

**City of Buda, Texas**

Annual Financial Report

Year Ended September 30, 2014



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# City of Buda, Texas

## Annual Financial Report

Year Ended September 30, 2014

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FINANCIAL SECTION

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## Independent Auditor's Report

To the City Council and City Manager  
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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

### ***Basis for Qualified Opinions***

The City's Statement of Net Position includes capital assets totaling \$56,207,503 and \$29,982,012 for its governmental and business-type activities, respectively, at September 30, 2014. The City did not conduct a capital asset inventory in 2012, 2013, or 2014 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, 2014.

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The Dupre Local Government Corporation (“LGC”), a discretely presented component unit of the City included in the Statement of Net Position, 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, 2014, LGC has made payments on this liability totaling \$2.5 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 regarding capital assets and the LGC debt, 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, and the Water and Wastewater Funds of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Debt Service Fund, the aggregate remaining fund information, and the Sanitation Fund of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis-of-Matter***

As described in Note A to the financial statements, in 2014, the City adopted the new accounting guidance contained in Governmental Accounting Standards Board (“GASB”) Statement No. 66, *Technical Corrections – 2012, An Amendment to GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. 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 (Unaudited), 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, Statemann + Co., L.L.P.*

Austin, Texas  
March 26, 2015

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**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

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, 2014. 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**

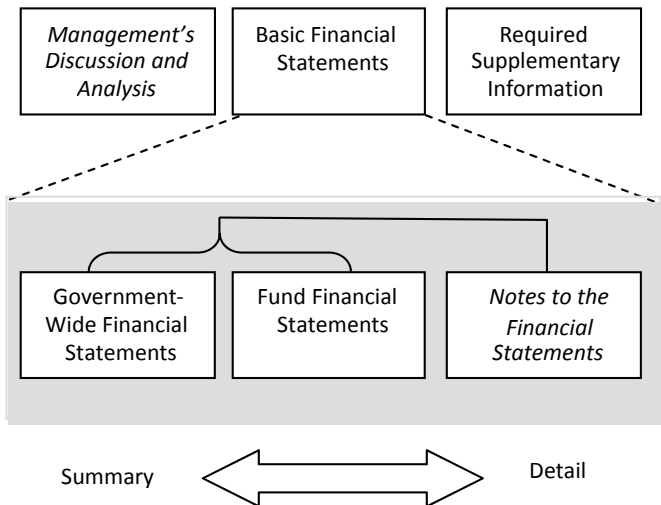
- The City’s total combined net position was \$81,287,053 as of September 30, 2014.
- The City’s governmental and business-type increase in net position was \$2,126,428 and \$1,569,937, respectively.
- The General Fund reported a fund balance this year of \$5,677,784.

**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 the 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"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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 Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector 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 financial 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, 2014, 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, 2014 and 2013:

#### Condensed Statements of Net Position Information

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 8,920,893	\$ 2,798,478	\$ 11,899,025	\$ 9,151,447	\$ 20,819,918	\$ 11,949,925
Capital assets	56,207,503	56,698,403	29,982,012	30,405,506	86,189,515	87,103,909
Total assets	65,128,396	59,496,881	41,881,037	39,556,953	107,009,433	99,053,834
Deferred outflows of resources	-	-	306,637	334,943	306,637	334,943
Total deferred outflows of resources	-	-	306,637	334,943	306,637	334,943
Long-term liabilities	12,053,577	9,274,186	11,697,127	11,444,879	23,750,704	20,719,065
Other liabilities	1,050,163	324,467	1,207,213	733,620	2,257,376	1,058,087
Total liabilities	13,103,740	9,598,653	12,904,340	12,178,499	26,008,080	21,777,152
Deferred inflows of resources	20,937	20,937	-	-	20,937	20,937
Total deferred inflows of resources	20,937	20,937	-	-	20,937	20,937
Net position:						
Net investment in capital assets	44,356,879	47,424,217	18,620,416	19,320,861	62,977,295	66,745,078
Restricted	4,809,335	408,813	2,834,815	1,606,976	7,644,150	2,015,789
Unrestricted	2,837,505	2,044,261	7,828,103	6,785,560	10,665,608	8,829,821
Total net position	\$ 52,003,719	\$ 49,877,291	\$ 29,283,334	\$ 27,713,397	\$ 81,287,053	\$ 77,590,688

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, \$62,977,295, 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 \$3,767,783. 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 \$7,644,150 at September 30, 2014, or 9.4% 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 increased by \$5,628,361 compared to September 30, 2013. The increase is mainly attributed to the proceeds held at year-end from the issuance of debt in 2014.

The third portion consists of unrestricted net position totaling \$10,665,608 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 \$1,835,787 compared to September 30, 2013.

The City's combined net position was \$81,287,053 as of September 30, 2014. Of the approximately \$81,300,000, approximately \$52,000,000 was in the governmental activities and approximately \$29,300,000 was in the business-type activities. The City's total net position increased by \$3,696,365, when compared to the prior year.

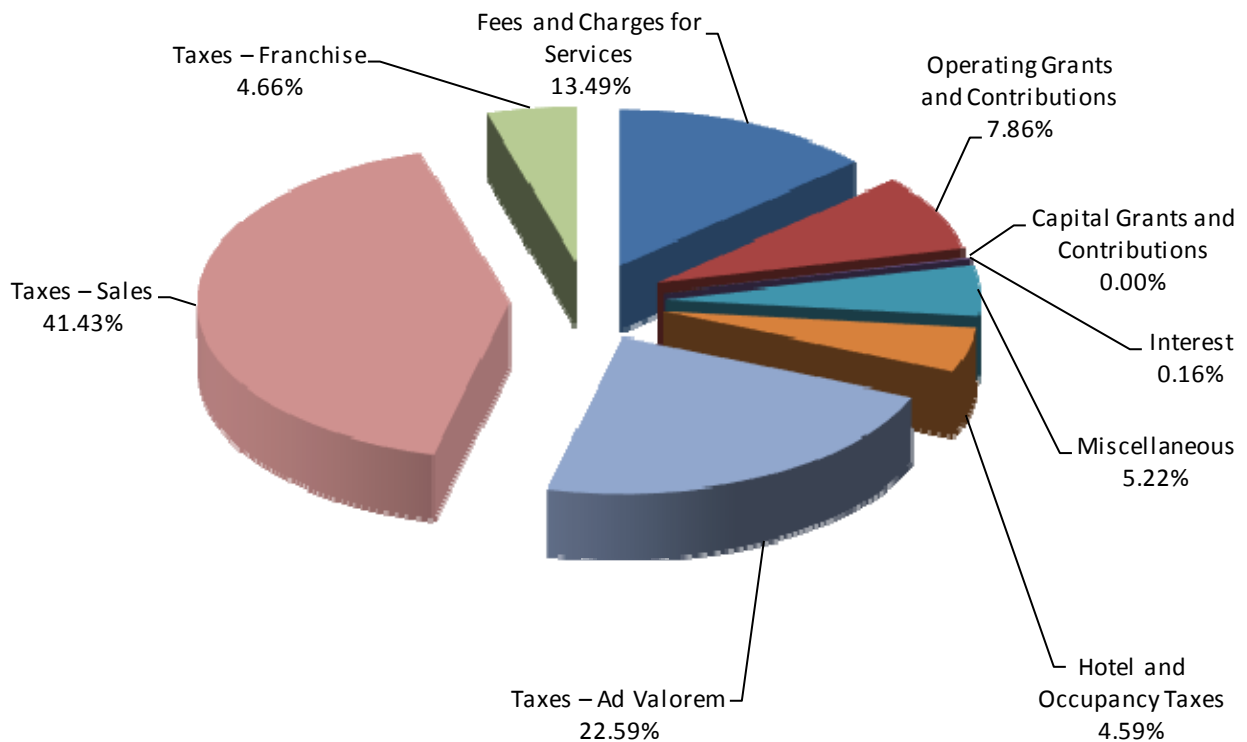
**CHANGES IN NET POSITION INFORMATION**

**Governmental Activities**

**Revenues – Governmental Activities**

A significant portion of the City’s revenue comes from taxes totaling \$8,013,216. Of this total, \$4,838,684 was from sales taxes, which includes the component units Tax Increment Reinvestment Zone Funds (“TIF”) sales tax transfer and is not available for use by general fund operations. 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 2014**



