

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WINDCREST, TEXAS

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2013

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CITY OF WINDCREST, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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CITY OF WINDCREST, TEXAS

CITY OFFICIALS

SEPTEMBER 30, 2013

Mayor

Alan Baxter

Mayor Pro-Tem

Pam Dodson

City Council

Gerd E. Jacobi

Jim Shelton

Rita Davis

John Gretz

James McFall

City Manager

Rafael Castillo

Attorney

Michael Brennan

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FINANCIAL SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of City Council
City of Windcrest, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas (the City), as of and for the year ended September 30, 2013, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of September 30, 2013, 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.

Other Matters

Required Supplementary Information

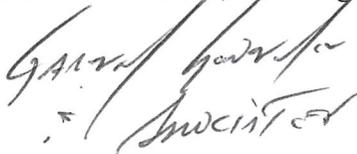
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress, as listed in the table of contents, be presented to supplement the basic financial statements. Such information,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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in cursive script, followed by a circular stamp containing the word "AUDITED" in capital letters.

April 16, 2014

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**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the City of Windcrest's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

City

- The City's total combined net position was \$12,406,977 at September 30, 2013.
- During the year, the City's change in net position was \$1,226,466 for governmental activities and (\$25,672) for business-type activities.
- The City's general fund reported a year end fund balance of \$3,110,412.

City of Windcrest Economic Development Corporation (Corporation) – Blended Component Unit

- The Corporation, which is reported as a major Special Revenue Fund and created in 1998 exclusively for the purpose of promoting economic development in the City, generated sales tax revenue in the amount of \$443,534 during the current year.
- The Corporation's net position was \$2,748,734 at September 30, 2013. Of this amount \$385,967 is restricted for economic development projects and the remaining amount of \$2,362,767 is invested in capital assets.
- The Corporation reported total revenues of \$525,698 and expenses of \$306,978 during the year, thereby increasing its net position by \$218,720.
- The Corporation reported a fund balance this year of \$385,965, a decrease of \$1,485,636 as a result of building a road for handling the increased traffic within the City.

City of Windcrest Crime Control and Prevention District (District) – Blended Component Unit

- The District, which is reported as a non-major Special Revenue Fund and created from a ¼ cent sales tax adopted in 2004 for the purpose of crime control and prevention activities, generated sales tax revenue in the amount of \$624,378 in the current year.
- The District reported total revenues of \$624,394 and expenses of \$639,056 during the year.
- The District reported a fund balance this year of \$214,627.

**CITY OF WINDCREST, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as the introduction to the City’s basic financial statements which are comprised of three parts—*government-wide financial statements, fund financial statements, and notes to financial statements*. In addition to the basic financial statements, *required supplementary information* is also presented. 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 both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
 - *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, garbage collection.

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.

**CITY OF WINDCREST, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Figure A-1 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Features of the District's Government-wide and Fund Financial Statements			
<i>Type of Statements</i>	Government-wide	Fund Statements	
		Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: garbage fund
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses & changes in fund net position • Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term debt included	All assets and liabilities, both financial and capital, short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during 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 year, regardless of when cash is received or paid

CITY OF WINDCREST, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

The *statement of net position* presents the City's assets and liabilities including capital assets and long term liabilities. This statement reports the difference between the City's assets and liabilities as net position which is one way to measure the City's financial health or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. Changes in net position are recorded when the underlying event giving rise to the change occurs regardless of the timing of the cash flows. Therefore, revenues and expenses reported in this statement for some items will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). Governmental activities include general government, public safety, public works, animal control, economic development, special services and EMS/Tech Support Services.

The *business-type activities* of the City include the garbage utility services.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although non-major funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into two categories: governmental and proprietary.

