

City of Buda, Texas

Annual Financial Report

Year Ended September 30, 2013



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City of Buda, Texas

Annual Financial Report

Year Ended September 30, 2013

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FINANCIAL SECTION

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Independent Auditor's Report

To the City Council
City of Buda, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 qualified audit opinions.

Basis for Qualified Opinions

The City's Statement of Net Position includes capital assets totaling \$56,698,403 and \$30,405,506 for its governmental and business-type activities, respectively, at September 30, 2013. The City did not conduct a capital asset inventory in 2011, 2012, and 2013 and does not maintain a capital asset accounting system as part of its accounting process. As a result, we were unable to perform sufficient auditing procedures related to these capital asset balances, the related accumulated depreciation, and net investment in capital assets as of September 30, 2013.

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The Dupre Local Government Corporation (“LGC”), a discretely presented component unit of the City, entered into a Development Agreement in 2004 under which LGC has a liability of \$4.2 million for reimbursement of construction-related costs. This liability, and interest accruing at 7%, has not been recorded in the general ledger. As of September 30, 2013, LGC has made payments on this liability totaling \$2.2 million; however, we were unable to apply sufficient auditing procedures to confirm the existence and amount of this liability.

Qualified Opinions

In our opinions, except for the effects of the matters described in the Basis for Qualified Opinions paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As described in Note A to the financial statements, in 2013, the City adopted the new accounting guidance contained in Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity: Omnibus*. No adjustments were required as a result of adoption of this standard. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the Management’s Discussion and Analysis, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund, and the Schedule of Funding Progress (Unaudited) on pages 9 through 17, 61, and 62, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The Combining Fund Financial Statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining Fund Financial Statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Fund Financial Statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Padgett, Stratemann + Co., LLP

Austin, Texas
August 5, 2014

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MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of the City of Buda, Texas’ (the “City”) annual financial report presents an overview of the City’s financial activities for the fiscal year ended September 30, 2013. The Management’s Discussion and Analysis should be considered in conjunction with the accompanying financial statements and notes to those financial statements. The management’s discussion and analysis includes comparative data for the prior year. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for local governments, as prescribed by the Governmental Accounting Standards Board (“GASB”). The City has presented its financial statements under the reporting model required by GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*, (“GASB Statement No. 34”).

FINANCIAL HIGHLIGHTS

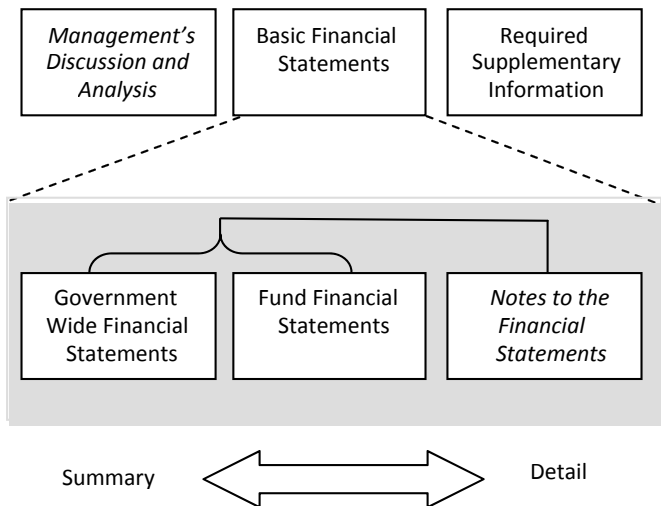
- The City’s total combined net position was \$77,590,688 as of September 30, 2013.
- The City’s governmental net position decreased by \$1,177,988, and the business-type net position increased by \$2,169,335.
- The General Fund reported a fund balance this year of \$882,958.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial 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 kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide readers with a broad overview of information about the City’s overall financial status, in a manner similar to private-sector businesses.
- 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.
- *The governmental funds* statements tell how *general government* services were financed in the *short term*, as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as water and wastewater.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong. The City currently has no fiduciary type funds.

Figure A-1, Required Components of the City’s Annual Financial Report



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

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. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City’s Government-Wide and Fund Financial Statements

Type of Statements	Fund Statements		
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire City’s government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary	Instances in which the City is the trustee agent for someone else’s resources
Required financial statements	<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, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	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 short-term and long-term; the City’s funds do not currently contain capital assets
Type of inflow/outflow information	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 the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Statements

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

The two government-wide statements report the City’s net position and how they have changed. Net position – the difference between the City’s assets and liabilities – is one way to measure the City’s financial health or *position*.

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

The government-wide financial statements of the City include the *Governmental Activities*. Most of the City's basic services are included here, such as public safety, public works, parks and recreation, library, and general administration. Property and sales taxes and fees and charges for services finance a significant portion of these activities.

In addition, the basic financial statements provide information about the City's legally separate discretely presented component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. The City uses fund accounting to ensure and demonstrate compliance placed on resources.

- Some funds are required by state law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- *Governmental Funds* – Most of 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 this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in the reconciliations between the fund level statements and the government-wide statements that explain the relationship (or differences) between them.
- *Proprietary Funds* – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information.
- *Internal Service Funds* – Account for the financing of goods or services provided by one fund, department, or agency to other funds; departments or agencies of the financial reporting entity; or to other governments, on a cost-reimbursement basis.

Component Units

Component units are legally separate entities from the City, but were organized to benefit the City. There were two component units at September 30, 2013, and additional information is presented in the basic financial statements and the notes to the financial statements.

Notes to the Financial Statements

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position Information

The following table reflects the condensed statements of net position as of September 30, 2013 and 2012:

Condensed Statements of Net Position Information

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 2,798,478	\$ 3,304,301	\$ 9,151,447	\$ 7,451,649	\$ 11,949,925	\$ 10,755,950
Capital assets	56,698,403	58,109,424	30,405,506	30,629,893	87,103,909	88,739,317
Total assets	59,496,881	61,413,725	39,556,953	38,081,542	99,053,834	99,495,267
Deferred outflows of resources	20,937	-	334,943	424,574	355,880	424,574
Total deferred outflows of resources	20,937	-	334,943	424,574	355,880	424,574
Long-term liabilities	9,274,186	9,945,876	11,444,879	12,106,657	20,719,065	22,052,533
Other liabilities	366,341	412,570	733,620	855,397	1,099,961	1,267,967
Total liabilities	9,640,527	10,358,446	12,178,499	12,962,054	21,819,026	23,320,500
Net position:						
Net investment in capital assets	47,424,217	48,293,107	19,320,861	18,976,060	66,745,078	67,269,167
Restricted	408,813	636,154	1,606,976	1,741,294	2,015,789	2,377,448
Unrestricted	2,044,261	2,126,018	6,785,560	4,826,708	8,829,821	6,952,726
Total net position	\$ 49,877,291	\$ 51,055,279	\$ 27,713,397	\$ 25,544,062	\$ 77,590,688	\$ 76,599,341

Net position consists of three components, net investment in capital assets, restricted net position, and unrestricted net position. The first and largest portion of net position, \$66,745,078, which reflects the City's investment in capital assets, less any related debt used to acquire or construct those assets that are still outstanding. Compared to last year, the City's investment in capital assets net of related debt decreased by \$524,089. The City uses the capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of restricted net position totaling \$2,015,789 at September 30, 2013, or 2.6% of overall total net position. Restricted net position represents resources that are subject to external restrictions on how they may be used. Restricted net position decreased by \$361,659, or 15.2% compared to September 30, 2012.

The third portion consists of unrestricted net position totaling \$8,829,821 of total net position. Unrestricted net position may be used to meet the City's ongoing obligation to its citizens and creditors. Unrestricted net position increased by \$1,877,095 compared to September 30, 2012.

The City's combined net position was \$77,590,688 as of September 30, 2013. Of the approximately \$77.6 million, approximately \$49.9 million was in the governmental activities and approximately \$27.7 million was in the business-type activities. The City's total net position increased by \$991,347, when compared to the prior year.

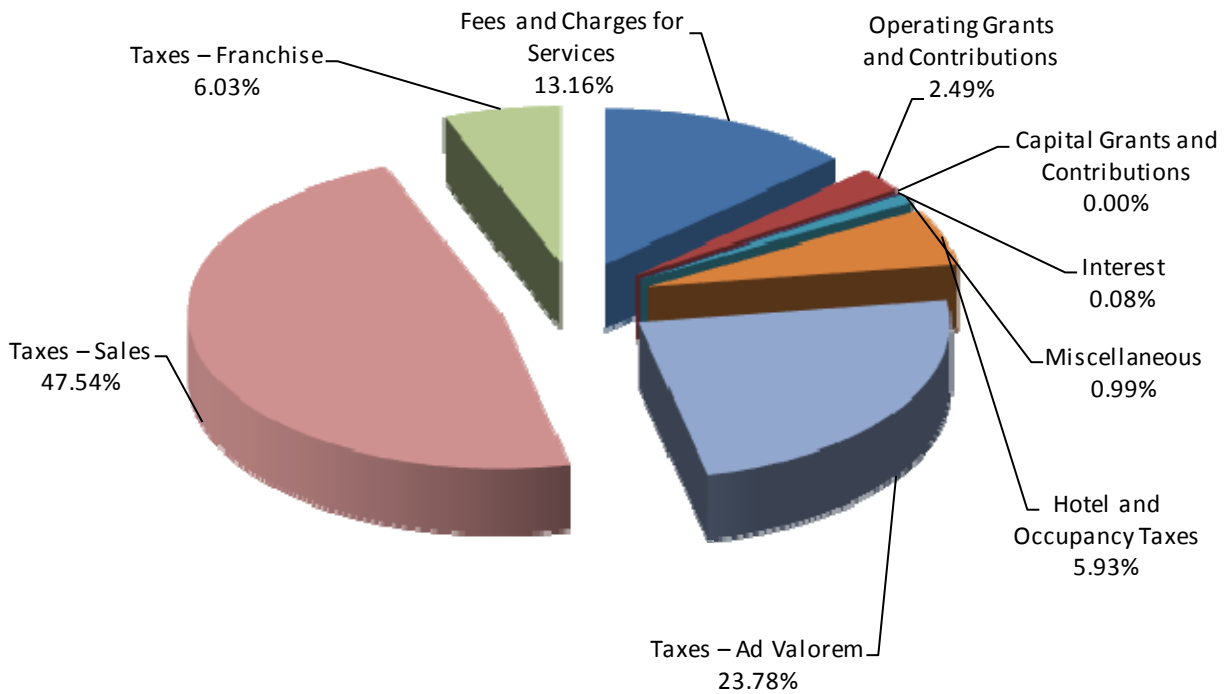
CHANGES IN NET POSITION INFORMATION

Governmental Activities

Revenues – Governmental Activities

A significant portion of the City’s revenue comes from taxes totaling \$7,067,267. Of this total, \$4,033,916 was from sales taxes, which includes the component units Tax Increment Reinvestment Zone Funds (“TIF”) sales tax transfer. Charges for services include items such as building inspections, subdivision plat reviews, site development reviews, subdivision construction fees, as well as sanitation collections. Capital grants and contributions represent developer constructed streets, curbs, and sidewalks which were contributed to the City and contributions of capital assets from the component units.