**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 ended 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
General revenues:		
Ad valorem taxes	\$ 2,638,261	\$ 2,018,135
Sales taxes	4,838,684	4,033,916
Hotel occupancy taxes	536,271	503,733
Franchise taxes	544,308	511,483
Interest	18,576	6,787
Miscellaneous	610,310	84,431
Program revenues:		
Fees and charges for services	1,575,071	1,116,480
Operating grants and contributions	918,514	211,219
Total revenues	<u>11,679,995</u>	<u>8,486,184</u>
Expenses:		
Administration	1,528,142	1,311,092
Finance	449,803	480,871
Streets and infrastructure	522,335	545,109
Engineering and planning	1,293,695	1,000,513
Fleet maintenance	91,695	86,769
Parks and recreation	851,952	853,282
Library	374,149	328,547
Community development	176,008	112,995
Public safety	1,132,843	1,168,184
Municipal court	96,462	67,224
Animal control	70,560	70,761
Information technology	165,008	146,857
Depreciation	2,032,815	2,016,605
Debt service:		
Interest and amortization	375,276	340,982
Total expenditures	<u>9,160,743</u>	<u>8,529,791</u>
Excess (deficiency) of revenues over (under) expenses before transfers	2,519,252	(43,607)
Transfers	1,290,000	280,000
TIF sales taxes transfer	<u>(1,682,824)</u>	<u>(1,414,381)</u>
Change in net position	2,126,428	(1,177,988)
Net position at beginning of year	49,877,291	51,055,279
Net position at end of year	<u>\$ 52,003,719</u>	<u>\$ 49,877,291</u>

The City's total governmental revenues for the year ended September 30, 2014 increased by \$3,193,811. The increase in revenues is mainly the result of higher ad valorem and sales tax revenue over fiscal year 2013, as well as an increase in operating grants and significant City Park related contributions of \$473,024. The City's total operating expenses had an increase of \$630,952. The increase in operating expenses is the result of an overall increase in administration, engineering and planning, library, community development, 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 approximately \$8,500,000 and operating expenses were approximately \$5,600,000.

Comparison of business-type activities for fiscal years ended 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Revenues:		
Fees and charges for services	\$ 6,695,883	\$ 6,371,862
Impact fees	1,710,552	1,144,993
Operating grants and contributions	95,871	45,290
Interest	3,814	4,756
Miscellaneous	3,443	2,904
Total revenues	<u>8,509,563</u>	<u>7,569,805</u>
Expenses:		
Water	2,337,768	1,919,342
Wastewater	2,315,932	2,300,741
Sanitation	995,926	900,387
Total expenditures	<u>5,649,626</u>	<u>5,120,470</u>
Excess of revenues over expenses before transfers	2,859,937	2,449,335
Transfers	<u>(1,290,000)</u>	<u>(280,000)</u>
Change in net position	1,569,937	2,169,335
Net position at beginning of year	<u>27,713,397</u>	<u>25,544,062</u>
Net position at end of year	<u>\$ 29,283,334</u>	<u>\$ 27,713,397</u>

The City's total revenues for business-type activities increased by \$939,757 over fiscal year 2013. The majority of the increase is the result of higher user fees and increased customers for water, wastewater, and sanitation utilities and increased impact 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 2014 fiscal year, the City's governmental funds reported combined ending fund balance of \$7,863,533. A balance of \$2,076,334 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 \$8,900,000 million for 2014, while expenditures were approximately \$7,300,000, leaving an excess of revenues over expenditures of \$1,613,038. The Proprietary Funds consist of Water, Wastewater, and Sanitation funds. The operating income (loss) from these funds were (\$158,886); \$1,648,278; and \$4,352, respectively.

## General Fund Budgetary Highlights

For the year ended September 30, 2014, the City budgeted total expenditures of approximately \$9,300,000. Actual expenditures were \$2,063,807 under the final budget amounts. The revenues were more than expected with a favorable variance of \$5,977,169 after adjusting for the TIF sales tax transfer of approximately \$1,700,000, which is attributed to higher than expected sales tax and miscellaneous revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2014, the City had invested approximately \$56.2 million in a broad range of capital assets, including land, equipment, buildings, and the road network.

#### City's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 6,400,935	\$ 6,400,935	\$ 193,047	\$ 193,047	\$ 6,593,982	\$ 6,593,982
Buildings and improvements	21,241,040	20,967,350	153,995	153,995	21,395,035	21,121,345
Equipment	6,220,833	6,066,135	6,037,126	6,035,250	12,257,959	12,101,385
Infrastructure	44,884,542	44,219,363	32,248,747	32,248,747	77,133,289	76,468,110
Construction in progress	1,046,462	598,114	960,906	345,415	2,007,368	943,529
Less accumulated depreciation	(23,586,309)	(21,553,494)	(9,611,809)	(8,570,948)	(33,198,118)	(30,124,442)
Total	<u>\$ 56,207,503</u>	<u>\$ 56,698,403</u>	<u>\$ 29,982,012</u>	<u>\$ 30,405,506</u>	<u>\$ 86,189,515</u>	<u>\$ 87,103,909</u>

At September 30, 2014, net capital assets of the governmental activities totaled approximately \$56,200,000 million. This amount represents a net decrease of \$490,900. More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Long-Term Debt

At September 30, 2014, the City had approximately \$23.8 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 "AA" ratings.

#### City's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue bonds	\$ 11,805,000	\$ 9,060,000	\$ 11,505,000	\$ 11,115,000	\$ 23,310,000	\$ 20,175,000
Capital leases	45,624	45,624	163,233	304,588	208,857	350,212
Compensated absences	202,953	168,562	28,894	25,291	231,847	193,853
Total long-term debt	<u>\$ 12,053,577</u>	<u>\$ 9,274,186</u>	<u>\$ 11,697,127</u>	<u>\$ 11,444,879</u>	<u>\$ 23,750,704</u>	<u>\$ 20,719,065</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City continues to remain in good financial standing due to continued growth in the area. The City's population has grown 39.0% since 2010 and, according to Capital Area Metropolitan Planning Organization, the City is the fastest growing city over 10,000 in the state of Texas since 2010, and the fastest growing city in the region since 2011. The City grew 15.0% from January 2013 through January 2014 within the city limits alone and new construction has seen a 9.3% increase over the previous year. The growth has also contributed to an increase in sales and property tax revenues. Sales tax increased 17.5% during 2013-2014 and a conservative 5.0% increase is budgeted for 2014-2015. Property tax had an increase of 14.0% over the previous year with property values exceeding \$1.0 billion. The property tax rate for 2013-2014 fiscal year was \$0.2979 per one hundred dollar valuation, and decreased to \$0.2978 per one hundred dollar valuation for 2014-2015 budget year due to the increase in property values. The City continues to find ways to be more efficient and cost-effective as it prepares for residential growth and economic development.

To prepare for the future growth, the City initiated a \$55.00 million bond package to be presented to the voters in November 2014. The five bond propositions will cover several projects including, \$21.00 million for the municipal facility, \$6.75 million for the public safety facility, \$12.25 million for the street projects, \$7.00 million for the drainage projects, and \$8.00 million for the parks and trails. The City will also begin the design phase of the wastewater treatment plant expansion with plans to start construction in 2016.

The City's goals and objectives for the 2014-2015 budget year include, sound fiscal administration, excellent quality of life, sensible growth management, strategic human resources, economic stabilization, and acceptable infrastructure.