Governmental funds—Governmental funds are used for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

CITY OF WINDCREST, TEXAS MANAGEMENT’S DISCUSSION AND ANALYSIS

As the focus of governmental funds is narrower than the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental fund types for financial reporting purposes — General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, City of Windcrest Economic Development Corporation, Capital Projects, and Debt Service Funds all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation labeled “Other Non-major Funds.” Individual fund data for each of these non-major governmental funds is provided in the form of combining statements included as other supplementary information. The City adopts an appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and the Corporation to demonstrate compliance with the budget.

Proprietary Funds—The City maintains one type of proprietary fund: *Enterprise Fund* which is used to report the Garbage Utility function presented in business-type activities in the government-wide financial statements. Information is presented separately in the proprietary funds statement of net position and in the proprietary funds statement of revenues, expenses, and changes in fund net position for the Garbage Utility Fund, which is considered to be the major fund.

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

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s General Fund and the Corporation’s budgetary comparisons and the progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier as the City’s nonmajor governmental funds are presented immediately following the required supplementary information.

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

See Table A-1. The total assets of the City exceeded its total liabilities at the close of the most recent fiscal year by \$12,406,977 (net position). Of this amount, \$3,367,518 (27.3%) (unrestricted net position) may be used to meet the ongoing obligations to citizens and creditors.

The largest portion of the City's net position, \$8,154,776 (65.8%) is its investment in capital assets (e.g. land, building, improvements other than buildings, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, 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. An additional portion of the City's net assets \$884,683 (6.9%) represents resources that are subject to external restrictions on how they may be used.

Table A-1
City of Windcrest Net Position
As of September 30, 2013
(With Comparative totals as of September 30, 2012)
(In thousand dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<i>Current Assets:</i>						
Cash and Cash Equivalents	\$ 4,100	\$ 5,596	\$ 184	\$ 207	\$ 4,284	\$ 5,803
Receivables, Net	990	970	57	51	1,047	1,021
Prepaid Expenses	100	4	-	-	100	4
Deferred Charges	-	-	-	-	-	-
Restricted Assets, Cash	-	-	-	-	-	-
<i>Total Current Assets</i>	<u>5,190</u>	<u>6,570</u>	<u>241</u>	<u>258</u>	<u>5,431</u>	<u>6,828</u>
<i>Non-Current Assets:</i>						
Land	267	267	-	-	267	267
Construction in Progress	4,024	2,094	-	-	4,024	2,094
Building and Improvements	2,435	2,435	-	-	2,435	2,435
Furniture & Equipment	3,816	3,515	-	-	3,816	3,515
Improvements Other Than Buildings	5,565	5,178	-	-	5,565	5,178
Less Accumulated Depreciation	(6,515)	(5,948)	-	-	(6,515)	(5,948)
<i>Total Non-Current Assets</i>	<u>9,592</u>	<u>7,541</u>	<u>-</u>	<u>-</u>	<u>9,592</u>	<u>7,541</u>
Total Assets	<u>\$ 14,782</u>	<u>\$ 14,111</u>	<u>\$ 241</u>	<u>\$ 258</u>	<u>\$ 15,023</u>	<u>\$ 14,369</u>

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-1 (Continued)
City of Windcrest Net Position
As of September 30, 2013
(With Comparative totals as of September 30, 2012)
(In thousand dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<i>Current Liabilities:</i>						
Accounts Payable and Other Current Liabilities	\$ 1,010	\$ 770	\$ 70	\$ 60	\$ 1,080	\$ 830
Deposits	-	-	-	-	-	-
Accrued Interest Payable	7	18	-	-	7	18
<i>Total Current Liabilities</i>	<u>1,017</u>	<u>788</u>	<u>70</u>	<u>60</u>	<u>1,087</u>	<u>848</u>
<i>Non-Current Liabilities:</i>						
Due within One Year	662	631	-	-	662	631
Due in more than One Year	868	1,683	-	-	868	1,683
<i>Total Non-Current Liabilities</i>	<u>1,530</u>	<u>2,314</u>	<u>-</u>	<u>-</u>	<u>1,530</u>	<u>2,314</u>
TOTAL LIABILITIES	<u>2,547</u>	<u>3,102</u>	<u>70</u>	<u>60</u>	<u>2,617</u>	<u>3,162</u>
<i>Net Position:</i>						
Net Investment in Capital Assets	8,155	4,284	-	-	8,155	4,284
Restricted	884	2,373	-	-	884	2,373
Unrestricted	3,196	4,351	172	197	3,368	4,548
TOTAL NET POSITION	<u>\$ 12,235</u>	<u>\$ 11,008</u>	<u>\$ 172</u>	<u>\$ 197</u>	<u>\$ 12,407</u>	<u>\$ 11,205</u>