**Figure A-3
Sources of Revenue for Fiscal Year 2013**



Expenditures – Governmental Activities

Expenditures in governmental activities include depreciation expense, which does not involve a current cash outlay. However, certain cash outlay for capital improvements and the principal portion of debt service are not reported here.

Changes in Net Position Information

Comparison of governmental activities for fiscal years 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
General revenues:		
Ad valorem taxes	\$ 2,018,135	\$ 1,816,058
Sales taxes	4,033,916	3,506,835
Hotel occupancy taxes	503,733	380,431
Franchise taxes	511,483	447,891
Interest	6,787	24,231
Miscellaneous	84,431	91,984
Program revenues:		
Fees and charges for services	1,116,480	1,047,680
Operating grants and contributions	211,219	797,828
Capital grants and contributions	-	126,899
Total revenues	<u>8,486,184</u>	<u>8,239,837</u>
Expenses:		
Administration	1,311,092	1,254,285
Finance	480,871	295,879
Streets and infrastructure	545,109	514,507
Engineering and planning	1,000,513	926,644
Fleet maintenance	86,769	86,248
Parks and recreation	853,282	756,898
Library	328,547	317,004
Community development	112,995	187,798
Public safety	1,168,184	778,375
Municipal court	67,224	65,842
Animal control	70,761	66,706
Information technology	146,857	100,797
Depreciation	2,016,605	1,734,185
Debt service:		
Interest and amortization	<u>340,982</u>	<u>359,865</u>
Total expenditures	<u>8,529,791</u>	<u>7,445,033</u>
Excess (deficiency) of revenues over (under) expenses before transfers	(43,607)	794,804
Transfers	280,000	260,000
TIF sales taxes transfer	<u>(1,414,381)</u>	<u>(1,228,369)</u>
Change in net position	(1,177,988)	(173,565)
Net position at beginning of year	<u>51,055,279</u>	<u>51,228,844</u>
Net position at end of year	<u>\$ 49,877,291</u>	<u>\$ 51,055,279</u>

The City's total governmental revenues for the year ended September 30, 2013 increased by \$246,347. The increase in revenues is mainly the result of higher ad valorem and sales tax revenue over fiscal year 2012, which was offset by a decrease in operating grants and contributions. The City's total operating expenses had an increase of \$1,084,758. The increase in operating expenses is the result of an overall increase in public safety, engineering and planning, finance, administration, and depreciation expense.

Business-Type Activities

The City's business-type activities include providing water, wastewater, and sanitation services. Revenues derived from these business activities were \$7.6 million and operating expenses were \$5.1 million.

Comparison of business-type activities for fiscal years 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Revenues:		
Charges for services	\$ 6,371,862	\$ 5,265,606
Impact fees	1,144,993	965,017
Operating grants and contributions	30,290	145,779
Interest	4,756	45,936
Miscellaneous	17,904	5,519
Total revenues	<u>7,569,805</u>	<u>6,427,857</u>
Expenses:		
Water	1,919,342	2,228,127
Wastewater	2,300,741	2,082,467
Sanitation	900,387	853,488
Total expenditures	<u>5,120,470</u>	<u>5,164,082</u>
Excess of revenues over expenses before transfers	2,449,335	1,263,775
Transfers	<u>(280,000)</u>	<u>(260,000)</u>
Change in net position	2,169,335	1,003,775
Net position at beginning of year	<u>25,544,062</u>	<u>24,540,287</u>
Net position at end of year	<u>\$ 27,713,397</u>	<u>\$ 25,544,062</u>

The City's total revenues for business-type activities increased by \$1,141,948 over fiscal year 2012. The majority of the increase is the result of higher user fees of \$1,106,256 for water, wastewater, and sanitation fees.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City reports the following types of governmental funds: the General Fund, Debt Service Fund, and Special Revenue Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances that are available for spending. Such information is useful in assessing the City's annual financing and budgeting 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 2013 fiscal year, the City's governmental funds reported combined ending fund balance of \$2,373,799. A balance of \$723,596 of the fund balance represents unassigned fund balance in the General Fund, which is the primary operating fund of the City.

Revenues from the General Fund totaled approximately \$6.7 million for 2013, while expenditures were approximately \$6.1 million, leaving an excess of revenues over expenditures of \$540,968. After transfers, the City had a deficiency, which was primarily related to capital outlay associated with the General Fund's capital projects. The Proprietary Funds consist of Water, Wastewater, and Sanitation funds. The operating income (loss) from these funds were \$239,417; \$1,455,928; and (\$25,468), respectively.

General Fund Budgetary Highlights

For the year ended September 30, 2013, the City budgeted total expenditures of approximately \$5.9 million. Actual expenditures were \$360,914 under the final budget amounts. The revenues were more than expected with a favorable variance of \$513,687 after adjusting for the TIF sales tax transfer of \$1.4 million, which is attributed to higher than expected sales tax and miscellaneous revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had invested approximately \$87.1 million in a broad range of capital assets, including land, equipment, buildings, and the road network.

City's Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 6,400,935	\$ 6,400,935	\$ 193,047	\$ 193,047	\$ 6,593,982	\$ 6,593,982
Buildings and improvements	20,967,350	20,967,350	153,995	153,995	21,121,345	21,121,345
Equipment	6,066,135	6,055,574	6,035,250	5,809,301	12,101,385	11,864,875
Infrastructure	44,219,363	42,190,577	32,248,747	27,579,538	76,468,110	69,770,115
Construction in progress	598,114	2,031,877	345,415	4,450,633	943,529	6,482,510
Less accumulated depreciation	<u>(21,553,494)</u>	<u>(19,536,889)</u>	<u>(8,570,948)</u>	<u>(7,556,621)</u>	<u>(30,124,442)</u>	<u>(27,093,510)</u>
Total	<u>\$ 56,698,403</u>	<u>\$ 58,109,424</u>	<u>\$ 30,405,506</u>	<u>\$ 30,629,893</u>	<u>\$ 87,103,909</u>	<u>\$ 88,739,317</u>

At September 30, 2013, net capital assets of the governmental activities totaled approximately \$56.7 million. This amount represents a net decrease of \$1,411,021. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long-Term Debt

At September 30, 2013, the City had approximately \$20.7 million in long-term debt and other obligations outstanding as shown below. More detailed information about the City's debt is presented in the notes to the financial statements.

Bond Ratings

The City's bonds presently carry "A+" ratings.

City's Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 9,060,000	\$ 9,725,000	\$ 11,115,000	\$ 11,645,000	\$ 20,175,000	\$ 21,370,000
Capital leases	45,624	91,317	304,588	433,408	350,212	524,725
Compensated absences	<u>168,562</u>	<u>129,559</u>	<u>25,291</u>	<u>28,250</u>	<u>193,853</u>	<u>157,809</u>
Total long-term debt	<u>\$ 9,274,186</u>	<u>\$ 9,945,876</u>	<u>\$ 11,444,879</u>	<u>\$ 12,106,658</u>	<u>\$ 20,719,065</u>	<u>\$ 22,052,534</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While the economy continues to have its ups and downs, the City remains in good financial standing. The City continues to find ways to be more efficient and cost-effective as it enters and goes through the 2013-2014 fiscal year.

The property tax rate for fiscal year 2012-2013 is \$0.2713 per one hundred dollar valuation. The City entered into negotiations with Texas Disposal Systems for sanitation services. While there will be a slight increase in cost, the level of service should increase with improved door-to-door recycling services rolling out later this year. The City will renovate and restore the house at Stagecoach Park, finish up lighting for downtown, and continue with water and wastewater improvements throughout the City during the year to support the growth in Buda.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide the City Council, citizens, customers, bond rating agencies, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need additional financial information, contact:

Finance Director
City of Buda
P.O. Box 1380
Buda, Texas 78610
(512) 312-0084
www.ci.buda.tx.us

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BASIC FINANCIAL STATEMENTS

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City of Buda, Texas

Statement of Net Position

September 30, 2013

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,849,040	\$ 6,390,078	\$ 8,239,118	\$ 716,993
Accounts receivable – net of allowances:				
Ad valorem taxes	20,938	-	20,938	-
Sales taxes	467,582	-	467,582	328,378
Customers	28,422	1,112,943	1,141,365	-
Other	65,133	-	65,133	57,878
Due from other governments	-	-	-	19,237
Internal balances	(41,450)	41,450	-	-
Restricted cash and cash equivalents	408,813	1,606,976	2,015,789	1,850,909
Capital assets:				
Nondepreciable	6,999,049	538,462	7,537,511	-
Depreciable – net	49,699,354	29,867,044	79,566,398	2,859
Total assets	<u>59,496,881</u>	<u>39,556,953</u>	<u>99,053,834</u>	<u>2,976,254</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding	20,937	334,943	355,880	-
Total deferred outflows of resources	<u>20,937</u>	<u>334,943</u>	<u>355,880</u>	<u>-</u>
LIABILITIES				
Accounts payable	131,162	420,964	552,126	231,798
Accrued expenses	170,737	36,846	207,583	-
Accrued interest	64,442	69,853	134,295	8,170,440
Due to Cabela’s, Inc.	-	-	-	404,113
Due to Dupre Local Government Corporation	-	-	-	51,964
Payable from restricted assets – customer deposits	-	205,957	205,957	-
Long-term liabilities:				
Due within one year	712,367	754,029	1,466,396	330,000
Due in more than one year	8,561,819	10,690,850	19,252,669	34,075,000
Total liabilities	<u>9,640,527</u>	<u>12,178,499</u>	<u>21,819,026</u>	<u>43,263,315</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	47,424,217	19,320,861	66,745,078	-
Restricted for:				
Debt service	408,813	-	408,813	1,850,909
Capital projects	-	1,606,976	1,606,976	-
Unrestricted net position (deficit)	2,044,261	6,785,560	8,829,821	(42,137,970)
Total net position (deficit)	<u>\$ 49,877,291</u>	<u>\$ 27,713,397</u>	<u>\$ 77,590,688</u>	<u>\$ (40,287,061)</u>