## **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](http://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, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,073,718	\$ 7,967,523	\$ 11,041,241	\$ 1,073,435
Accounts receivable – net of allowances:				
Ad valorem taxes	123,657	-	123,657	-
Sales taxes	602,313	-	602,313	407,271
Customers	6,237	1,055,236	1,061,473	-
Other	354,194	-	354,194	95,384
Due from other governments	-	-	-	25,657
Internal balances	(41,451)	41,451	-	-
Restricted cash and cash equivalents	4,802,225	2,834,815	7,637,040	1,369,565
Capital assets:				
Nondepreciable	7,447,397	1,153,953	8,601,350	-
Depreciable – net	48,760,106	28,828,059	77,588,165	2,159
<b>Total assets</b>	<b>65,128,396</b>	<b>41,881,037</b>	<b>107,009,433</b>	<b>2,973,471</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred amount on bond refunding	-	306,637	306,637	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>306,637</b>	<b>306,637</b>	<b>-</b>
<b>LIABILITIES</b>				
Accounts payable	136,626	548,940	685,566	277,600
Accrued expenses	834,669	44,335	879,004	-
Accrued interest	78,868	72,431	151,299	8,601,921
Due to Cabela's, Inc.	-	-	-	105,081
Due to Dupre Local Government Corporation	-	-	-	47,204
Payable from restricted assets – customer deposits	-	235,878	235,878	-
Unearned revenue – loan forgiveness	-	305,629	305,629	-
Long-term liabilities:				
Due within one year	755,624	804,091	1,559,715	340,000
Due in more than one year	11,297,953	10,893,036	22,190,989	33,735,000
<b>Total liabilities</b>	<b>13,103,740</b>	<b>12,904,340</b>	<b>26,008,080</b>	<b>43,106,806</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue – ad valorem taxes	20,937	-	20,937	-
<b>Total deferred inflows of resources</b>	<b>20,937</b>	<b>-</b>	<b>20,937</b>	<b>-</b>
<b>NET POSITION (DEFICIT)</b>				
Net investment in capital assets	44,356,879	18,620,416	62,977,295	-
Restricted for:				
Debt service	880,907	-	880,907	1,369,565
Capital projects and other	3,928,428	2,834,815	6,763,243	-
Unrestricted net position (deficit)	2,837,505	7,828,103	10,665,608	(41,502,900)
<b>Total net position (deficit)</b>	<b>\$ 52,003,719</b>	<b>\$ 29,283,334</b>	<b>\$ 81,287,053</b>	<b>\$ (40,133,335)</b>

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

# City of Buda, Texas

## Statement of Activities

Year Ended September 30, 2014

Functions and Programs	Expenses	Program Revenues			Changes in Net Position			Total Component Units
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government	
<b>Primary Government</b>								
<b>Governmental Activities</b>								
Administration	\$ (1,528,142)	\$ 201,063	\$ -	\$ -	\$ (1,327,079)	\$ -	\$ (1,327,079)	\$ -
Finance	(449,803)	-	-	-	(449,803)	-	(449,803)	-
Streets and infrastructure	(522,335)	-	-	-	(522,335)	-	(522,335)	-
Engineering and planning	(1,293,695)	1,110,767	292,526	-	109,598	-	109,598	-
Fleet maintenance	(91,695)	-	-	-	(91,695)	-	(91,695)	-
Parks and recreation	(851,952)	86,736	613,024	-	(152,192)	-	(152,192)	-
Library	(374,149)	5,694	12,964	-	(355,491)	-	(355,491)	-
Community development	(176,008)	-	-	-	(176,008)	-	(176,008)	-
Public safety	(1,132,843)	3,979	-	-	(1,128,864)	-	(1,128,864)	-
Municipal court	(96,462)	165,582	-	-	69,120	-	69,120	-
Animal control	(70,560)	1,250	-	-	(69,310)	-	(69,310)	-
Information technology	(165,008)	-	-	-	(165,008)	-	(165,008)	-
Depreciation	(2,032,815)	-	-	-	(2,032,815)	-	(2,032,815)	-
Debt service:								
Interest and amortization	(375,276)	-	-	-	(375,276)	-	(375,276)	-
<b>Total governmental activities</b>	<b>(9,160,743)</b>	<b>1,575,071</b>	<b>918,514</b>	<b>-</b>	<b>(6,667,158)</b>	<b>-</b>	<b>(6,667,158)</b>	<b>-</b>
<b>Business-Type Activities</b>								
Water	(2,337,768)	2,103,711	-	-	-	(234,057)	(234,057)	-
Wastewater	(2,315,932)	3,591,894	95,871	-	-	1,371,833	1,371,833	-
Sanitation	(995,926)	1,000,278	-	-	-	4,352	4,352	-
<b>Total business-type activities</b>	<b>(5,649,626)</b>	<b>6,695,883</b>	<b>95,871</b>	<b>-</b>	<b>-</b>	<b>1,142,128</b>	<b>1,142,128</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ (14,810,369)</b>	<b>\$ 8,270,954</b>	<b>\$ 1,014,385</b>	<b>\$ -</b>	<b>(6,667,158)</b>	<b>1,142,128</b>	<b>(5,525,030)</b>	<b>-</b>
<b>Total component units</b>	<b>\$ (2,802,972)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,802,972)</b>
<b>General Revenues</b>								
Ad valorem taxes					2,638,261	-	2,638,261	439,328
Sales taxes					4,838,684	-	4,838,684	2,419,277
Hotel occupancy taxes					536,271	-	536,271	95,278
Franchise taxes					544,308	-	544,308	-
Impact fees					-	1,710,552	1,710,552	-
Interest					18,576	3,814	22,390	2,787
Miscellaneous					610,310	3,443	613,753	28
Net transfers					1,290,000	(1,290,000)	-	-
TIF sales taxes transfer					(1,682,824)	-	(1,682,824)	-
<b>Total general revenues and transfers</b>					<b>8,793,586</b>	<b>427,809</b>	<b>9,221,395</b>	<b>2,956,698</b>
<b>Change in net position</b>					<b>2,126,428</b>	<b>1,569,937</b>	<b>3,696,365</b>	<b>153,726</b>
Net position (deficit) at beginning of year					49,877,291	27,713,397	77,590,688	(40,287,061)
<b>Net position (deficit) at end of year</b>					<b>\$ 52,003,719</b>	<b>\$ 29,283,334</b>	<b>\$ 81,287,053</b>	<b>\$ (40,133,335)</b>

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



# City of Buda, Texas

## Balance Sheet – Governmental Funds

September 30, 2014

	<b>General Fund</b>	<b>Debt Service</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,098,110	\$ -	\$ 910,480	\$ 3,008,590
Accounts receivable – net of allowances:				
Ad valorem taxes	104,823	18,834	-	123,657
Sales taxes	602,313	-	-	602,313
Customers	6,237	-	-	6,237
Other	354,194	-	-	354,194
Restricted cash and cash equivalents	3,433,902	873,797	494,526	4,802,225
<b>Total assets</b>	<b>\$ 6,599,579</b>	<b>\$ 892,631</b>	<b>\$ 1,405,006</b>	<b>\$ 8,897,216</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 98,727	\$ -	\$ 37,899	\$ 136,626
Accrued expenses	772,404	-	62,265	834,669
Due to other funds	41,451	-	-	41,451
<b>Total liabilities</b>	<b>912,582</b>	<b>-</b>	<b>100,164</b>	<b>1,012,746</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue – ad valorem taxes	9,213	11,724	-	20,937
<b>Total deferred inflows of resources</b>	<b>9,213</b>	<b>11,724</b>	<b>-</b>	<b>20,937</b>
<b>FUND BALANCES</b>				
Spendable:				
Restricted	3,433,902	880,907	494,526	4,809,335
Assigned	167,548	-	810,316	977,864
Unassigned	2,076,334	-	-	2,076,334
<b>Total fund balances</b>	<b>5,677,784</b>	<b>880,907</b>	<b>1,304,842</b>	<b>7,863,533</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,599,579</b>	<b>\$ 892,631</b>	<b>\$ 1,405,006</b>	

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.	56,207,503
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	(11,850,624)
Accrued compensated absences	(202,953)
Accrued interest payable	(78,868)
Include internal service fund assets and liabilities in the governmental activities.	65,128
Net position of governmental activities	<b>\$ 52,003,719</b>