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

See Table A-2. As of September 30, 2013, the City's total net position increased by \$1,200,794, since total revenues were \$6,624,485 and expenses were \$5,423,691. A significant portion, 79.5% of the City's revenues come from sales and ad valorem taxes, 19.5% comes from grants and charges for services, while the remaining, which is less than 1%, comes from investment earnings and other miscellaneous revenues.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2013 compared to 2012.

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-2
Changes in City of Windcrest's Net Position
As of September 30, 2013
(With Comparative totals as of September 30, 2012)
(In thousand dollars)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program Revenues:						
Charges for Services	\$ 951	\$ 766	\$ 828	\$ 836	\$ 1,779	\$ 1,602
Grants & Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	1,919	1,927	-	-	1,919	1,927
Non Property Taxes	4,349	3,839	-	-	4,349	3,839
Investment Earnings	2	3	-	-	2	3
Other	202	159	11	15	213	174.00
TOTAL REVENUES	<u>7,423</u>	<u>6,694</u>	<u>839</u>	<u>851</u>	<u>8,262</u>	<u>7,545</u>
EXPENSES						
General Government	1,563	1,434	-	-	1,563	1,434
Public Safety	2,666	2,343	-	-	2,666	2,343
Public Works	1,389	1,023	-	-	1,389	1,023
Animal Control	88	77	-	-	88	77
Economic Development	265	234	-	-	265	234
Special Services	172	127	-	-	172	127
EMS/Tech Support	225	200	-	-	225	200
Interest on Long-Term Debt	65	99	-	-	65	99
Garbage	-	-	769	726	769	726
TOTAL EXPENSES	<u>6,433</u>	<u>5,537</u>	<u>769</u>	<u>726</u>	<u>7,202</u>	<u>6,263</u>
Changes in Net Assets						
Before Special Item and Transfers	990	1,157	70	125	1,060	1,282
Special Item - Resource	142	2,274	-	-	142	2,274
Transfers In (Out)	95	71	(95)	(71)	-	-
Increase (Decrease) in Net Position	1,227	3,502	(25)	54	1,202	3,556
Net Position - Beginning	11,008	7,506	197	143	11,205	7,649
Net Position - Ending	<u>\$ 12,235</u>	<u>\$ 11,008</u>	<u>\$ 172</u>	<u>\$ 197</u>	<u>\$ 12,407</u>	<u>\$ 11,205</u>

Governmental Activities

Key elements of changes in governmental activities over the prior year follows:

- Charges for services increased by \$176,582
- Sales taxes increased by \$492,507
- Property taxes decreased by \$9,051
- General government expenses increased by \$895,831
- Public safety expenses increased by \$322,424
- Public works expenses increased by \$366,848

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Property tax rates decreased to \$.432970. Property tax rates for general operations decreased to \$0.351654. The Interest and Sinking portion, to pay the General Obligation refunding bonds for street improvements, is \$0.081316. Property taxes levied changed from \$1,938,139 in 2012 to \$1,926,379 in 2013, a decrease of \$11,760.

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less charges for services). The net cost is funded by general revenues, which include property, sales and use, and all other taxes; and, interest revenue.