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

City of Buda, Texas

Statement of Activities

Year Ended September 30, 2013

Functions and Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Total Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total Primary Government	
Primary Government								
Governmental Activities								
Administration	\$ (1,311,092)	\$ 140,023	\$ -	\$ -	\$ (1,171,069)	\$ -	\$ (1,171,069)	\$ -
Finance	(480,871)	-	-	-	(480,871)	-	(480,871)	-
Streets and infrastructure	(545,109)	-	-	-	(545,109)	-	(545,109)	-
Engineering and planning	(1,000,513)	694,344	-	-	(306,169)	-	(306,169)	-
Fleet maintenance	(86,769)	-	-	-	(86,769)	-	(86,769)	-
Parks and recreation	(853,282)	83,015	196,262	-	(574,005)	-	(574,005)	-
Library	(328,547)	6,510	14,957	-	(307,080)	-	(307,080)	-
Community development	(112,995)	-	-	-	(112,995)	-	(112,995)	-
Public safety	(1,168,184)	3,194	-	-	(1,164,990)	-	(1,164,990)	-
Municipal court	(67,224)	187,936	-	-	120,712	-	120,712	-
Animal control	(70,761)	1,458	-	-	(69,303)	-	(69,303)	-
Information technology	(146,857)	-	-	-	(146,857)	-	(146,857)	-
Depreciation	(2,016,605)	-	-	-	(2,016,605)	-	(2,016,605)	-
Debt service:								
Interest and amortization	(340,982)	-	-	-	(340,982)	-	(340,982)	-
Total governmental activities	<u>(8,529,791)</u>	<u>1,116,480</u>	<u>211,219</u>	<u>-</u>	<u>(7,202,092)</u>	<u>-</u>	<u>(7,202,092)</u>	<u>-</u>
Business-Type Activities								
Water	(1,919,342)	2,149,346	11,939	-	-	241,943	241,943	-
Wastewater	(2,300,741)	3,347,597	18,351	-	-	1,065,207	1,065,207	-
Sanitation	(900,387)	874,919	-	-	-	(25,468)	(25,468)	-
Total business-type activities	<u>(5,120,470)</u>	<u>6,371,862</u>	<u>30,290</u>	<u>-</u>	<u>-</u>	<u>1,281,682</u>	<u>1,281,682</u>	<u>-</u>
Total primary government	<u>\$ (13,650,261)</u>	<u>\$ 7,488,342</u>	<u>\$ 241,509</u>	<u>\$ -</u>	<u>(7,202,092)</u>	<u>1,281,682</u>	<u>(5,920,410)</u>	<u>-</u>
Total component units	<u>\$ (3,146,290)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,146,290)</u>
General Revenues								
Ad valorem taxes					2,018,135	-	2,018,135	79,254
Sales taxes					4,033,916	-	4,033,916	2,281,768
Hotel occupancy taxes					503,733	-	503,733	92,015
Franchise fees					511,483	-	511,483	-
Impact fees					-	1,144,993	1,144,993	-
Interest					6,787	4,756	11,543	5,433
Miscellaneous					84,431	17,904	102,335	-
Transfers					280,000	(280,000)	-	-
TIF sales taxes transfer					(1,414,381)	-	(1,414,381)	-
Total general revenues and transfers					<u>6,024,104</u>	<u>887,653</u>	<u>6,911,757</u>	<u>2,458,470</u>
Change in net position (deficit)					(1,177,988)	2,169,335	991,347	(687,820)
Net position (deficit) at beginning of year					51,055,279	25,544,062	76,599,341	(39,599,241)
Net position (deficit) at end of year					<u>\$ 49,877,291</u>	<u>\$ 27,713,397</u>	<u>\$ 77,590,688</u>	<u>\$ (40,287,061)</u>

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

City of Buda, Texas

Balance Sheet – Governmental Funds

September 30, 2013

	General Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 645,893	\$ 408,813	\$ 1,108,089	\$ 2,162,795
Accounts receivable – net of allowances:				
Ad valorem taxes	9,214	11,724	-	20,938
Sales taxes	467,582	-	-	467,582
Customers	28,422	-	-	28,422
Other	65,132	-	1	65,133
Total assets	\$ 1,216,243	\$ 420,537	\$ 1,108,090	\$ 2,744,870
LIABILITIES				
Accounts payable	\$ 114,458	\$ -	\$ 23,489	\$ 137,947
Accrued expenses	168,164	-	2,573	170,737
Due to other funds	41,450	-	-	41,450
Total liabilities	324,072	-	26,062	350,134
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue – ad valorem taxes	9,213	11,724	-	20,937
	9,213	11,724	-	20,937
FUND BALANCES				
Spendable:				
Restricted	-	408,813	400,754	809,567
Assigned	159,362	-	681,274	840,636
Unassigned	723,596	-	-	723,596
Total fund balances	882,958	408,813	1,082,028	2,373,799
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,216,243	\$ 420,537	\$ 1,108,090	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	56,698,406
Bonds payable and other long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Bonds and capital leases payable	(9,105,624)
Accrued compensated absences	(168,562)
Accrued interest payable and other accruals	(36,723)
Recognize unearned revenue from the ad valorem tax levies.	20,937
Include internal service fund assets and liabilities in the governmental activities.	95,058
Net position of governmental activities	\$ 49,877,291

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

City of Buda, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended September 30, 2013

	General Fund	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Ad valorem taxes	\$ 922,575	\$ 1,074,623	\$ -	\$ 1,997,198
Sales taxes	4,033,916	-	-	4,033,916
Hotel occupancy taxes	-	-	503,733	503,733
Franchise taxes	511,483	-	-	511,483
Fees and charges	1,116,480	-	-	1,116,480
Contributions	15,000	-	189,432	204,432
Interest	4,404	2,174	209	6,787
Miscellaneous	81,647	-	2,784	84,431
Total revenues	6,685,505	1,076,797	696,158	8,458,460
EXPENDITURES				
Current:				
Administration	1,248,994	-	-	1,248,994
Finance	480,871	-	-	480,871
Streets and infrastructure	1,021,650	-	-	1,021,650
Engineering and planning	1,000,513	-	-	1,000,513
Fleet maintenance	86,769	-	-	86,769
Parks and recreation	431,192	-	596,826	1,028,018
Library	308,525	-	20,022	328,547
Community development	112,995	-	-	112,995
Public safety	1,168,184	-	-	1,168,184
Municipal court	67,224	-	-	67,224
Animal control	70,761	-	-	70,761
Information technology	146,859	-	-	146,859
Debt service:				
Principal	-	665,000	-	665,000
Interest	-	340,982	-	340,982
Total expenditures	6,144,537	1,005,982	616,848	7,767,367
Excess of revenues over expenditures	540,968	70,815	79,310	691,093
OTHER FINANCING SOURCES (USES)				
Transfers	280,000	-	-	280,000
TIF sales taxes transfer	(1,414,381)	-	-	(1,414,381)
Total other financing sources (uses)	(1,134,381)	-	-	(1,134,381)
Change in fund balances	(593,413)	70,815	79,310	(443,288)
Fund balances at beginning of year	1,476,371	337,998	1,002,718	2,817,087
Fund balances at end year	\$ 882,958	\$ 408,813	\$ 1,082,028	\$ 2,373,799

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

City of Buda, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2013

Change in fund balances – Governmental Funds	\$ (443,288)
Amounts reported in governmental activities and in the statement activities are different because:	
Transactions related to current year capital outlays, bonds payable and other long-term liabilities, and changes in interest payable are necessary to convert from the modified accrual basis of accounting to the accrual basis:	
Capital outlay acquisitions	605,584
Bonds and capital leases payable	710,693
Changes in compensated absences	(39,003)
Changes in accrued interest payable and other accruals	23,097
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(2,016,605)
Other reclassifications are necessary to convert from the modified accrual basis to the full accrual basis of accounting:	
Recognize unearned revenue from the ad valorem tax levy.	4,629
The net loss of the Internal Service Fund is reported in the governmental activities.	<u>(23,095)</u>
Change in net position of governmental activities	\$ <u>(1,177,988)</u>

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

City of Buda, Texas

Statement of Net Position – Proprietary Funds

September 30, 2013

	Business-Type Activities				Governmental Activities – Internal Service Fund
	Water	Wastewater	Sanitation	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,434,195	\$ 3,955,883	\$ -	\$ 6,390,078	\$ 95,058
Accounts receivable – net of allowance for uncollectible accounts	322,446	629,620	160,877	1,112,943	-
Due from other funds	-	-	41,454	41,454	-
Total current assets	2,756,641	4,585,503	202,331	7,544,475	95,058
Noncurrent assets:					
Restricted cash and cash equivalents	-	1,606,976	-	1,606,976	-
Capital assets:					
Land	159,542	33,505	-	193,047	-
Construction in progress	-	345,415	-	345,415	-
Buildings and improvements	64,268	89,727	-	153,995	-
Equipment	2,106,069	3,929,181	-	6,035,250	-
Infrastructure	9,869,845	22,378,902	-	32,248,747	-
Accumulated depreciation	(3,464,512)	(5,106,436)	-	(8,570,948)	-
Net capital assets	8,735,212	21,670,294	-	30,405,506	-
Total assets	11,491,853	27,862,773	202,331	39,556,957	95,058
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on bond refunding	-	334,943	-	334,943	-
Total deferred outflows of resources	-	334,943	-	334,943	-
LIABILITIES					
Accounts payable	40,714	9,921	370,329	420,964	-
Accrued expenses	25,099	11,747	-	36,846	-
Accrued interest	-	69,857	-	69,857	-
Capital leases payable – current portion	67,014	67,015	-	134,029	-
Bonds payable – current portion	-	620,000	-	620,000	-
Due to other funds	-	-	-	-	-
Total current liabilities	132,827	778,540	370,329	1,281,696	-
Noncurrent liabilities:					
Compensated absences	12,736	12,555	-	25,291	-
Capital leases payable – long-term portion	38,916	131,643	-	170,559	-
Bonds payable – long-term portion	400,000	10,095,000	-	10,495,000	-
Payable from restricted assets: Customer deposits payable	203,036	2,921	-	205,957	-
Total liabilities	787,515	11,020,659	370,329	12,178,503	-
NET POSITION (DEFICIT)					
Net investment in capital assets	8,229,282	11,091,579	-	19,320,861	-
Restricted net position: Capital projects	-	1,606,976	-	1,606,976	-
Unrestricted net position (deficit)	2,475,056	4,478,502	(167,998)	6,785,560	95,058
Total net position (deficit)	\$ 10,704,338	\$ 17,177,057	\$ (167,998)	\$ 27,713,397	\$ 95,058