*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, 2014

	<u>General Fund</u>	<u>Debt Service</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Ad valorem taxes	\$ 1,017,196	\$ 1,621,065	\$ -	\$ 2,638,261
Sales taxes	4,838,684	-	-	4,838,684
Hotel occupancy taxes	-	-	536,271	536,271
Franchise taxes	544,308	-	-	544,308
Fees and charges for services	1,575,071	-	-	1,575,071
Grant and contributions	292,526	-	625,988	918,514
Interest	17,838	715	23	18,576
Miscellaneous	609,426	-	884	610,310
<b>Total revenues</b>	<u>8,895,049</u>	<u>1,621,780</u>	<u>1,163,166</u>	<u>11,679,995</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,455,938	-	-	1,455,938
Finance	450,853	-	-	450,853
Streets and infrastructure	1,361,675	-	-	1,361,675
Engineering and planning	1,293,695	-	-	1,293,695
Fleet maintenance	91,695	-	-	91,695
Parks and recreation	497,164	-	922,968	1,420,132
Library	356,765	-	17,384	374,149
Community development	176,008	-	-	176,008
Public safety	1,222,013	-	-	1,222,013
Municipal court	96,462	-	-	96,462
Animal control	70,560	-	-	70,560
Information technology	209,183	-	-	209,183
Debt service:				
Principal	-	690,000	-	690,000
Interest	-	318,976	-	318,976
<b>Total expenditures</b>	<u>7,282,011</u>	<u>1,008,976</u>	<u>940,352</u>	<u>9,231,339</u>
Excess of revenues over expenditures	<u>1,613,038</u>	<u>612,804</u>	<u>222,814</u>	<u>2,448,656</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the issuance of bonds	3,433,902	-	-	3,433,902
Transfers in	1,430,710	-	-	1,430,710
Transfers out	-	(140,710)	-	(140,710)
TIF sales taxes transfer	(1,682,824)	-	-	(1,682,824)
<b>Total other financing sources (uses)</b>	<u>3,181,788</u>	<u>(140,710)</u>	<u>-</u>	<u>3,041,078</u>
<b>Change in fund balances</b>	4,794,826	472,094	222,814	5,489,734
Fund balances at beginning of year	<u>882,958</u>	<u>408,813</u>	<u>1,082,028</u>	<u>2,373,799</u>
<b>Fund balances at end year</b>	<u>\$ 5,677,784</u>	<u>\$ 880,907</u>	<u>\$ 1,304,842</u>	<u>\$ 7,863,533</u>

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, 2014

Change in fund balances – Governmental Funds	\$ 5,489,734
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	1,541,915
Issuance of bonds	(3,433,902)
Bonds and capital leases payable	690,000
Changes in compensated absences	(34,391)
Changes in accrued interest payable	(56,300)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(2,032,815)
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.	(7,883)
The net loss of the Internal Service Fund is reported in the governmental activities.	<u>(29,930)</u>
Change in net position of governmental activities	<u>\$ 2,126,428</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, 2014

	Business-Type Activities				Governmental Activities – Internal Service Fund
	Water	Wastewater	Sanitation	Total	
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 3,362,275	\$ 4,605,248	\$ -	\$ 7,967,523	\$ 65,128
Accounts receivable – net of allowance for uncollectible accounts	356,091	494,639	204,506	1,055,236	-
Due from other funds	-	-	41,451	41,451	-
<b>Total current assets</b>	<u>3,718,366</u>	<u>5,099,887</u>	<u>245,957</u>	<u>9,064,210</u>	<u>65,128</u>
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents	975,000	1,859,815	-	2,834,815	-
<b>Capital assets:</b>					
Land	159,542	33,505	-	193,047	-
Construction in progress	47,565	913,341	-	960,906	-
Buildings and improvements	64,268	89,727	-	153,995	-
Equipment	2,107,018	3,930,108	-	6,037,126	-
Infrastructure	9,869,845	22,378,902	-	32,248,747	-
Accumulated depreciation	(4,014,866)	(5,596,943)	-	(9,611,809)	-
<b>Net capital assets</b>	<u>8,233,372</u>	<u>21,748,640</u>	<u>-</u>	<u>29,982,012</u>	<u>-</u>
<b>Total assets</b>	<u>12,926,738</u>	<u>28,708,342</u>	<u>245,957</u>	<u>41,881,037</u>	<u>65,128</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on bond refunding	-	306,637	-	306,637	-
<b>Total deferred outflows of resources</b>	<u>-</u>	<u>306,637</u>	<u>-</u>	<u>306,637</u>	<u>-</u>
<b>LIABILITIES</b>					
Accounts payable	54,026	85,311	409,603	548,940	-
Accrued expenses	29,140	15,195	-	44,335	-
Accrued interest	-	72,431	-	72,431	-
Unearned revenue	-	305,629	-	305,629	-
Capital leases payable – current portion	46,111	92,980	-	139,091	-
Bonds payable – current portion	42,502	622,498	-	665,000	-
<b>Total current liabilities</b>	<u>171,779</u>	<u>1,194,044</u>	<u>409,603</u>	<u>1,775,426</u>	<u>-</u>
<b>Noncurrent liabilities:</b>					
Compensated absences	13,992	14,902	-	28,894	-
Capital leases payable – long-term portion	12,071	12,071	-	24,142	-
Bonds payable – long-term portion	1,351,748	9,488,252	-	10,840,000	-
Payable from restricted assets: Customer deposits payable	230,361	5,517	-	235,878	-
<b>Total liabilities</b>	<u>1,779,951</u>	<u>10,714,786</u>	<u>409,603</u>	<u>12,904,340</u>	<u>-</u>
<b>NET POSITION (DEFICIT)</b>					
Net investment in capital assets	6,780,940	11,839,476	-	18,620,416	-
Restricted net position:					
Capital projects	975,000	1,859,815	-	2,834,815	-
Unrestricted net position (deficit)	3,390,847	4,600,902	(163,646)	7,828,103	65,128
<b>Total net position (deficit)</b>	<u>\$ 11,146,787</u>	<u>\$ 18,300,193</u>	<u>\$ (163,646)</u>	<u>\$ 29,283,334</u>	<u>\$ 65,128</u>

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, 2014

	<u>Business-Type Activities</u>				<b>Governmental Activities – Internal Service Fund</b>
	<u>Water</u>	<u>Wastewater</u>	<u>Sanitation</u>	<u>Total</u>	
<b>OPERATING REVENUES</b>					
Sales	\$ 2,100,861	\$ 3,490,265	\$ 977,217	\$ 6,568,343	\$ -
Fees and charges for services	2,850	101,629	23,061	127,540	-
<b>Total operating revenues</b>	<u>2,103,711</u>	<u>3,591,894</u>	<u>1,000,278</u>	<u>6,695,883</u>	<u>-</u>
<b>OPERATING EXPENSES</b>					
Personnel	329,639	427,901	-	757,540	29,930
Supplies	109,481	35,933	16,274	161,688	-
GBRA water/wastewater contracts	806,278	556,842	-	1,363,120	-
Other contracted services	228,971	132,833	979,652	1,341,456	-
Other operating costs	237,875	299,600	-	537,475	-
Depreciation and amortization	550,354	490,507	-	1,040,861	-
<b>Total expenses</b>	<u>2,262,598</u>	<u>1,943,616</u>	<u>995,926</u>	<u>5,202,140</u>	<u>29,930</u>
<b>Total operating income (loss)</b>	<u>(158,887)</u>	<u>1,648,278</u>	<u>4,352</u>	<u>1,493,743</u>	<u>(29,930)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest income	26	3,788	-	3,814	-
Grant and contribution	-	95,871	-	95,871	-
Other income	3,443	-	-	3,443	-
Interest expense	(75,170)	(372,316)	-	(447,486)	-
<b>Total nonoperating revenues (expenses)</b>	<u>(71,701)</u>	<u>(272,657)</u>	<u>-</u>	<u>(344,358)</u>	<u>-</u>
<b>Change in net position before impact fees, and transfers</b>	<u>(230,588)</u>	<u>1,375,621</u>	<u>4,352</u>	<u>1,149,385</u>	<u>(29,930)</u>
Impact fees	798,987	911,565	-	1,710,552	-
Transfers	(125,950)	(1,164,050)	-	(1,290,000)	-
<b>Total impact fees and transfers</b>	<u>673,037</u>	<u>(252,485)</u>	<u>-</u>	<u>420,552</u>	<u>-</u>
<b>Change in net position (deficit)</b>	442,449	1,123,136	4,352	1,569,937	(29,930)
Total net position (deficit) at beginning of year	10,704,338	17,177,057	(167,998)	27,713,397	95,058
<b>Total net position (deficit) at end of year</b>	<u>\$ 11,146,787</u>	<u>\$ 18,300,193</u>	<u>\$ (163,646)</u>	<u>\$ 29,283,334</u>	<u>\$ 65,128</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, 2014