Table A-3
Net Cost of Selected City Functions
(In thousand dollars)

	Total Cost of Services			Net Cost of Services		
	2013	2012	% Change	2013	2012	% Change
General Government	\$ 1,563	\$ 1,434	9.0%	\$ (1,106)	\$ (1,053)	-5.0%
Public Safety	2,666	2,343	13.8%	(2,172)	(1,958)	-10.9%
Public Works	1,389	1,023	35.8%	(1,389)	(1,023)	-35.8%
Garbage Utility	769	726	5.9%	59	111	46.8%
Economic Development	265	234	13.2%	(267)	(234)	-14.1%

The net cost of all governmental activities this year was \$5,482,308. However, the amount that our taxpayers paid for these activities through property taxes was \$1,918,856.

Business Type Activities

Revenues of the City's business type activities (garbage utility) were \$828,067, and expenses were \$769,450, yielding a "net profit" of \$58,617 before interest revenue of \$17, miscellaneous revenue of \$10,694, and transfers to the General Fund of \$95,000.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$7,378,696, an increase of \$689,439 over the prior year. Local revenues are comprised of property taxes, sales taxes, hotel occupancy taxes, franchise fees, licenses, permits, court fines, charges for services, grants, interest and miscellaneous revenue. Expenditures totaled \$9,278,569, an increase of \$1,146,528 over the prior year.

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

Over the course of the year, the City had numerous budget adjustments.

Final actual revenues were \$225,548 more than final budgeted revenues. This does not include revenue from special item resources of \$142,665 consisting of recoveries from legal proceedings.

Final actual expenditures were \$34,455 less than final budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had invested \$9,590,885 in a broad range of capital assets, including land, equipment, buildings, vehicles and street improvements, net of accumulated depreciation. (See Table A-4.) This amount represents a net increase (including additions, deductions, and depreciation) of \$2,048,563 over last year.

The City's fiscal year 2013 capital outlay spending totaled \$2,616,171 principally for road construction, vehicles, equipment, and improvements. More detailed information about the City's capital assets is presented in the Note III F to the financial statements.

Table A-4
City's Capital Assets
(In thousand dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	
Land	\$ 267	\$ 267	\$ -	\$ -	\$ 267	\$ 267	0.0%
Construction in Progress	4,024	2,094	-	-	4,024	2,094	92.2%
Buildings and Improvements	2,435	2,435	-	-	2,435	2,435	1.5%
Improvements Other Than Bldgs	5,564	5,178	-	-	5,564	5,178	7.5%
Furniture & Equipment	3,817	3,515	-	-	3,817	3,515	9.3%
Totals at Historical Cost	16,107	13,489	-	-	16,107	13,489	19.4%
Total Accum. Depreciation	(6,515)	(5,948)	-	-	(6,515)	(5,948)	9.4%
Net Capital Assets	\$ 9,592	\$ 7,541	\$ -	\$ -	\$ 9,592	\$ 7,541	27.2%

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long Term Debt

At year end the City has the following outstanding debt:

- \$460,000 of general obligation refunding bonds
- \$24,210 of capital leases
- Loan payable of \$951,899
- Compensated absences of \$93,360

See Table A-5. More detailed information about the City's debt is presented in Note III G and H to the financial statements.

Table A-5
City of Windcrest's Long Term Debt
(In thousand dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2012	2013	2012	2013	2012	2013-2012
Leases Payable	\$ 24	\$ 36	\$ -	\$ -	\$ 24	\$ 36	-33.3%
Loan Payable	952	1,293	-	-	952	1,293	-26.4%
GO Refunding Bonds	460	905	-	-	460	905	-49.2%
Compensated Absences Payable	93	80	-	-	93	80	16.3%
Total Long Term Debt	<u>\$ 1,529</u>	<u>\$ 2,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529</u>	<u>\$ 2,314</u>	<u>-33.9%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the general fund budget for 2013-14.

