a breakdown in processes which caused discrepancies within the bank reconciliation's.

Recommendation:

The City should ensure that bank reconciliation's are performed monthly and any discrepancies identified during the process should be investigated and corrected before moving forward.

Management's

Response:

Bank reconciliations are being performed monthly. If turnover is reduced, a more tenured finance staff could potentially resolve the condition.