	Business-Type Activities				Governmental Activities – Internal Service Fund
	Water	Wastewater	Sanitation	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Payments received from customers	\$ 2,097,392	\$ 3,794,539	\$ 956,652	\$ 6,848,583	\$ -
Payments to suppliers for goods and services	(1,365,252)	(699,861)	(956,652)	(3,021,765)	-
Payments for salaries and benefits	(328,383)	(425,554)	-	(753,937)	(29,930)
<b>Net cash provided by (used in) operating activities</b>	<u>403,757</u>	<u>2,669,124</u>	<u>-</u>	<u>3,072,881</u>	<u>(29,930)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	(125,950)	(1,164,050)	-	(1,290,000)	-
Other income	3,442	-	-	3,442	-
<b>Net cash used in noncapital financing activities</b>	<u>(122,508)</u>	<u>(1,164,050)</u>	<u>-</u>	<u>(1,286,558)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	(48,514)	(569,653)	-	(618,167)	-
Grant proceeds	-	95,871	-	95,871	-
Proceeds from debt issuance	1,135,000	-	-	1,135,000	-
Principal paid on debt	(140,750)	(604,250)	-	(745,000)	-
Principal payments on capital lease	(47,748)	(93,607)	-	(141,355)	-
Impact fees	798,987	911,565	-	1,710,552	-
Interest and fiscal charges paid	(75,170)	(346,584)	-	(421,754)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>1,621,805</u>	<u>(606,658)</u>	<u>-</u>	<u>1,015,147</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received	26	3,788	-	3,814	-
<b>Net cash provided by investing activities</b>	<u>26</u>	<u>3,788</u>	<u>-</u>	<u>3,814</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,903,080	902,204	-	2,805,284	(29,930)
<b>Cash and cash equivalents at beginning of year</b>	2,434,195	5,562,859	-	7,997,054	95,058
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,337,275</u>	<u>\$ 6,465,063</u>	<u>\$ -</u>	<u>\$ 10,802,338</u>	<u>\$ 65,128</u>
Cash and cash equivalents at end of year consist of:					
Cash and cash equivalents	\$ 3,362,275	\$ 4,605,248	\$ -	\$ 7,967,523	\$ 65,128
Restricted cash and cash equivalents	975,000	1,859,815	-	2,834,815	-
<b>Cash and cash equivalents at end of year</b>	<u>\$ 4,337,275</u>	<u>\$ 6,465,063</u>	<u>\$ -</u>	<u>\$ 10,802,338</u>	<u>\$ 65,128</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (158,886)	\$ 1,648,278	\$ 4,352	\$ 1,493,744	\$ (29,930)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	550,354	490,507	-	1,040,861	-
Provision for uncollectible accounts	55,755	246,509	-	302,264	-
Changes in assets and liabilities:					
Accounts receivable	(89,400)	(105,580)	(43,626)	(238,606)	-
Accounts payable	13,312	75,390	39,274	127,976	-
Accrued expenses	4,041	3,448	-	7,489	-
Unearned revenue	-	305,629	-	305,629	-
Compensated absences	1,256	2,347	-	3,603	-
Customer deposits payable	27,325	2,596	-	29,921	-
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 403,757</u>	<u>\$ 2,669,124</u>	<u>\$ -</u>	<u>\$ 3,072,881</u>	<u>\$ (29,930)</u>

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, 2014

	<u>Buda 4b Development Corporation</u>	<u>Dupre Local Government Corporation</u>	<u>Total</u>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 1,073,435	\$ -	\$ 1,073,435
Sales tax receivable	320,126	87,145	407,271
Accounts receivable	-	95,384	95,384
Due from other governments	<u>-</u>	<u>25,657</u>	<u>25,657</u>
<b>Total current assets</b>	<u>1,393,561</u>	<u>208,186</u>	<u>1,601,747</u>
<b>Noncurrent assets:</b>			
Restricted cash and cash equivalents	<u>910,087</u>	<u>459,478</u>	<u>1,369,565</u>
<b>Capital assets:</b>			
Buildings and improvements	8,400	-	8,400
Equipment	13,036	-	13,036
Accumulated depreciation	<u>(19,277)</u>	<u>-</u>	<u>(19,277)</u>
<b>Net capital assets</b>	<u>2,159</u>	<u>-</u>	<u>2,159</u>
<b>Total assets</b>	<u>2,305,807</u>	<u>667,664</u>	<u>2,973,471</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts payable	277,600	-	277,600
Accrued interest payable	28,264	8,573,657	8,601,921
Due to Cabela's, Inc.	-	105,081	105,081
Due to Dupre Local Government Corporation	<u>47,204</u>	<u>-</u>	<u>47,204</u>
<b>Total current liabilities</b>	<u>353,068</u>	<u>8,678,738</u>	<u>9,031,806</u>
<b>Noncurrent liabilities:</b>			
Due within one year	340,000	-	340,000
Due in more than one year	<u>2,815,000</u>	<u>30,920,000</u>	<u>33,735,000</u>
<b>Total liabilities</b>	<u>3,508,068</u>	<u>39,598,738</u>	<u>43,106,806</u>
<b>NET POSITION (DEFICIT)</b>			
Restricted net position	910,087	459,478	1,369,565
Unrestricted net position (deficit)	<u>(2,112,348)</u>	<u>(39,390,552)</u>	<u>(41,502,900)</u>
<b>Total net position (deficit)</b>	<u>\$ (1,202,261)</u>	<u>\$ (38,931,074)</u>	<u>\$ (40,133,335)</u>

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

## City of Buda, Texas

### Statement of Activities – Discretely Presented Component Units

Year Ended September 30, 2014

Component Units	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Buda 4b Development Corporation	Dupre Local Government Corporation	Total Component Units	
Buda 4b Development Corporation	\$ (909,503)	\$ -	\$ -	\$ -	\$ (909,503)	\$ -	\$ (909,503)	
Dupre Local Government Corporation:								
Interest expense	(1,468,700)	-	-	-	-	(1,468,700)	(1,468,700)	
Cabela’s, Inc. payments	<u>(424,769)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(424,769)</u>	<u>(424,769)</u>	
<b>Total component units</b>	<u>\$ (2,802,972)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(909,503)</u>	<u>(1,893,469)</u>	<u>(2,802,972)</u>	
		<b>General Revenues</b>						
					-	439,328	439,328	
					-	95,278	95,278	
					2,787	-	2,787	
					-	28	28	
					<u>1,682,823</u>	<u>736,454</u>	<u>2,419,277</u>	
					<u>1,685,610</u>	<u>1,271,088</u>	<u>2,956,698</u>	
					<b>Change in net position</b>	776,107	(622,381)	153,726
					Net position (deficit) at beginning of year	<u>(1,978,368)</u>	<u>(38,308,693)</u>	<u>(40,287,061)</u>
					<b>Net position (deficit) at end of year</b>	<u>\$ (1,202,261)</u>	<u>\$ (38,931,074)</u>	<u>\$ (40,133,335)</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, 2014

### Note A – Summary of Significant Accounting Policies

The financial statements of the City of Buda, Texas (the “City”) have been prepared in accordance 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 No. 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, 2014

### 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 meet 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, 2014

### 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, 2014

### 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 fees and 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, 2014

### 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, 2014.

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 the City and 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, 2014

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 and improvements	20-40 years
Vehicles	2-15 years
Equipment	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 \$436,384 at September 30, 2014 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, 2014 totaled \$231,847.

**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, 2014

### 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, 2013, the City adopted GASB Statement No. 66, *Technical Corrections – 2012, An Amendment to GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The adoption of GASB Statements No. 66 and No. 70 did not have an effect on the City's previously reported net position.