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

City of Buda, Texas

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

Year Ended September 30, 2013

	Business-Type Activities				Governmental Activities – Internal Service Fund
	Water	Wastewater	Sanitation	Total	
OPERATING REVENUES					
Water sales	\$ 2,149,346	\$ -	\$ -	\$ 2,149,346	\$ -
Wastewater sales	-	3,129,849	-	3,129,849	-
Sanitation sales	-	-	856,008	856,008	-
Fees and charges	-	217,748	18,911	236,659	-
Total operating revenues	<u>2,149,346</u>	<u>3,347,597</u>	<u>874,919</u>	<u>6,371,862</u>	<u>-</u>
OPERATING EXPENSES					
Personnel	307,108	426,614	-	733,722	23,095
Supplies	130,978	35,165	12,199	178,342	-
GBRA water/wastewater contracts	730,162	477,424	-	1,207,586	-
Other contracted services	179,423	117,676	880,207	1,177,306	-
Other operating costs	147,141	145,948	7,981	301,070	-
Depreciation and amortization	415,117	688,842	-	1,103,959	-
Total expenses	<u>1,909,929</u>	<u>1,891,669</u>	<u>900,387</u>	<u>4,701,985</u>	<u>23,095</u>
Total operating income (loss)	<u>239,417</u>	<u>1,455,928</u>	<u>(25,468)</u>	<u>1,669,877</u>	<u>(23,095)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	111	4,645	-	4,756	-
Grant revenue	11,939	-	-	11,939	-
Other income	17,904	-	-	17,904	-
Interest expense	(9,413)	(409,072)	-	(418,485)	-
Total nonoperating revenues (expenses)	<u>20,541</u>	<u>(404,427)</u>	<u>-</u>	<u>(383,886)</u>	<u>-</u>
Change in net position before impact fees, contributions, and transfers	<u>259,958</u>	<u>1,051,501</u>	<u>(25,468)</u>	<u>1,285,991</u>	<u>(23,095)</u>
Impact fees	548,129	596,864	-	1,144,993	-
Contributions	-	18,351	-	18,351	-
Transfers	(125,950)	(154,050)	-	(280,000)	-
Total impact fees, contributions, and transfers	<u>422,179</u>	<u>461,165</u>	<u>-</u>	<u>883,344</u>	<u>-</u>
Change in net position (deficit)	<u>682,137</u>	<u>1,512,666</u>	<u>(25,468)</u>	<u>2,169,335</u>	<u>(23,095)</u>
Total net position (deficit) at beginning of year	<u>10,022,201</u>	<u>15,664,391</u>	<u>(142,530)</u>	<u>25,544,062</u>	<u>118,153</u>
Total net position (deficit) at end of year	<u>\$ 10,704,338</u>	<u>\$ 17,177,057</u>	<u>\$ (167,998)</u>	<u>\$ 27,713,397</u>	<u>\$ 95,058</u>

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

City of Buda, Texas

Statement of Cash Flows – Proprietary Funds

Year Ended September 30, 2013

	Business-Type Activities				Governmental Activities – Internal Service Fund
	Water	Wastewater	Sanitation	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments received from customers	\$ 1,951,793	\$ 3,215,479	\$ 857,120	\$ 6,024,392	\$ -
Payments to suppliers for goods and services	(1,249,077)	(831,196)	(857,120)	(2,937,393)	-
Payments for salaries and benefits	(302,423)	(428,666)	-	(731,089)	(23,095)
Net cash provided by (used in) operating activities	400,293	1,955,617	-	2,355,910	(23,095)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(125,950)	(154,050)	-	(280,000)	-
Loans from other funds	47,956	47,956	-	95,912	-
Other income	17,904	-	-	17,904	-
Net cash used in noncapital financing activities	(60,090)	(106,094)	-	(166,184)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(80,961)	(786,538)	-	(867,499)	-
Grant proceeds	11,939	-	-	11,939	-
Principal paid on debt	-	(530,000)	-	(530,000)	-
Principal payments on capital lease	(84,299)	(44,521)	-	(128,820)	-
Impact fees	548,129	596,864	-	1,144,993	-
Interest and fiscal charges paid	(9,413)	(411,973)	-	(421,386)	-
Net cash provided by (used in) capital and related financing activities	385,395	(1,176,168)	-	(790,773)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	111	4,645	-	4,756	-
Net cash provided by investing activities	111	4,645	-	4,756	-
Net increase (decrease) in cash and cash equivalents	725,709	678,000	-	1,403,709	(23,095)
Cash and cash equivalents at beginning of year	1,708,486	4,884,859	-	6,593,345	118,153
Cash and cash equivalents at end of year	\$ 2,434,195	\$ 5,562,859	\$ -	\$ 7,997,054	\$ 95,058
Cash and cash equivalents at end of year consist of:					
Cash and cash equivalents	\$ 2,434,195	\$ 3,955,883	\$ -	\$ 6,390,078	\$ 95,058
Restricted cash and cash equivalents	-	1,606,976	-	1,606,976	-
Cash and cash equivalents at end of year	\$ 2,434,195	\$ 5,562,859	\$ -	\$ 7,997,054	\$ 95,058
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Operating income (loss)	\$ 239,417	\$ 1,455,928	\$ (25,468)	\$ 1,669,877	\$ (23,095)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	415,117	688,841	-	1,103,958	-
Provision for uncollectible accounts	(247,762)	24,545	7,981	(215,236)	-
Change in assets and liabilities:					
Accounts receivable	21,168	(132,183)	(17,799)	(128,814)	-
Accounts payable	(61,372)	(83,294)	35,286	(109,380)	-
Accrued expenses	5,592	3,767	-	9,359	-
Compensated absences	(907)	(2,052)	-	(2,959)	-
Customer deposits payable	29,040	65	-	29,105	-
Net cash provided by (used in) operating activities	\$ 400,293	\$ 1,955,617	\$ -	\$ 2,355,910	\$ (23,095)

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

City of Buda, Texas

Statement of Net Position – Discretely Presented Component Units

September 30, 2013

	<u>Buda 4b Development Corporation</u>	<u>Dupre Local Government Corporation</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 716,993	\$ -	\$ 716,993
Accounts receivable	-	57,878	57,878
Sales tax receivable	250,698	77,680	328,378
Due from other governments	-	19,237	19,237
Total current assets	<u>967,691</u>	<u>154,795</u>	<u>1,122,486</u>
Noncurrent assets:			
Restricted cash and cash equivalents	<u>849,812</u>	<u>1,001,097</u>	<u>1,850,909</u>
Capital assets:			
Buildings and improvements	8,400	-	8,400
Equipment	13,036	-	13,036
Accumulated depreciation	<u>(18,577)</u>	<u>-</u>	<u>(18,577)</u>
Net capital assets	<u>2,859</u>	<u>-</u>	<u>2,859</u>
Total assets	<u>1,820,362</u>	<u>1,155,892</u>	<u>2,976,254</u>
LIABILITIES			
Current liabilities:			
Accounts payable	231,798	-	231,798
Accrued interest payable	29,968	8,140,472	8,170,440
Due to Cabela's, Inc.	-	404,113	404,113
Due to Dupre Local Government Corporation	<u>51,964</u>	<u>-</u>	<u>51,964</u>
Total current liabilities	313,730	8,544,585	8,858,315
Noncurrent liabilities:			
Due within one year	330,000	-	330,000
Due in more than one year	<u>3,155,000</u>	<u>30,920,000</u>	<u>34,075,000</u>
Total liabilities	<u>3,798,730</u>	<u>39,464,585</u>	<u>43,263,315</u>
NET POSITION (DEFICIT)			
Restricted net position	849,812	1,001,097	1,850,909
Unrestricted net position (deficit)	<u>(2,828,180)</u>	<u>(39,309,790)</u>	<u>(42,137,970)</u>
Total net position (deficit)	<u>\$ (1,978,368)</u>	<u>\$ (38,308,693)</u>	<u>\$ (40,287,061)</u>

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

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note A – Summary of Significant Accounting Policies

The financial statements of the City of Buda, Texas (the “City”) have been prepared in conformity with accounting principles applicable to governmental units, which are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies for the City.

Financial Reporting Entity

The City’s basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City’s reporting entity, is set forth in GASB Statement No. 61, *The Financial Reporting Entity, Omnibus, An Amendment to GASB Statements No. 14 and 34*. The requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. No changes in the reporting entity, the City of Buda, were identified as a result of the guidance provided in this statement.

The City assessed the following for inclusion of its component units:

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

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete.

The City has two component units. Additionally, the City is not a component unit of any other reporting entity.

Buda 4b Development Corporation (“EDC”) is a nonprofit corporation organized under the laws of the state of Texas to provide economic development in and for the benefit of the City. The City appoints the board of directors and approves the annual budget. EDC’s financial statements are presented discretely alongside the financial statements of the City.

Dupre Local Government Corporation (“LGC”) was formed in May 2004. It is a nonprofit corporation organized under the laws of the state of Texas for the benefit of the City. LGC receives sales taxes and property taxes according to the agreement for the Tax Increment Reinvestment Zone-1 (“TIRZ-1”) among the City, Hays County, and Cabela’s, Inc. The City appoints the board of directors and approves the annual budget. LGC’s financial statements are presented discretely alongside the financial statements of the City.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note A – Summary of Significant Accounting Policies (continued)

Basis of Presentation

Government-Wide Financial Statements

The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Management's Discussion and Analysis introduces the basic financial statements.

The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities include both short-term and long-term assets and liabilities and are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

A reconciliation detailing the change in net position, between the government-wide financial statements and the fund financial statements is presented separately for the governmental funds.

The component unit columns on the government-wide financial statements include the financial data of the City's component units. Component units are presented in a separate column to emphasize they are legally separate from the primary government. Separate financial statements were not issued for the discretely presented component units. Combining financial statements are presented as a part of the basic financial statements.

Fund Financial Statements

The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note A – Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

The City reports the following major governmental funds:

- General Fund: This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.
- Debt Service Fund: This fund is used to account for tax revenues and for the payment of principal, interest, and related costs of long-term debt for which property taxes have been dedicated.

The City reports the following major Proprietary Funds:

- Water Fund: This fund accounts for the activities of the City's water operations.
- Wastewater Fund: This fund accounts for the activities of the City's wastewater operations.
- Sanitation Fund: This fund accounts for the activities of the City's sanitation service operations.

In addition, the City reports the following nonmajor fund types:

- Special Revenue Funds: These funds are used to separately account for funds related to grants and contracts.
- Internal Service Fund: This fund is used to report activity for the financing of goods or services provided to other funds, departments, or agencies of the primary government and its component units. The City uses the fund to account for activity related to helping its employees pay for health deductibles.