- Assessed taxable property value increased from \$445,063,740 in 2012, to \$451,957,496 in 2013 an increase of \$6,893,756.
- 2013-2014 General Fund revenues available for appropriation are \$5,238,499.
- 2013-2014 General Fund budgeted operating expenditures are \$6,230,495. This includes over \$700,000 appropriated for street fund, and the purchase of several capital improvement items.
- With the ongoing Walzem Road area revitalization efforts including the boundary change that acquired the old Windsor Park Mall and adjacent land, and the relocation of Rackspace Managed Hosting, the City and surrounding region will see increased development in the form of multi-family housing, retail, office, restaurant, and entertainment facilities, and single family neighborhoods.

**CITY OF WINDCREST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the City's finances and to show the City's accountability to its taxpayers. If you have any questions about this report or need additional information, contact:

Sarah Mangham, CGFO
Municipal Finance Officer
City of Windcrest
8601 Midcrown
Windcrest, TX 78239
smangham@windcrest-tx.gov

Basic Financial Statements

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Government-Wide Financial Statements

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CITY OF WINDCREST, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,099,928	\$ 184,511	\$ 4,284,439
Taxes Receivable(net of allow. for uncollectibles)	28,270	-	28,270
Court Fines (net of allowance for uncollectibles)	169,040	-	169,040
Other Receivables(net of allow for uncollectibles)	793,262	56,863	850,125
Prepaid Items	100,671	-	100,671
Capital Assets:			
Land	267,050	-	267,050
Buildings, net	935,159	-	935,159
Improvements other than Buildings, net	3,655,121	-	3,655,121
Machinery and Equipment, net	670,947	-	670,947
Equipment Under Capital Lease, net	38,265	-	38,265
Construction in Progress	4,024,343	-	4,024,343
Total Assets	<u>14,782,056</u>	<u>241,374</u>	<u>15,023,430</u>
LIABILITIES			
Accounts Payable	618,050	69,788	687,838
Accrued Payroll and Related Liabilities	79,792	-	79,792
Retainage Payable	311,889	-	311,889
Accrued Interest Payable	7,465	-	7,465
Noncurrent Liabilities			
Due Within One Year	661,872	-	661,872
Due in More Than One Year	867,597	-	867,597
Total Liabilities	<u>2,546,665</u>	<u>69,788</u>	<u>2,616,453</u>
NET POSITION			
Net Investment in Capital Assets	8,154,776	-	8,154,776
Restricted for:			
Debt Service	12,636	-	12,636
Economic Development	385,965	-	385,965
Special Revenue	486,082	-	486,082
Unrestricted Net Position	3,195,932	171,586	3,367,518
Total Net Position	<u>\$ 12,235,391</u>	<u>\$ 171,586</u>	<u>\$ 12,406,977</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Expenses	Program Revenues <u>Charges for Services</u>
Primary Government:		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 1,563,234	\$ 456,848
Public Safety	2,666,282	494,484
Public Works	1,389,440	-
Animal Control	87,871	-
Economic Development	264,621	-
Special Services	171,844	-
EMS Tech Support	225,082	-
Interest	65,266	-
Total Governmental Activities:	6,433,640	951,332
BUSINESS-TYPE ACTIVITIES:		
Garbage Utility	769,450	828,067
Total Business-Type Activities:	769,450	828,067
TOTAL PRIMARY GOVERNMENT:	\$ 7,203,090	\$ 1,779,399