#### **Future GASB Statements**

The following GASB Statements will be implemented in future years:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions provided by other entities. GASB Statement No. 68 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. The City will implement this statement in fiscal year 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

#### **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.

# City of Buda, Texas

## Notes to the Financial Statements

Year Ended September 30, 2014

Note A – Summary of Significant Accounting Policies (continued)

**Fund Balances (continued)**

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.

The constraints placed on the fund balances of the General Fund, Debt Service Fund, and the Other Nonmajor Governmental Funds at September 30, 2014 are presented below:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>FUND BALANCES</b>				
Restricted for:				
Debt service	\$ -	\$ 880,907	\$ -	\$ 880,907
Capital projects	3,433,902	-	-	3,433,902
Hotel/motel tax	-	-	494,526	494,526
Assigned:				
Loop 4 Enhancements	137,362	-	-	137,362
Municipal Court	30,186	-	-	30,186
Parks	-	-	775,991	775,991
Library	-	-	34,325	34,325
Unassigned	<u>2,076,334</u>	<u>-</u>	<u>-</u>	<u>2,076,334</u>
<b>Total fund balances</b>	<u><u>\$ 5,677,784</u></u>	<u><u>\$ 880,907</u></u>	<u><u>\$ 1,304,842</u></u>	<u><u>\$ 7,863,533</u></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.



**City of Buda, Texas**

**Notes to the Financial Statements**

Year Ended September 30, 2014

Note B – Deposits and Investments

**Cash Deposits**

***Primary Government***

At September 30, 2014, the carrying amount of the City’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$18,678,281, and the bank balance totaled \$18,058,381.

The City’s cash deposits as of and for the year ended September 30, 2014 were not 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, 2014, the carrying amount of EDC’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$1,983,522 and the bank balance totaled \$2,014,805.

EDC’s cash deposits as of and for the year ended September 30, 2014 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, 2014, the carrying amount of LGC’s deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$459,478 and the bank balance totaled \$459,478.

LGC’s cash deposits as of and for the year ended September 30, 2014 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, 2014:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Debt service	\$ 873,797	\$ -
Capital projects and other	<u>3,928,428</u>	<u>2,834,815</u>
Total restricted cash and cash equivalents	<u><u>4,802,225</u></u>	<u><u>2,834,815</u></u>

**City of Buda, Texas**

**Notes to the Financial Statements**

Year Ended September 30, 2014

Note B – Deposits and Investments (continued)

**Restricted Cash and Cash Equivalents (continued)**

***Buda 4b Development Corporation***

EDC had cash and cash equivalents restricted for the following purposes at September 30, 2014:

Debt service	\$ 595,723
Mortgage reserves	<u>314,364</u>
Total restricted cash and cash equivalents	<u><u>\$ 910,087</u></u>

***Dupre Local Government Corporation***

LGC had cash and cash equivalents restricted for the following purposes at September 30, 2014:

Grant Revenue Fund	\$ 86,150
Debt Service – Pledged Revenue Fund	371,370
Contract Funds	<u>1,958</u>
Total restricted cash and cash equivalents	<u><u>\$ 459,478</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 City did not hold investments at September 30, 2014.

# City of Buda, Texas

## Notes to the Financial Statements

Year Ended September 30, 2014

Note C – Capital Assets

**Primary Government**

***Governmental Activities***

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Assets not being depreciated:				
Land	\$ 6,400,935	\$ -	\$ -	\$ 6,400,935
Construction in progress	598,114	772,017	(323,669)	1,046,462
Capital assets not being depreciated	6,999,049	772,017	(323,669)	7,447,397
Assets being depreciated:				
Buildings and improvements	20,967,350	273,690	-	21,241,040
Equipment	6,066,135	154,698	-	6,220,833
Infrastructure	44,219,363	665,179	-	44,884,542
Capital assets being depreciated	71,252,848	1,093,567	-	72,346,415
Less accumulated depreciation:				
Buildings and improvements	(6,089,397)	(642,513)	-	(6,731,910)
Equipment	(5,393,323)	(164,716)	-	(5,558,039)
Infrastructure	(10,070,774)	(1,225,586)	-	(11,296,360)
	(21,553,494)	(2,032,815)	-	(23,586,309)
Assets being depreciated – net	49,699,354	(939,248)	-	48,760,106
Total capital assets – net	\$ 56,698,403	\$ (167,231)	\$ (323,669)	\$ 56,207,503

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, 2014

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, 2014 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	345,415	615,491	-	960,906
Capital assets not being depreciated	<u>538,462</u>	<u>615,491</u>	<u>-</u>	<u>1,153,953</u>
Assets being depreciated:				
Buildings and improvements	153,995	-	-	153,995
Equipment	6,035,250	1,876	-	6,037,126
Infrastructure	32,248,747	-	-	32,248,747
Capital assets being depreciated	<u>38,437,992</u>	<u>1,876</u>	<u>-</u>	<u>38,439,868</u>
Less accumulated depreciation:				
Buildings and improvements	(45,049)	(6,483)	-	(51,532)
Equipment	(3,080,054)	(297,157)	-	(3,377,211)
Infrastructure	(5,445,845)	(737,221)	-	(6,183,066)
	<u>(8,570,948)</u>	<u>(1,040,861)</u>	<u>-</u>	<u>(9,611,809)</u>
Assets being depreciated – net	<u>29,867,044</u>	<u>(1,038,985)</u>	<u>-</u>	<u>28,828,059</u>
Total capital assets – net	\$ <u>30,405,506</u>	\$ <u>(423,494)</u>	\$ <u>-</u>	\$ <u>29,982,012</u>

**Buda 4b Development Corporation**

Capital asset activity of EDC for the year ended September 30, 2014 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	13,036	-	-	13,036
Capital assets being depreciated	<u>21,436</u>	<u>-</u>	<u>-</u>	<u>21,436</u>
Less accumulated depreciation:				
Buildings and improvements	(8,400)	-	-	(8,400)
Equipment	(10,177)	(700)	-	(10,877)
	<u>(18,577)</u>	<u>(700)</u>	<u>-</u>	<u>(19,277)</u>
Assets being depreciated – net	<u>2,859</u>	<u>(700)</u>	<u>-</u>	<u>2,159</u>
Total capital assets – net	\$ <u>2,859</u>	\$ <u>(700)</u>	\$ <u>-</u>	\$ <u>2,159</u>

**City of Buda, Texas**

**Notes to the Financial Statements**

Year Ended September 30, 2014

Note C – Capital Assets (continued)

**Dupre Local Government Corporation**

LGC did not carry capital assets for the year ended September 30, 2014.

Note D – Interfund Activity

**Interfund Balances**

Balances due to and from other funds at September 30, 2014 consisted of the following:

<b>Owed From Fund</b>	<b>Owed To Fund</b>	
	<b>Sanitation</b>	<b>Total</b>
General Fund	\$ 41,451	\$ 41,451
Total	\$ 41,451	\$ 41,451

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, 2014 to cover operational expenditures were as follows:

<b>Transfer In To</b>	<b>Transfer Out From</b>			
	<b>General</b>	<b>Water</b>	<b>Wastewater</b>	<b>Debt Service</b>
Buda 4b Development Corporation	\$ (1,682,824)	\$ -	\$ -	\$ -
General Fund	1,430,710	(125,950)	(1,164,050)	(140,710)
Total	\$ (252,114)	\$ (125,950)	\$ (1,164,050)	\$ (140,710)