Basis of Accounting and Measurement Focus

Government-Wide and Proprietary Fund Financial Statements

These financial statements are reported using the economic resources measurement focus. The government-wide and Proprietary Fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note A – Summary of Significant Accounting Policies (continued)

Basis of Accounting and Measurement Focus (continued)

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Grant revenues are recognized when reimbursable expenditures are made and all other eligibility requirements imposed by their providers are met. Grant funds received in advance are recorded as unearned revenue until earned and available. Revenues from local sources consist primarily of property and sales taxes. Property and sales tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary Fund Financial Statements

Proprietary Fund financial statements are reported on the accrual basis. Revenues are recognized when earned and their expenses and related liabilities, including claims, judgments, and accrued leave, are recognized when they are incurred. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Proprietary Funds report both operating and nonoperating revenues and expenses in the statement of revenues, expenses, and changes in net position. The City defines operating revenues as those receipts generated by a specific program offering either a good or service. Operating expenses include personal services, contractual services, commodities, other expenses, and depreciation.

Proprietary Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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

Cash and Cash Equivalents

For purposes of the statement of cash flows – proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note A – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The City did not record an allowance for uncollectible taxes as of September 30, 2013.

In 2004, a Development Agreement was entered into among LGC, the City, Hays County, EDC, and Cabela's, Inc., related to the construction of a Cabela's retail facility in Buda, Texas. The agreement resulted in the creation of a TIRZ-1, which committed Hays County to remit 100% of property taxes collected within the TIRZ-1 area, as defined by the agreement, to LGC.

Sales Taxes

Revenue from a 1.5% sales tax within the City is considered available when received by the Comptroller of Public Accounts and is accrued on a monthly basis based on information provided by the Comptroller of Public Accounts. The City receives allocations on a monthly basis. The Comptroller for the State of Texas collects and distributes these amounts to the appropriate governmental organization with funding normally occurring within 60 days from the date of the underlying sale. The amount reported is net of a 2% collection and distribution service fee withheld by the state of Texas.

The sales tax collection is allocated to the General Fund and EDC and LGC, the City's component units. Under a Definitive Agreement executed by Hays County, the City, EDC, and LGC, the sales tax must be allocated by the City and Hays County to EDC and LGC.

From the total imposed rate of 1.5% sales tax within the City, the City allocates 0.5% of the revenue to EDC after consideration (removal) for the TIRZ-1 portion and the Buda Annexation portion. The TIRZ-1 portion of the sales tax is also allocated as 0.5% to EDC and 1.0% to the City. Of the 0.5% given to EDC, the agreement states that 85.0% is to be transferred to LGC and 15.0% remains in EDC.

Of the 1% earned by the City, 56% is allocated to LGC and 44% remains in the City. Due to overlapping rates within the City's annexed portion (Park 35 Annex), the sales tax rate is 1% of the allowable sales tax available to the City when it entered the Annex. Therefore, the City and EDC split the earned sales tax within the annexed area.

Under the Definitive Agreement, Hays County is required to remit 1/3 of the earned sales tax within TIRZ-1.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note A – Summary of Significant Accounting Policies (continued)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add value to the asset or materially extend the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Infrastructure	10-40 years
Buildings	40 years
Building improvements	20 years
Vehicles	2-15 years
Office equipment	3-15 years
Equipment and tools	3-15 years

Receivable and Payable Balances

The City believes sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. The City records an allowance for accounts older than 90 days. The provision for uncollectible accounts receivable totaled \$215,236 at September 30, 2013 and is reported in the business-type activity funds.

There are no significant receivables which are not scheduled for collection within one year of year-end.

Compensated Absences

On the retirement or death of certain employees, the City pays accrued compensatory time up to 120 hours and vacation leave up to 160 hours in a lump-sum payment to such employee or his/her estate. The accumulated leave at September 30, 2013 totaled \$193,853.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of government-wide statement of net position.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note A – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management's estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures/expense during the reporting period. Actual results could differ from those estimates.

New Standard

Effective September 1, 2012, the City adopted GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* ("GASB Statement No. 61") and GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* ("GASB Statement No. 62"). GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 61 also amends criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances.

Fund Balances

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies the balances of governmental fund types as follows:

Nonspendable: The portion of the fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted: The portion of the fund balance that is restricted to specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitution provisions or enabling legislation.

Committed: The portion of the fund balance that can only be used for specific purposes, as defined by formal action (resolution) by the City Council.

Assigned: The portion of the fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned: The portion of the fund balance that has not been assigned to another fund or is not restricted, committed, or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note A – Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

The constraints placed on the fund balances of the General Fund, Debt Service Fund, and the Other Nonmajor Governmental Funds at September 30, 2013 are presented below:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES				
Spendable – restricted for debt service	\$ -	\$ 408,813	\$ -	\$ 408,813
Restricted – hotel/motel tax	-	-	400,754	400,754
Assigned:				
Loop 4 Enhancements	137,362	-	-	137,362
Municipal Court	22,000	-	-	22,000
Parks	-	-	642,539	642,539
Library	-	-	38,735	38,735
Unassigned	<u>723,596</u>	<u>-</u>	<u>-</u>	<u>723,596</u>
Total fund balances	\$ <u>882,958</u>	\$ <u>408,813</u>	\$ <u>1,082,028</u>	\$ <u>2,373,799</u>

Note B – Deposits and Investments

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

Cash Deposits

Primary Government

At September 30, 2013, the carrying amount of the City’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$4,535,370, and the bank balance totaled \$4,967,660.

The City’s cash deposits as of and for the year ended September 30, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the agent bank in the City’s name.

Buda 4b Development Corporation

At September 30, 2013, the carrying amount of EDC’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$1,556,805 and the bank balance totaled \$1,585,194.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note B – Deposits and Investments (continued)

Cash Deposits (continued)

Buda 4b Development Corporation (continued)

EDC’s cash deposits as of and for the year ended September 30, 2013 were not entirely covered by FDIC insurance or by pledged collateral held by the agent bank in EDC’s name.

Dupre Local Government Corporation

At September 30, 2013, the carrying amount of LGC’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$1,001,097 and the bank balance totaled \$1,005,664.

LGC’s cash deposits as of and for the year ended September 30, 2013 were not entirely covered by FDIC insurance or by pledged collateral held by the agent bank in LGC’s name.

Restricted Cash and Cash Equivalents

Primary Government

The City had cash and cash equivalents restricted for the following purposes at September 30, 2013:

	Governmental Activities	Business-Type Activities
Debt service	\$ 408,813	\$ -
Capital projects	-	1,606,976
Total restricted cash and cash equivalents	\$ 408,813	\$ 1,606,976

Buda 4b Development Corporation

EDC had cash and cash equivalents restricted for the following purposes at September 30, 2013:

Debt service	\$ 536,226
Mortgage reserves	313,586
Total restricted cash and cash equivalents	\$ 849,812

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note B – Deposits and Investments (continued)

Restricted Cash and Cash Equivalents (continued)

Dupre Local Government Corporation

LGC had cash and cash equivalents restricted for the following purposes at September 30, 2013:

Grant Revenue Fund	\$ 552,783
Debt Service – Pledged Revenue Fund	446,356
Contract Funds	<u>1,958</u>
Total restricted cash and cash equivalents	\$ <u><u>1,001,097</u></u>

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (the “Act”), to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity’s funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the United States Treasury, certain United States agencies, and the state of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust funds.

The investments of the City at September 30, 2013 are as follows:

	<u>Reported at Fair Value</u>	<u>Weighted-Average Maturities</u>	<u>Ratings – S&P</u>
Primary Government			
TexPool	\$ 5,338,529	55 days	AAAm
MBIA (Texas Class)	<u>86,390</u>	43 days	AAAm
Total primary government	<u>5,424,919</u>		
Total investments	\$ <u><u>5,424,919</u></u>		

The investments of the City consisted entirely of funds in external investment pools with maturities of no more than 90 days and, therefore, they are reported as cash equivalents on the financial statements.

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of the principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note B – Deposits and Investments (continued)

Investments (continued)

persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The City believes that the pools in which it invests operate as 2a7-like pools, as described in GASB Statement No. 59, *Financial Instruments Omnibus*.

Analysis of Specific Deposit and Investment Risks

The City was exposed to the following specific investment risks at year-end.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of the City, an investment pool must be continuously rated no lower than AAA or AAAM or at an equivalent rating by at least one nationally recognized statistical rating organization. State law authorizes investments in obligations guaranteed by the United States government and does not require that these investments be rated. The City's policy is to comply with state law. At year-end, all of the City's investments meet the state's requirements. At September 30, 2013, the City's investments are rated as to credit quality, as shown on the previous page.

Custodial Credit Risk

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

For an investment, custodial credit risk 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. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The City's investment policy requires that securities be registered in the name of the City. All safekeeping receipts for investment instruments are held in accounts in the City's name, and all securities are registered in the name of the City.

The City's investments were strictly in external investment pools for the year ended September 30, 2013, which are not issued in securities form, but are evidenced by shares in the pools; therefore, the City was not exposed to custodial credit risk.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note B – Deposits and Investments (continued)

Analysis of Specific Deposit and Investment Risks (continued)

Concentration of Credit Risk

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

State law and the City's policy place no limit on the amount the City may invest in any one issuer. Investments in external investment pools are not subject to concentration of credit risk disclosures.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted-average maturity method. In accordance with its investment policy and state law, the City manages its interest rate risk by limiting the weighted-average maturity of any investment owned by the City to the maximum of 2 years. The investment strategy for operating funds requires a dollar weighted-average maturity of 365 days or less. Debt service funds cannot be invested in securities that have a stated final maturity date that exceeds the debt service payment date. Investment of debt service reserve funds and special project funds require high quality securities with short-term maturities. Eligible investment pools must have a weighted-average maturity of no greater than 90 days. The City was not exposed to interest rate risk at September 30, 2013.

Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note C – Capital Assets

Primary Government

Governmental Activities

Capital asset activity of the governmental activities for the year ended September 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Assets not being depreciated:				
Land	\$ 6,400,935	\$ -	\$ -	\$ 6,400,935
Construction in progress	<u>2,031,877</u>	<u>590,023</u>	<u>(2,023,786)</u>	<u>598,114</u>
Capital assets not being depreciated	<u>8,432,812</u>	<u>590,023</u>	<u>(2,023,786)</u>	<u>6,999,049</u>
Assets being depreciated:				
Buildings and improvements	20,967,350	-	-	20,967,350
Equipment	6,055,574	10,561	-	6,066,135
Infrastructure	<u>42,190,577</u>	<u>2,028,786</u>	<u>-</u>	<u>44,219,363</u>
Capital assets being depreciated	<u>69,213,501</u>	<u>2,039,347</u>	<u>-</u>	<u>71,252,848</u>
Less accumulated depreciation:				
Buildings and improvements	(5,451,444)	(637,953)	-	(6,089,397)
Equipment	(5,238,282)	(155,041)	-	(5,393,323)
Infrastructure	<u>(8,847,163)</u>	<u>(1,223,611)</u>	<u>-</u>	<u>(10,070,774)</u>
	<u>(19,536,889)</u>	<u>(2,016,605)</u>	<u>-</u>	<u>(21,553,494)</u>
Assets being depreciated – net	<u>49,676,612</u>	<u>22,742</u>	<u>-</u>	<u>49,699,354</u>
Total capital assets – net	<u>\$ 58,109,424</u>	<u>\$ 612,765</u>	<u>\$ (2,023,786)</u>	<u>\$ 56,698,403</u>

Depreciation expense in the governmental activities was not allocated to the City's various functions.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note C – Capital Assets (continued)

Primary Government (continued)

Business-Type Activities

Capital asset activity of the business-type activities for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land	\$ 193,047	\$ -	\$ -	\$ 193,047
Construction in progress	4,450,633	254,076	(4,359,294)	345,415
Capital assets not being depreciated	<u>4,643,680</u>	<u>254,076</u>	<u>(4,359,294)</u>	<u>538,462</u>
Assets being depreciated:				
Buildings and improvements	153,995	-	-	153,995
Equipment	5,809,301	225,949	-	6,035,250
Infrastructure	27,579,538	4,669,209	-	32,248,747
Capital assets being depreciated	<u>33,542,834</u>	<u>4,895,158</u>	<u>-</u>	<u>38,437,992</u>
Less accumulated depreciation:				
Buildings and improvements	(38,567)	(6,482)	-	(45,049)
Equipment	(2,805,806)	(274,248)	-	(3,080,054)
Infrastructure	(4,712,248)	(733,597)	-	(5,445,845)
	<u>(7,556,621)</u>	<u>(1,014,327)</u>	<u>-</u>	<u>(8,570,948)</u>
Assets being depreciated – net	<u>25,986,213</u>	<u>3,880,831</u>	<u>-</u>	<u>29,867,044</u>
Total capital assets – net	\$ <u>30,629,893</u>	\$ <u>4,134,907</u>	\$ <u>(4,359,294)</u>	\$ <u>30,405,506</u>

Buda 4b Development Corporation

Capital asset activity of EDC for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Assets being depreciated:				
Buildings and improvements	\$ 8,400	\$ -	\$ -	\$ 8,400
Equipment	9,762	3,274	-	13,036
Capital assets being depreciated	<u>18,162</u>	<u>3,274</u>	<u>-</u>	<u>21,436</u>
Less accumulated depreciation:				
Buildings and improvements	(8,400)	-	-	(8,400)
Equipment	(9,762)	(415)	-	(10,177)
	<u>(18,162)</u>	<u>(415)</u>	<u>-</u>	<u>(18,577)</u>
Assets being depreciated – net	<u>-</u>	<u>2,859</u>	<u>-</u>	<u>2,859</u>
Total capital assets – net	\$ <u>-</u>	\$ <u>2,859</u>	\$ <u>-</u>	\$ <u>2,859</u>

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note C – Capital Assets (continued)

Dupre Local Government Corporation

LGC did not carry capital assets for the year ended September 30, 2013.

Note D – Interfund Activity

Interfund Balances

Balances due to and from other funds at September 30, 2013 consisted of the following:

<u>Owed From Fund</u>	<u>Owed To Fund</u>	
	<u>Sanitation</u>	<u>Total</u>
General Fund	\$ 41,454	\$ 41,454
Total	\$ <u>41,454</u>	\$ <u>41,454</u>

All interfund balances represent temporary loans between the City's funds. All amounts due are scheduled to be repaid within one year.

Transfers during the year ended September 30, 2013 to cover operational expenditures were as follows:

<u>Transfer In To</u>	<u>Transfer Out From</u>		
	<u>General</u>	<u>Water</u>	<u>Wastewater</u>
Buda 4b Development Corp.	\$ (1,414,381)	\$ -	\$ -
General Fund	<u>280,000</u>	<u>(125,950)</u>	<u>(154,050)</u>
Total	\$ <u>(1,134,381)</u>	\$ <u>(125,950)</u>	\$ <u>(154,050)</u>

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note E – Long-Term Obligations

Long-Term Obligation Activity

Changes in long-term obligations for the year ended September 30, 2013 were as follows:

Primary Government

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 9,725,000	\$ -	\$ (665,000)	\$ 9,060,000	\$ 690,000
Capital leases	91,317	-	(45,693)	45,624	22,367
Compensated absences	129,559	39,003	-	168,562	-
	<u>\$ 9,945,876</u>	<u>\$ 39,003</u>	<u>\$ (710,693)</u>	<u>\$ 9,274,186</u>	<u>\$ 712,367</u>

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 11,645,000	\$ -	\$ (530,000)	\$ 11,115,000	\$ 620,000
Capital leases	433,408	-	(128,820)	304,588	134,029
Compensated absences	28,250	-	(2,959)	25,291	-
	<u>\$ 12,106,658</u>	<u>\$ -</u>	<u>\$ (661,779)</u>	<u>\$ 11,444,879</u>	<u>\$ 754,029</u>

Buda 4b Development Corporation

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 3,675,000	\$ -	\$ (330,000)	\$ 3,345,000	\$ 330,000
Other long-term liabilities	140,000	-	-	140,000	-
	<u>\$ 3,815,000</u>	<u>\$ -</u>	<u>\$ (330,000)</u>	<u>\$ 3,485,000</u>	<u>\$ 330,000</u>

Dupre Local Government Corporation

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Contract revenue bonds	\$ 30,920,000	\$ -	\$ -	\$ 30,920,000	\$ -

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note E – Long-Term Obligations (continued)

Description of Debt

Primary Government

Governmental Activities

Combination Tax and Limited Revenue Certificates of Obligation, Series 2008

On May 8, 2008, the City issued \$6,120,000 of Combination Tax and Limited Revenue Certificates of Obligation, Series 2008 for construction and improvement projects including street, sidewalk, and bridge and park improvements. Principal is due annually on February 1. Interest is due semiannually on February 1 and August 1 at a rate of 3.48%. At September 30, 2013, the outstanding balance of the Certificates of Obligation, Series 2008 is \$4,865,000, and the final maturity date of the bonds is February 1, 2028.

General Obligation Refunding Bonds, Series 2008

On May 8, 2008, the City issued \$2,930,000 of General Obligation Refunding Bonds, Series 2008. Proceeds of the General Obligation bonds were used to (1) redeem in full the \$91,000 of outstanding principal on the General Obligation Bonds, Series 1985; (2) redeem in full the \$48,000 of outstanding principal on the General Obligation Bonds, Series 1985-A; (3) advance refund a portion of the Certificate of Obligation Bond, Series 2002 maturing on July 1, 2013 through July 1, 2022, with an aggregate of \$1,645,000 in principal amount; (4) advance refund a portion of the Certificate of Obligation Bond, Series 2004, maturing on July 1, 2010 through July 1, 2024, with an aggregate of \$780,000 in principal amount. Principal is due annually on July 1. Interest is due semiannually on January 1 and July 1 at a rate of 3.39%. At September 30, 2013, the outstanding balance of the General Obligation Refunding Bonds, Series 2008 is \$2,305,000, and the final maturity date of the bonds is July 1, 2024.

Combination Tax and Limited Revenue Certificates of Obligation, Series 2006

On May 16, 2006, the City issued \$2,345,000 of Combination Tax and Limited Revenue Certificates of Obligation, Series 2006 for construction and improvement projects including streets, sidewalks, bridges, drainage, water, and sewer infrastructure. The proceeds were allocated 76.00% to interest and sinking (governmental activities) and 24% to the Wastewater Fund (business-type activities). Principal is due annually on February 1. Interest is due semiannually on February 1 and August 1 at a rate of 4.45%. Principal and interest are also allocated on the percentages above. At September 30, 2013, the outstanding balance of the Certificates of Obligation, Series 2006 for governmental activities is \$1,345,000, and the final maturity date of the bonds is February 1, 2026.

Combination Tax & Limited Revenue Certificates of Obligation, Series 2011

On May 15, 2011, the City issued \$3,275,000 of Combination Tax & Limited Revenue Certificates of Obligation, Series 2011 for (1) constructing, improving, and extending the City's waterworks and sewer system, including replacing the Garlic Creek force main, the Main Street water lines, and the Downtown clay sewer lines and related costs; (2) constructing and/or improving downtown street lighting and related improvements; (3) improving, remodeling, and equipping the Stagecoach Park house for the City's Parks and Recreation and Tourism Department; and (4) the payment of professional services in connection therewith. The proceeds were allocated 18% to governmental activities and 82% to the business-type activities. Principal is due annually on August 15. Interest is

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note E – Long-Term Obligations (continued)

Description of Debt (continued)

Primary Government (continued)

Governmental Activities (continued)

Combination Tax & Limited Revenue Certificates of Obligation, Series 2011 (continued)

due semiannually on February 15 and August 15 at a rate of 1.5% to 4.0%, as specified in the Bond Ordinance. The balance of the Combination Tax & Limited Revenue Certificates of Obligation, Series 2011 at September 30, 2013 is \$545,000, and the final maturity on the bonds is August 15, 2030.

Capital Lease – Welch State Bank

On March 2, 2011, the City entered into a lease-purchase agreement with Welch State Bank for street paving equipment for the City. The term of the lease is six years, with annual payments of \$25,138, which includes interest. The lease is paid from the General Fund. As of September 30, 2013, the lease balance is \$45,624.

Business-Type Activities

Combination Tax and Limited Revenue Certificates of Obligation, Series 2006

On May 16, 2006, the City issued \$2,345,000 of Combination Tax and Limited Revenue Certificates of Obligation, Series 2006 for construction and improvement projects including streets, sidewalks, bridges, drainage, water, and sewer infrastructure. The proceeds were allocated 76.00% to interest and sinking (governmental activities) and 24.00% to the Wastewater Fund (business-type activities). Principal is due annually on February 1. Interest is due semiannually on February 1 and August 1 at a rate of 4.45%. Principal and interest are also allocated on the percentages above. At September 30, 2013, the outstanding balance of the Combination Tax and Limited Revenue Certificates of Obligation, Series 2006 for business-type activities is \$420,000, and the final maturity date of the bonds is February 1, 2026.