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Sales Taxes
Hotel Occupancy Taxes
Franchise Taxes
Mixed Beverage Taxes
Grants and Contributions Not Restricted
Miscellaneous Revenue
Investment Earnings
Special Item - resource
Transfers In (Out)
Total General Revenues, Special Items, and Transfers
Change in Net Position
Net Position - Beginning
Net Position--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,106,386)	\$ -	\$ (1,106,386)
(2,171,798)	-	(2,171,798)
(1,389,440)	-	(1,389,440)
(87,871)	-	(87,871)
(264,621)	-	(264,621)
(171,844)	-	(171,844)
(225,082)	-	(225,082)
(65,266)	-	(65,266)
(5,482,308)	-	(5,482,308)
-	58,617	58,617
-	58,617	58,617
(5,482,308)	58,617	(5,423,691)
1,558,255	-	1,558,255
360,601	-	360,601
3,729,085	-	3,729,085
166,759	-	166,759
432,856	-	432,856
16,593	-	16,593
46,020	-	46,020
159,366	10,694	170,060
1,574	17	1,591
142,665	-	142,665
95,000	(95,000)	-
6,708,774	(84,289)	6,624,485
1,226,466	(25,672)	1,200,794
11,008,925	197,258	11,206,183
\$ 12,235,391	\$ 171,586	\$ 12,406,977

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Governmental Funds Financial Statements

CITY OF WINDCREST, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Major Fund Economic Dev Corporation	Major Fund Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 2,664,618	\$ 665,621	\$ 21,005
Taxes Receivable	30,039	-	6,823
Allowance for Uncollectible Taxes (credit)	(7,012)	-	(1,580)
Receivables (Net)	672,015	96,668	-
Due from Other Funds	414,900	-	14,166
Prepaid Items	72,921	13,875	-
Total Assets	<u>\$ 3,847,481</u>	<u>\$ 776,164</u>	<u>\$ 40,414</u>
LIABILITIES			
Accounts Payable	\$ 451,045	\$ 40,805	\$ -
Accrued Payroll and Related Liabilities	79,792	-	-
Retainage Payable	-	309,394	-
Due to Other Funds	14,166	40,000	30,000
Unearned Revenues	192,066	-	5,243
Total Liabilities	<u>737,069</u>	<u>390,199</u>	<u>35,243</u>
FUND BALANCES			
Nonspendable Fund Balance:			
Prepaid Items	72,921	-	-
Restricted Fund Balance:			
Economic Development Projects	-	385,965	-
Debt Service	-	-	5,171
Special Revenue	-	-	-
Committed Fund Balance:			
Capital Improvements	864,632	-	-
Unassigned Fund Balance	2,172,859	-	-
Total Fund Balances	<u>3,110,412</u>	<u>385,965</u>	<u>5,171</u>
Total Liabilities and Fund Balances	<u>\$ 3,847,481</u>	<u>\$ 776,164</u>	<u>\$ 40,414</u>

The notes to the financial statements are an integral part of this statement.

Major Fund Capital Projects	Other Funds	Total Governmental Funds
\$ 344,857	\$ 403,827	\$ 4,099,928
-	-	36,862
-	-	(8,592)
96,668	96,950	962,301
-	-	429,066
13,875	-	100,671
<u>\$ 455,400</u>	<u>\$ 500,777</u>	<u>\$ 5,620,236</u>
\$ 118,405	\$ 7,795	\$ 618,050
-	-	79,792
2,495	-	311,889
338,000	6,900	429,066
-	-	197,309
<u>458,900</u>	<u>14,695</u>	<u>1,636,106</u>
-	-	72,921
-	-	385,965
-	-	5,171
-	486,082	486,082
-	-	864,632
(3,500)	-	2,169,359
<u>(3,500)</u>	<u>486,082</u>	<u>3,984,130</u>
<u>\$ 455,400</u>	<u>\$ 500,777</u>	<u>\$ 5,620,236</u>

CITY OF WINDCREST, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total Fund Balances - Governmental Funds	\$	3,984,130
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$13,490,163 and the accumulated depreciation was (\$5,947,841). Long-term liabilities of (\$2,314,141), including bonds payable, and accrued interest payable of (\$17,657) are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation), long-term debt, and accrued interest payable in the governmental activities is to increase (decrease) net position.		5,210,524
Current year capital outlays of \$2,616,171 and long-term debt principal payments of \$797,464 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The change in accrued interest payable of \$10,192 and compensated absences of (\$12,792) are reported in the government-wide statements. The net effect of including the 2013 capital outlays and debt principal payments, and reporting changes in other liabilities is to increase (decrease) net position.		3,411,035
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(548,731)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and other reclassifications. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		178,433
Net Position of Governmental Activities	\$	12,235,391

The notes to the financial statements are an integral part of this statement.