# City of Buda, Texas

## Notes to the Financial Statements

Year Ended September 30, 2014

Note E – Long-Term Obligations

**Long-Term Obligation Activity**

Changes in long-term obligations for the year ended September 30, 2014 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	\$ 9,060,000	\$ 3,435,000	\$ (690,000)	\$ 11,805,000	\$ 710,000
Capital leases	45,624	-	-	45,624	45,624
Compensated absences	168,562	34,391	-	202,953	-
	<u>\$ 9,274,186</u>	<u>\$ 3,469,391</u>	<u>\$ (690,000)</u>	<u>\$ 12,053,577</u>	<u>\$ 755,624</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	\$ 11,115,000	\$ 1,135,000	\$ (745,000)	\$ 11,505,000	\$ 665,000
Capital leases	304,588	-	(141,355)	163,233	139,091
Compensated absences	25,291	3,603	-	28,894	-
	<u>\$ 11,444,879</u>	<u>\$ 1,138,603</u>	<u>\$ (886,355)</u>	<u>\$ 11,697,127</u>	<u>\$ 804,091</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	\$ 3,345,000	\$ -	\$ (330,000)	\$ 3,015,000	\$ 340,000
Other long-term liabilities	140,000	-	-	140,000	-
	<u>\$ 3,485,000</u>	<u>\$ -</u>	<u>\$ (330,000)</u>	<u>\$ 3,155,000</u>	<u>\$ 340,000</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, 2014

### 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, 2014, the outstanding balance of the Certificates of Obligation, Series 2008 is \$4,505,000, 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 Certificates 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 Certificates 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, 2014, the outstanding balance of the General Obligation Refunding Bonds, Series 2008 is \$2,080,000, 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 24.00% 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, 2014, the outstanding balance of the Certificates of Obligation, Series 2006 for governmental activities is \$1,265,000, and the final maturity date of the bonds is February 1, 2026.

#### Combination Tax and Limited Revenue Certificates of Obligation, Series 2011

On May 15, 2011, the City issued \$3,275,000 of Combination Tax and 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, 2014

### Note E – Long-Term Obligations (continued)

#### **Description of Debt (continued)**

#### **Primary Government (continued)**

#### *Governmental Activities (continued)*

#### Combination Tax and 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 and Limited Revenue Certificates of Obligation, Series 2011 at September 30, 2014 is \$520,000, and the final maturity on the bonds is August 15, 2030.

#### Combination Tax and Limited Revenue Certificates of Obligation, Series 2014

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 proceeds were allocated 77.0% to governmental activities and 23.0% 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 and Limited Revenue Certificates of Obligation, Series 2014 at September 30, 2014 is \$3,435,000, and the final maturity on the bonds is August 15, 2034.

#### 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, 2014, 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, 2014, the outstanding balance of the Combination Tax and Limited Revenue Certificates of Obligation, Series 2006 for business-type activities is \$395,000, and the final maturity date of the bonds is February 1, 2026.



# City of Buda, Texas

## Notes to the Financial Statements

Year Ended September 30, 2014

### Note E – Long-Term Obligations (continued)

#### **Description of Debt (continued)**

##### ***Primary Government (continued)***

##### *Business-Type Activities (continued)*

#### 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 \$4,660,000 at September 30, 2014.

#### 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, 2014 is \$3,025,000, 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, 2014 is \$2,415,000, and the final maturity on the bonds is August 15, 2030.

#### Combination Tax and Limited Revenue Certificates of Obligation, Series 2014

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

# City of Buda, Texas

## Notes to the Financial Statements

Year Ended September 30, 2014

### Note E – Long-Term Obligations (continued)

#### **Description of Debt (continued)**

#### ***Primary Government (continued)***

#### *Business-Type Activities (continued)*

#### Combination Tax and Limited Revenue Certificates of Obligation, Series 2014 (continued)

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 proceeds were allocated 77% to governmental activities and 23% 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 and Limited Revenue Certificates of Obligation, Series 2014 at September 30, 2014 is \$1,010,000, and the final maturity on the bonds is August 15, 2034.

#### 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, 2014, the lease is allocated 50% to the Water Fund and 50% to the Wastewater Fund and has a total outstanding balance of \$116,364.

#### 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, 2014, the lease is recorded in the Wastewater Fund and has an outstanding balance of \$46,869.

#### ***Buda 4b Economic Development Corporation***

At September 30, 2014, 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, 2014, the Sales Tax Revenue and Refunding Bonds, Series 2006 outstanding balance is \$2,460,000.

# City of Buda, Texas

## Notes to the Financial Statements

Year Ended September 30, 2014

### Note E – Long-Term Obligations (continued)

#### **Description of Debt (continued)**

##### ***Buda 4b Economic Development Corporation (continued)***

###### 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, 2014, the Sales Tax Revenue Bonds, Series 2007 outstanding balance is \$555,000.

##### ***Dupre Local Government Corporation***

At September 30, 2014, 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 will be represented by 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, 2014, pledged revenues have not been sufficient to pay the required principal due on the bonds.

At September 30, 2014 the outstanding principal on the bonds is \$30,920,000 and unpaid accrued interest is \$8,200,033.

# City of Buda, Texas

## Notes to the Financial Statements

Year Ended September 30, 2014

Note E – Long-Term Obligations (continued)

**Debt Service Requirements**

Debt service requirements on the City's long-term debt at September 30, 2014 is as follows:

**Primary Government**

*Governmental Activities – Bonds*

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 710,000	\$ 435,556	\$ 1,145,556
2016	740,000	367,366	1,107,366
2017	755,000	343,227	1,098,227
2018	775,000	318,629	1,093,629
2019	810,000	293,279	1,103,279
2020-2024	4,000,000	1,052,625	5,052,625
2025-2029	2,855,000	435,827	3,290,827
2030-2035	1,160,000	127,929	1,287,929
	<u>\$ 11,805,000</u>	<u>\$ 3,374,438</u>	<u>\$ 15,179,438</u>

*Business-Type Activities – Bonds*

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 665,000	\$ 405,082	\$ 1,070,082
2016	700,000	371,807	1,071,807
2017	725,000	347,583	1,072,583
2018	760,000	327,260	1,087,260
2019	785,000	305,644	1,090,644
2020-2024	4,400,000	1,127,811	5,527,811
2025-2029	2,950,000	378,618	3,328,618
2030-2035	520,000	44,243	564,243
	<u>\$ 11,505,000</u>	<u>\$ 3,308,048</u>	<u>\$ 14,813,048</u>

**City of Buda, Texas**

**Notes to the Financial Statements**

Year Ended September 30, 2014

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>
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	205,000	59,295	264,295
2020-2024	1,155,000	189,443	1,344,443
2025-2029	410,000	16,079	426,079
	<u>\$ 3,015,000</u>	<u>\$ 590,228</u>	<u>\$ 3,605,228</u>

**Capital Leases**

Future minimum lease payments for commitments under capitalized lease agreements as of September 30, 2014 are as follows:

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2015	\$ 48,466	\$ 144,550
2016	-	88,401
2017	-	-
	<u>48,466</u>	<u>232,951</u>
Less amounts representing interest	<u>(2,842)</u>	<u>(69,718)</u>
Principal amounts due	45,624	163,233
Current portion	<u>(45,624)</u>	<u>(139,091)</u>
Long-term portion	<u>\$ -</u>	<u>\$ 24,142</u>

At September 30, 2014, the cost of assets acquired under capital leases reported in the governmental activities is \$151,000 with accumulated depreciation of \$30,166, and the cost of assets acquired under capital leases reported in the business-type activities is \$890,000 with accumulated depreciation of \$516,019.

**City of Buda, Texas**

**Notes to the Financial Statements**

Year Ended September 30, 2014

Note F – Pension Plan

**Plan Description**

The City provides pension benefits for all of 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 the System. This report may be obtained from TMRS’ website at [www.TMRS.com](http://www.TMRS.com).