General Obligation Refunding Bonds, Series 2010

On March 18, 2005, the City issued \$7,725,000 of Waterworks and Sewer System Revenue and Refunding Bonds, Series 2005 for (1) water and sewer construction and improvement projects and (2) refunding of the City's Waterworks and Sewer System Junior Lien Revenue Bonds, Series 1981. On July 21, 2010, the City issued \$5,915,000 of General Obligation Refunding Bonds, Series 2010 for the purpose of refunding the \$7,725,000 of Waterworks and Sewer System Revenue and Refunding Bonds, Series 2005. Principal is due annually on July 1. Interest is due semiannually on January 1 and July 1 at a rate of 2%, increasing to 4% over the life of the bonds. The balance of the General Obligation Refunding Bonds, Series 2010 is \$5,005,000 at September 30, 2013.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note E – Long-Term Obligations (continued)

Description of Debt (continued)

Primary Government (continued)

Business-Type Activities (continued)

Combination Tax & Limited Revenue Certificates of Obligation, Series 2010

On May 18, 2010, the City issued \$3,560,000 of Combination Tax & Limited Revenue Certificates of Obligation, Series 2010 for (1) constructing, improving, and extending the City's wastewater treatment facility and the wastewater collection and effluent system, including the City's wastewater treatment plant and (2) the payment of professional services in connection therewith. Principal is due annually on February 15. Interest is due semiannually on February 15 and August 15 at a rate of 3%, to be adjusted annually to a maximum rate of 4%, as specified in the Bond Ordinance. The balance of the Combination Tax & Limited Revenue Certificates of Obligation, Series 2010 at September 30, 2013 is \$3,170,000, and the final maturity on the bonds is February 15, 2029.

Combination Tax & Limited Revenue Certificates of Obligation, Series 2011

On May 15, 2011, the City issued \$3,275,000 of Combination Tax & Limited Revenue Certificates of Obligation, Series 2011 for (1) constructing, improving, and extending the City's waterworks and sewer system, including replacing the Garlic Creek force main, the Main Street water lines, and the downtown clay sewer lines and related costs; (2) constructing and/or improving downtown street lighting and related improvements; (3) improving, remodeling, and equipping the Stagecoach Park house for the City's Parks and Recreation and Tourism Department; and (4) the payment of professional services in connection therewith. The proceeds were allocated 18% to governmental activities and 82% to the business-type activities. Principal is due annually on August 15. Interest is due semiannually on February 15 and August 15 at a rate of 1.5% to 4.0%, as specified in the Bond Ordinance. The balance of the Combination Tax & Limited Revenue Certificates of Obligation, Series 2011 at September 30, 2013 is \$2,520,000, and the final maturity on the bonds is August 15, 2030.

Capital Lease – Broadway Bank

On January 6, 2009, the City entered into a lease-purchase agreement with Broadway Bank for water meter equipment for the City, including computer and communications equipment. The term of the lease is 84 months, with monthly payments of \$7,993, which includes interest. As of September 30, 2013, the lease is recorded in the Water Fund and has an outstanding balance of \$211,858.

Capital Lease – Wells Fargo Bank

On November 30, 2010, the City entered into a lease-purchase agreement with Wells Fargo Bank for a Van-Con Truck. The term of the lease is five years, with annual payments of \$48,639, which includes interest. As of September 30, 2013, the lease is recorded in the Wastewater Fund and has an outstanding balance of \$92,729.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note E – Long-Term Obligations (continued)

Description of Debt (continued)

Buda 4b Economic Development Corporation

At September 30, 2013, the EDC had the following long-term bond obligations:

Sales Tax Revenue and Refunding Bonds, Series 2006

On April 12, 2006, EDC issued \$3,500,000 Sales Tax Revenue and Refunding Bonds, Series 2006 for construction and improvement projects related to the Buda Sportsplex Park and to refund the EDC's Sales Tax Revenue Bonds, Series 2003A. Principal is due semiannually on June 1 and December 1. Interest is due semiannually on June 1 and December 1 at a rate of 3.35%. The final maturity of the bonds is December 1, 2025. As of September 30, 2013, the Sales Tax Revenue and Refunding Bonds, Series 2006 outstanding balance is \$2,610,000.

Sales Tax Revenue Bonds, Series 2007

On October 9, 2007, EDC issued \$1,550,000 Sales Tax Revenue Bonds, Series 2007 for construction and improvement projects related to the Buda Sportsplex Park. Principal is due monthly. Interest is due monthly at a rate of 5.25%. The final maturity of the bonds is October 1, 2017. As of September 30, 2013, the Sales Tax Revenue Bonds, Series 2007 outstanding balance is \$735,000.

Dupre Local Government Corporation

At September 30, 2013, LGC had the following long-term bond obligations:

Contract Revenue Bonds, Series 2004

On August 2, 2004, LGC issued \$31,750,100 in Contract Revenue Bonds, Series 2004 for the construction of the public infrastructure and public museum in relation to the construction of a Cabela's, Inc. retail facility. The final maturity date on the bonds is June 1, 2028. Interest is due semiannually on June 1 and December 1 at a rate of 4.75%. The Contract Revenue Bonds, Series 2004 are a limited obligation of LGC and are payable only from pledged revenues, as defined in the legal documents. The bonds may be redeemed at LGC's option on any date at the redemption price of par plus accrued interest to date of redemption.

The bonds are also subject to special mandatory redemption in part by lot on June 1 and December 1 in each year at a redemption price of par plus accrued interest to the date of redemption. In the event and to the extent that there is on deposit in the "Debt Service Fund" on May 15 and November 15 of each year immediately preceding a "Special Principal Installment Payment Date," amounts received by LGC, representing pledged revenues. If, on June 1, 2028, pledged revenues are not sufficient to pay in full the outstanding principal and interest on the bonds, such remaining unpaid amounts will be forgiven. As of September 30, 2013, pledged revenues have not been sufficient to pay the required principal due on the bonds.

At September 30, 2013, the outstanding principal on the bonds is \$30,920,000 and unpaid accrued interest is \$7,995,155.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note E – Long-Term Obligations (continued)

Debt Service Requirements

Debt service requirements on the City’s long-term debt at September 30, 2013 is as follows:

Primary Government

Governmental Activities – Bonds

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 690,000	\$ 317,100	\$ 1,007,100
2015	710,000	292,662	1,002,662
2016	595,000	269,939	864,939
2017	610,000	248,700	858,700
2018	625,000	227,002	852,002
2019-2023	3,305,000	777,032	4,082,032
2024-2028	2,440,000	229,856	2,669,856
2029-2030	85,000	5,200	90,200
	<u>\$ 9,060,000</u>	<u>\$ 2,367,491</u>	<u>\$ 11,427,491</u>

Business-Type Activities – Bonds

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 620,000	\$ 382,334	\$ 1,002,334
2015	640,000	363,396	1,003,396
2016	660,000	343,884	1,003,884
2017	685,000	320,460	1,005,460
2018	715,000	300,938	1,015,938
2019-2023	4,010,000	1,151,111	5,161,111
2024-2028	3,130,000	419,266	3,549,266
2029-2030	655,000	28,900	683,900
	<u>\$ 11,115,000</u>	<u>\$ 3,310,289</u>	<u>\$ 14,425,289</u>

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note E – Long-Term Obligations (continued)

Debt Service Requirements (continued)

Primary Government (continued)

Buda 4b Development Corporation – Bonds

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 330,000	\$ 109,294	\$ 439,294
2015	340,000	98,239	438,239
2016	355,000	86,849	441,849
2017	355,000	74,956	429,956
2018	195,000	65,367	260,367
2019-2023	1,100,000	226,293	1,326,293
2024-2027	<u>670,000</u>	<u>38,525</u>	<u>708,525</u>
	<u>\$ 3,345,000</u>	<u>\$ 699,523</u>	<u>\$ 4,044,523</u>

Capital Leases

Future minimum lease payments for commitments under capitalized lease agreements as of September 30, 2013 are as follows:

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2014	\$ 25,137	\$ 144,551
2015	25,138	144,187
2016	-	31,766
	<u>50,275</u>	<u>320,504</u>
Less amounts representing interest	<u>(4,651)</u>	<u>(15,916)</u>
Principal amounts due	45,624	304,588
Current portion	<u>(22,367)</u>	<u>(134,029)</u>
Long-term portion	<u>\$ 23,257</u>	<u>\$ 170,559</u>

At September 30, 2013, the cost of assets acquired under capital leases reported in the governmental activities is \$150,000 with accumulated depreciation of \$22,000, and the cost of assets acquired under capital leases reported in the business-type activities is \$897,000 with accumulated depreciation of \$404,734.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note F – Pension Plan

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (“RSI”) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or calling 800-924-8677; in addition, the report is available on TMRS’ web site at www.TMRS.com.

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

	Plan Year 2012	Plan Year 2013
Employee deposit rate	7%	7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

Benefits depend upon the sum of the employee’s contributions to the City with interest, and City financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to the establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee’s accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee’s accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and the City’s matching percent had always been in existence and if the employee’s salary had always been the average of his/her salary in the last three years that are one year before the effective date.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note F – Pension Plan (continued)

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by an actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his or her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan’s 27.3-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) for the year ended December 31, 2012 are as follows:

Annual required contribution (“ARC”)	\$ 310,940
Interest on net pension obligation	-
Adjustment to the ARC	-
Annual pension cost	<u>310,940</u>
Contributions made	<u>(310,940)</u>
Increase (decrease) in net pension obligation	-
Net pension obligation/(asset) at beginning of year	-
Net pension obligation/(asset) at end of year	<u><u>\$ -</u></u>

Three-Year Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u> <u>(“APC”)</u>	<u>Actual</u> <u>Contribution</u> <u>Made</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation/</u> <u>(Asset)</u>
2011	\$ 318,814	\$ 318,814	100%	\$ -
2012	287,865	287,865	100%	-
2013	310,940	310,940	100%	-

There was no net pension obligation at the beginning or end of the year for any of the three years presented; therefore, no liability has been recorded in the financial statements.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note F – Pension Plan (continued)

Three-Year Trend Information (continued)

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

Valuation date	<u>December 31, 2010</u>	<u>December 31, 2011</u>	<u>December 31, 2012</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB Statement No. 25 equivalent single amortization period	27.3 years; closed period	26.3 years; closed period	25.4 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10 years Smoothed Market	10 years Smoothed Market	10 years Smoothed Market
Actuarial assumptions:			
Investment rate of return*	7.0%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.00%	3.00%	3.00%
Cost-of-living adjustments	2.1%	2.1%	2.1%

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability ("AAL")</u>	<u>(3) = (1) / (2) Funded Ratio</u>	<u>(4) = (2) - (1) Unfunded AAL ("UAAL")</u>	<u>(5) Covered Payroll</u>	<u>(6) = (4) / (5) UAAL as a Percentage of Covered Payroll</u>
12/31/2010	\$ 2,341,243	\$ 3,479,005	67.3%	\$ 1,137,762	\$ 1,988,245	57.2%
12/31/2011	2,800,564	3,877,997	72.2%	1,077,433	2,455,142	43.9%
12/31/2012	3,261,324	4,198,929	77.7%	937,605	2,469,546	38.0%

The Schedule of Funding Progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note F – Pension Plan (continued)

Supplemental Death Benefits Fund

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

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

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

The City contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$3,744, \$4,937, and \$5,307, respectively, which equaled the required contributions each year.