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CITY OF WINDCREST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Major Fund Economic Dev Corporation	Major Fund Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 1,559,495	\$ -	\$ 360,616
General Sales and Use Taxes	2,217,638	443,534	-
Franchise Tax	432,856	-	-
Other Taxes	16,593	-	-
Licenses and Permits	262,007	-	-
Intergovernmental Revenue and Grants	8,076	-	-
Charges for Services	99,004	-	-
Fines	449,484	-	-
Investment Earnings	1,216	117	6
Contributions & Donations from Private Sources	-	-	-
Other Revenue	230,199	7,047	-
Total Revenues	<u>5,276,568</u>	<u>450,698</u>	<u>360,622</u>
EXPENDITURES:			
Current:			
General Government	1,489,800	-	-
Public Safety	2,050,437	-	-
Public Works	752,747	-	-
Animal Control	77,616	-	-
Economic Development	-	1,623,853	-
Special Services	191,567	-	-
EMS Tech Support	212,628	-	-
Debt Service:			
Principal	12,877	341,089	445,000
Interest	-	43,872	31,586
Capital Outlay:			
Capital Outlay	289,439	2,520	-
Total Expenditures	<u>5,077,111</u>	<u>2,011,334</u>	<u>476,586</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	199,457	(1,560,636)	(115,964)
OTHER FINANCING SOURCES (USES):			
Transfers In	201,847	75,000	120,000
Transfers Out (Use)	(77,000)	-	-
Total Other Financing Sources (Uses)	<u>124,847</u>	<u>75,000</u>	<u>120,000</u>
SPECIAL ITEMS:			
Special Item - Resource	142,665	-	-
Net Change in Fund Balances	466,969	(1,485,636)	4,036
Fund Balance - October 1 (Beginning)	2,643,443	1,871,601	1,135
Fund Balance - September 30 (Ending)	<u>\$ 3,110,412</u>	<u>\$ 385,965</u>	<u>\$ 5,171</u>

The notes to the financial statements are an integral part of this statement.

Major Fund Capital Projects	Other Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,920,111
443,534	791,138	3,895,844
-	-	432,856
-	-	16,593
-	-	262,007
-	27,409	35,485
-	-	99,004
-	-	449,484
194	41	1,574
-	3,488	3,488
-	25,004	262,250
<u>443,728</u>	<u>847,080</u>	<u>7,378,696</u>
-	-	1,489,800
-	325,911	2,376,348
-	-	752,747
-	8,764	86,380
-	-	1,623,853
-	-	191,567
-	-	212,628
-	-	798,966
-	-	75,458
<u>959,080</u>	<u>419,783</u>	<u>1,670,822</u>
<u>959,080</u>	<u>754,458</u>	<u>9,278,569</u>
(515,352)	92,622	(1,899,873)
-	2,000	398,847
<u>(120,000)</u>	<u>(106,847)</u>	<u>(303,847)</u>
<u>(120,000)</u>	<u>(104,847)</u>	<u>95,000</u>
-	-	142,665
<u>(635,352)</u>	<u>(12,225)</u>	<u>(1,662,208)</u>
<u>631,852</u>	<u>498,307</u>	<u>5,646,338</u>
<u>\$ (3,500)</u>	<u>\$ 486,082</u>	<u>\$ 3,984,130</u>