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

	<b>Plan Year 2013</b>	<b>Plan Year 2014</b>
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, 2014

Note F – Pension Plan (continued)

**Contributions**

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

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

Annual required contribution (“ARC”)	\$ 330,390
Interest on net pension obligation	-
Adjustment to the ARC	-
Annual pension cost	330,390
Contributions made	(330,390)
Increase (decrease) in net pension obligation	-
Net pension obligation/(asset) at beginning of year	-
Net pension obligation/(asset) at end of year	\$ -

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (“APC”)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2012	\$ 287,865	\$ 287,865	100%	\$ -
2013	310,940	310,940	100%	-
2014	330,390	330,390	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, 2014

Note F – Pension Plan (continued)

**Three-Year Trend Information (continued)**

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

Valuation date	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>December 31, 2013</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB Statement No. 25 equivalent single amortization period	26.3 years; Closed period	25.4 years; Closed period	30.0 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	3.0%	3.0%	3.0%
Cost-of-living adjustments	2.1%	2.1%	2.1%

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

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability ("AAL")	(3) = (1) / (2) Funded Ratio	(4) = (2) - (1) Unfunded AAL ("UAAL")	(5) Covered Payroll	(6) = (4) / (5) UAAL as a Percentage of Covered Payroll
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%
12/31/2013	3,862,970	4,921,488	78.5%	1,058,518	3,045,108	34.8%

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, 2014

### 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 2014, 2013, and 2012 were \$4,179, \$3,744, and \$4,937, 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 re-insure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of re-insurance. 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, 2014

### Note I – Deficit Fund Balances

The following deficit fund balances were reported at September 30, 2014:

<u>Deficit Fund Balance/Net Position</u>	<u>Deficit</u>
Buda 4b Development Corporation	\$ (1,202,261)
Dupre Local Government Corporation	<u>(38,931,074)</u>
Total deficit net position balances	<u>\$ (40,133,335)</u>
Sanitation	<u>\$ (163,646)</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 \$1,682,824 in sales taxes during the fiscal year ended September 30, 2014. 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, 2014, the City remitted \$358,621 in sales tax to LGC. EDC remitted \$272,168 and Hays County remitted \$105,665 in sales tax to LGC during the year ended September 30, 2014.

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, 2014, the City paid \$95,278 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 \$87,145, EDC owes LGC \$47,204, and LGC is due \$25,657 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 \$176,008 for operating, payroll, and employee benefit costs paid by the City.

# City of Buda, Texas

## Notes to the Financial Statements

Year Ended September 30, 2014

### 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 facilities. 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 Cabela’s, Inc. exercises its option to purchase the public museum facilities from the City, which may occur upon the earlier of the (1) 25<sup>th</sup> anniversary of the completion date or (2) the repayment of all outstanding public facilities bonds.

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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, 2014

	Budget Amounts		Actual Budget Basis	Adjustments*	2014 Actual	Variance With Final Budget
	Original	Final				
<b>REVENUES</b>						
Ad valorem taxes	\$ 964,063	\$ 964,063	\$ 1,017,196	\$ -	\$ 1,017,196	\$ 53,133
Sales taxes	2,900,000	2,900,000	3,155,860	1,682,824	4,838,684	255,860
Franchise taxes	418,000	418,000	544,308	-	544,308	126,308
Fees and charges	950,401	950,401	1,565,785	9,286	1,575,071	615,384
Contributions	33,500	33,500	27,500	265,026	292,526	(6,000)
Interest	1,000	1,000	17,838	-	17,838	16,838
Miscellaneous	3,170,952	3,152,202	23,295	586,131	609,426	(3,128,907)
<b>Total revenues</b>	<b>8,437,916</b>	<b>8,419,166</b>	<b>6,351,782</b>	<b>2,543,267</b>	<b>8,895,049</b>	<b>(2,067,384)</b>
<b>EXPENDITURES</b>						
Current:						
Administration	1,313,736	1,313,736	1,455,938	-	1,455,938	142,202
Finance	434,347	434,347	450,853	-	450,853	16,506
Streets and infrastructure	3,755,201	3,755,201	858,624	503,051	1,361,675	(2,896,577)
Engineering and planning	1,124,732	1,124,732	1,293,695	-	1,293,695	168,963
Fleet maintenance	91,981	91,981	91,695	-	91,695	(286)
Parks and recreation	509,789	509,789	497,164	-	497,164	(12,625)
Library	376,711	376,711	356,765	-	356,765	(19,946)
Community development	175,902	175,902	176,008	-	176,008	106
Public safety	1,197,384	1,197,384	1,207,310	14,703	1,222,013	9,926
Municipal court	81,466	81,466	95,362	1,100	96,462	13,896
Animal control	86,774	86,774	70,560	-	70,560	(16,214)
Information technology	197,795	197,795	209,183	-	209,183	11,388
<b>Total expenditures</b>	<b>9,345,818</b>	<b>9,345,818</b>	<b>6,763,157</b>	<b>518,854</b>	<b>7,282,011</b>	<b>(2,582,661)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(907,902)</b>	<b>(926,652)</b>	<b>(411,375)</b>	<b>2,024,413</b>	<b>1,613,038</b>	<b>515,277</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from issuance of bonds	-	-	3,433,902	-	3,433,902	3,433,902
Transfers in	430,710	1,430,710	1,430,710	-	1,430,710	-
TIF sales taxes transfer	-	-	-	(1,682,824)	(1,682,824)	-
<b>Total other financing sources (uses)</b>	<b>430,710</b>	<b>1,430,710</b>	<b>4,864,612</b>	<b>(1,682,824)</b>	<b>3,181,788</b>	<b>3,433,902</b>
<b>Net change in fund balance</b>	<b>\$ (477,192)</b>	<b>\$ 504,058</b>	<b>\$ 4,453,237</b>	<b>\$ 341,589</b>	<b>\$ 4,794,826</b>	<b>\$ 3,949,179</b>

\*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, 2014

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability</u>	<u>(3) = (1) / (2) (1)/(2) Funded Ratio</u>	<u>(4) = (2) - (1) Unfunded Actuarial Accrued Liability ("UAAL")</u>	<u>(5) Annual Covered Payroll</u>	<u>(6) = (4) / (5) UAAL as a Percent of Covered Payroll</u>
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%
12/31/2013	3,862,970	4,921,488	78.5%	1,058,518	3,045,108	34.8%



SUPPLEMENTAL SECTION

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## City of Buda, Texas

### Combining Balance Sheet – Other Nonmajor Governmental Funds

September 30, 2014

	<u>Hotel/Motel Tax</u>	<u>Parks Fees</u>	<u>Library Grants</u>	<u>Total Other Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 40,821	\$ 835,165	\$ 34,494	\$ 910,480
Restricted cash and cash equivalents	494,526	-	-	494,526
<b>Total assets</b>	<u>\$ 535,347</u>	<u>\$ 835,165</u>	<u>\$ 34,494</u>	<u>\$ 1,405,006</u>
 <b>LIABILITIES</b>				
Accounts payable	\$ 36,158	\$ 1,572	\$ 169	\$ 37,899
Accrued expenses	4,663	57,602	-	62,265
<b>Total liabilities</b>	<u>40,821</u>	<u>59,174</u>	<u>169</u>	<u>100,164</u>
 <b>FUND BALANCES</b>				
Spendable:				
Restricted	494,526	-	-	494,526
Assigned	-	775,991	34,325	810,316
	<u>494,526</u>	<u>775,991</u>	<u>34,325</u>	<u>1,304,842</u>
<b>Total liabilities and fund balances</b>	<u>\$ 535,347</u>	<u>\$ 835,165</u>	<u>\$ 34,494</u>	<u>\$ 1,405,006</u>

## City of Buda, Texas

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

September 30, 2014

	<u>Hotel/Motel Tax</u>	<u>Parks Fees</u>	<u>Library Grants</u>	<u>Total Other Nonmajor Governmental Funds</u>
<b>REVENUES</b>				
Hotel occupancy taxes	\$ 536,271	\$ -	\$ -	\$ 536,271
Grant and contributions	-	613,024	12,964	625,988
Interest	11	-	12	23
Miscellaneous	884	-	-	884
<b>Total revenues</b>	<u>537,166</u>	<u>613,024</u>	<u>12,976</u>	<u>1,163,166</u>
<b>EXPENDITURES</b>				
Current:				
Parks and recreation	443,397	479,571	-	922,968
Library	-	-	17,384	17,384
<b>Total expenditures</b>	<u>443,397</u>	<u>479,571</u>	<u>17,384</u>	<u>940,352</u>
Excess (deficiency) of revenues over (under) expenditures	93,769	133,453	(4,408)	222,814
Total fund balances at beginning of year	400,757	642,538	38,733	1,082,028
<b>Total fund balances at end of year</b>	<u>\$ 494,526</u>	<u>\$ 775,991</u>	<u>\$ 34,325</u>	<u>\$ 1,304,842</u>