Note G – Contingencies

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Note H – Risk Management

The City is exposed to various risks of loss related to torts, theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the state as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year, and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note I – Deficit Fund Balances

The following deficit fund balances were reported at September 30, 2013:

<u>Deficit Fund Balance/Net Position</u>	<u>Deficit</u>
Buda 4b Development Corporation	\$ (1,978,368)
Dupre Local Government Corporation	<u>(38,308,693)</u>
Total deficit net position balances	\$ <u>(40,287,061)</u>
Sanitation	\$ <u>(167,998)</u>

Note J – Related Party Transactions

Each year the City pays a portion of its sales tax to EDC in accordance with a Definitive Agreement (in accordance with state laws governing 4b development corporations). The City remitted a total of \$1,414,382 in sales taxes during the fiscal year ended September 30, 2013. The remitted amount represents 0.5% of the total tax rate of 1.5%.

In accordance with a Definitive Agreement, the City and EDC remit a portion of sales tax collections to LGC, earned from businesses operating with the TIRZ-1, in accordance with the Development Agreement entered into among the City, EDC, Hays County, and LGC for the construction of the Cabela’s retail facility. The sales tax received by LGC is used to pay principal and interest on LGC’s Contract Revenue Bonds, Series 2004. During the year ended September 30, 2013, the City remitted \$422,379 in sales tax to LGC. EDC remitted \$320,556 and Hays County remitted \$124,451 in sales tax to LGC during the year ended September 30, 2013.

The City also pays to LGC a portion of its hotel/motel taxes earned on hotels/motels operating with TIRZ-1. During the year ended September 30, 2013, the City paid \$92,015 in hotel/motel taxes to LGC.

In accordance with the Development Agreement among the City, EDC, and Hays County, and LGC, the City owes LGC \$77,680, EDC owes LGC \$51,964, and LGC is due \$19,237 from Hays County in property taxes earned from property in TIRZ-1 to LGC. The taxes are used to pay principal and interest on LGC’s Contract Revenue Bonds, Series 2004.

The City pays for EDC’s employees’ payroll and benefit costs, as well as various operating costs of EDC from time to time. During the year, EDC reimbursed the City \$109,000 for operating, payroll, and employee benefit costs paid by the City.

City of Buda, Texas

Notes to the Financial Statements

Year Ended September 30, 2013

Note K – Cabela’s, Inc. Project

In 2004, a Development Agreement was entered into among LGC, the City, Hays County, EDC, and Cabela’s, Inc. related to the construction of a Cabela’s, Inc. retail facility in Buda, Texas. In addition to the retail facility, the Development Agreement called for the construction and development of public museum facilities and public infrastructure (“public facilities”). LGC issued bonds in 2004 in the total principal amount of \$31,725,000 to pay the projected costs of the public facilities and the cost of the issuance of the bonds. LGC was to finance or reimburse the developer, Cabela’s, Inc., for the costs of the public facilities from the proceeds of the bonds. No portion of the costs of the retail facility was financed with the proceeds of the bonds. The bonds constitute valid, legally binding, and enforceable special revenue obligations of LGC. Such bonds shall be payable only from pledged revenue received from tax increments (TIF revenues), which are generated in the TIRZ-1 and from certain grant revenues paid by the City, EDC, and Hays County, subject to annual appropriations, pursuant to grant agreements among these entities, and LGC. The holders of the bonds shall never have the right to demand payment out of money raised or to be raised by taxation, other than from the pledged revenues. See Note E for further discussion under Dupre Local Government Corporation.

Upon completion of the construction, the City accepted ownership of the public museum facilities and public infrastructure. The City maintains the public infrastructure and has a management agreement with Cabela’s, Inc. for the management of the public museum facilities and related common areas. The management fees are deferred until such time that Cabela’s, Inc. exercises its option to purchase the public museum facilities from the City, which may occur upon the earlier of the (1) 25th anniversary of the completion date or (2) the repayment of all outstanding public facilities bonds.

Note L – Subsequent Event

Primary Government

Long-Term Debt

On February 1, 2014, the City issued \$4,445,000 in Combination Tax and Limited Revenue Certificates of Obligation, Series 2014. The certificates were issued for the purpose of funding (1) construction; improvement; extending, expanding, upgrading, and/or developing City streets, bridges, sidewalks, intersections, and other traffic improvement projects; and related costs and purchasing of any necessary right-of-way, including street improvements within the Bonita Vista subdivision; (2) constructing, improving, and/or extending the City’s waterworks and sewer system, including constructing the Westside Water Well Project, including the acquisition of any necessary easements or land; and (3) the payment of professional services in connection therewith, including legal, fiscal, and engineering fees and the costs of issuance in connection with the certificates.

The certificates have maturities ranging from 2015 to 2034, with interest rates between of 2% and 4%.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Buda, Texas

Required Supplementary Information – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

Year Ended September 30, 2013

	Budget Amounts		Actual Budget Basis	Adjustments*	2013 Actual	Variance With Final Budget
	Original	Final				
REVENUES						
Ad valorem taxes	\$ 904,538	\$ 904,538	\$ 922,575	\$ -	\$ 922,575	\$ 18,037
Sales taxes	2,388,751	2,388,751	2,619,535	1,414,381	4,033,916	230,784
Franchise taxes	418,000	418,000	511,483	-	511,483	93,483
Fees and charges	775,260	775,260	1,108,013	8,467	1,116,480	332,753
Contributions	-	-	15,000	-	15,000	15,000
Interest	-	-	4,365	39	4,404	4,365
Miscellaneous	254,457	254,457	73,722	7,925	81,647	(180,735)
Total revenues	4,741,006	4,741,006	5,254,693	1,430,812	6,685,505	513,687
EXPENDITURES						
Current:						
Administration	653,759	1,328,759	1,248,994	-	1,248,994	79,765
Finance	331,133	456,133	480,871	-	480,871	(24,738)
Streets and infrastructure	596,977	716,977	590,802	430,848	1,021,650	126,175
Engineering and planning	1,052,912	1,052,912	1,000,513	-	1,000,513	52,399
Fleet maintenance	92,589	92,589	86,769	-	86,769	5,820
Parks and recreation	491,134	491,134	431,785	(593)	431,192	59,349
Library	321,773	321,773	308,525	-	308,525	13,248
Community development	162,018	162,018	112,995	-	112,995	49,023
Public safety	1,039,579	1,039,579	1,038,630	129,554	1,168,184	949
Municipal court	57,310	57,310	63,698	3,526	67,224	(6,388)
Animal control	79,708	79,708	70,761	-	70,761	8,947
Information technology	143,224	143,224	146,859	-	146,859	(3,635)
Total expenditures	5,022,116	5,942,116	5,581,202	563,335	6,144,537	360,914
Excess (deficiency) of revenues over (under) expenditures	(281,110)	(1,201,110)	(326,509)	867,477	540,968	874,601
OTHER FINANCING SOURCES (USES)						
Transfers	290,000	290,000	280,000	-	280,000	(10,000)
TIF sales taxes transfers	-	-	-	1,414,381	(1,414,381)	-
Total other financing sources (uses)	290,000	290,000	280,000	1,414,381	(1,134,381)	(10,000)
Net change in fund balance	\$ 8,890	\$ (911,110)	\$ (46,509)	\$ 2,281,858	\$ (593,413)	\$ 864,601

*This column represents special revenue fund activity not budgeted as part of the General Fund, but required to be reported as General Fund activity.

City of Buda, Texas

Required Supplementary Information – Schedule of Funding Progress (Unaudited)

Year Ended September 30, 2013

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) (1)/(2) Funded Ratio	(4) (2)-(1) Unfunded Actuarial Accrued Liability ("UAAL")	(5) Annual Covered Payroll	(6) (4)/(5) UAAL as a Percent of Covered Payroll
12/31/2010	\$ 2,341,243	\$ 3,479,005	67.3%	\$ 1,137,762	\$ 1,988,245	57.2%
12/31/2011	2,800,564	3,877,997	72.2%	1,077,433	2,455,142	43.9%
12/31/2012	3,261,324	4,198,929	77.7%	937,605	2,469,546	38.0%

SUPPLEMENTAL SECTION

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City of Buda, Texas

Combining Balance Sheet – Other Nonmajor Governmental Funds

September 30, 2013

	<u>Hotel/Motel Tax</u>	<u>Parks Fees</u>	<u>Library Grants</u>	<u>Total Other Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 412,310	\$ 655,116	\$ 40,663	\$ 1,108,089
Accounts receivable – other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total assets	<u>\$ 412,311</u>	<u>\$ 655,116</u>	<u>\$ 40,663</u>	<u>\$ 1,108,090</u>
LIABILITIES				
Accounts payable	\$ 8,984	\$ 12,577	\$ 1,928	\$ 23,489
Accrued expenses	<u>2,573</u>	<u>-</u>	<u>-</u>	<u>2,573</u>
Total liabilities	<u>11,557</u>	<u>12,577</u>	<u>1,928</u>	<u>26,062</u>
FUND BALANCES				
Spendable:				
Restricted	400,754	-	-	400,754
Assigned	<u>-</u>	<u>642,539</u>	<u>38,735</u>	<u>681,274</u>
	<u>400,754</u>	<u>642,539</u>	<u>38,735</u>	<u>1,082,028</u>
Total liabilities and fund balances	<u>\$ 412,311</u>	<u>\$ 655,116</u>	<u>\$ 40,663</u>	<u>\$ 1,108,090</u>

City of Buda, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Other Nonmajor Governmental Funds

September 30, 2013

	Hotel/Motel Tax	Parks Fees	Library Grants	Total Other Nonmajor Governmental Funds
REVENUES				
Hotel occupancy taxes	\$ 503,733	\$ -	\$ -	\$ 503,733
Contributions	-	174,475	14,957	189,432
Interest	46	118	45	209
Miscellaneous	<u>2,784</u>	<u>-</u>	<u>-</u>	<u>2,784</u>
Total revenues	<u>506,563</u>	<u>174,593</u>	<u>15,002</u>	<u>696,158</u>
EXPENDITURES				
Current:				
Parks and recreation	403,962	192,864	-	596,826
Library	<u>-</u>	<u>-</u>	<u>20,022</u>	<u>20,022</u>
Total expenditures	<u>403,962</u>	<u>192,864</u>	<u>20,022</u>	<u>616,848</u>
Excess (deficiency) of revenues over (under) expenditures	102,601	(18,271)	(5,020)	79,310
Total fund balances at beginning of year	<u>298,156</u>	<u>660,809</u>	<u>43,753</u>	<u>1,002,718</u>
Total fund balances at end of year	<u>\$ 400,757</u>	<u>\$ 642,538</u>	<u>\$ 38,733</u>	<u>\$ 1,082,028</u>