CITY OF WINDCREST, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	(1,662,208)
Current year capital outlays of \$2,616,171 and long-term debt principal payments of \$797,464 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The changes in interest payable of \$10,192 and comensated absences of (\$12,792) are reported in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments, and reporting changes in other liabilities is to increase (decrease) the change in net position.		3,411,035
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(548,731)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and other reclassifications. The net effect of these reclassifications and recognitions is to increase (decrease) the change in net position.		26,370
Change in Net Position of Governmental Activities	\$	1,226,466

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Financial Statements

CITY OF WINDCREST, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	Business Type Activities
	Garbage Utility Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 184,511
Accounts Receivable-Net of Uncollectible Allowance	<u>56,863</u>
Total Assets	<u>241,374</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>69,788</u>
Total Liabilities	<u>69,788</u>
NET POSITION	
Unrestricted Net Position	<u>171,586</u>
Total Net Position	<u><u>\$ 171,586</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business Type Activities
	Garbage Utility Fund
<hr/>	
OPERATING REVENUES:	
Commercial Customer Charges	\$ 323,944
Residential Customer Charges	504,123
Other Revenue	10,694
Total Operating Revenues	838,761
OPERATING EXPENSES:	
Contracted Services - Commercial Sanitation	324,046
Contracted Services - Residential Sanitation	428,978
Bad Debt Expense	9,352
Other Operating Expenses	7,074
Total Operating Expenses	769,450
Operating Income	69,311
NON-OPERATING REVENUES (EXPENSES):	
Investment Earnings	17
Total Non-operating Revenue (Expenses)	17
Income Before Transfers	69,328
Transfers Out	(95,000)
Change in Net Position	(25,672)
Total Net Position -October 1 (Beginning)	197,258
Total Net Position September 30 (Ending)	\$ 171,586

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business Type Activities
	Garbage Utility Fund
<hr/>	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 823,532
Cash Payments for Suppliers	(750,637)
Net Cash Provided by Operating Activities	72,895
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(95,000)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	17
Net Increase(Decrease) in Cash and Cash Equivalents	(22,088)
Cash and Cash Equivalents at Beginning of the Year:	206,599
Cash and Cash Equivalents at the End of the Year:	\$ 184,511
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income:	\$ 69,311
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(5,877)
Increase (decrease) in Accounts Payable	9,461
Net Cash Provided by Operating Activities	\$ 72,895

The notes to the financial statements are an integral part of this statement.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Windcrest, Texas (City) have been prepared in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

The City Council, as elected, is comprised of a Mayor and five (5) members, and has all powers of the City and the determination of all matters of policy among other factors. Therefore, the City is a financial reporting entity as defined by GASB Statement No. 14, as amended by Statement No. 39 and GASB Statement No. 61, and is not included in any other governmental entity.

Component Units

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Blended component units, although legally separate entities, are, in substance, part of the government's operations and data from these units are combined with data of the primary government. On September 20, 2004, the Windcrest Crime Control and Prevention District (District) was created for the promotion, development, and enhancement of crime control and prevention within the City. On September 25, 1998, the City of Windcrest Economic Development Corporation (Corporation) was created to act on behalf of the City for the promotion, development, and enhancement of economic development within the City. At September 30, 2013, the District and the Corporation, are reflected as blended component units since the Boards of Directors are appointed by the City Council and are controlled by the City and a financial benefit or burden exists. The District and the Corporation are reported as Special Revenue Funds. A copy of the Corporation's financial statements can be obtained from the City's finance department.

Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the primary government. There are no discretely presented component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report information on all of the City's activities with the interfund activities removed. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The net position is segregated into three (3) categories, to include: net investment in capital assets; restricted net position; and, unrestricted net position.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities demonstrates how other parties or entities that participate in programs the City operates have shared in the payment of the direct costs. The “charges for services” column includes payment made by parties that purchase, use, or directly benefit from goods or services provided by a given function of the City. Examples include license and permit fees and court fines. The “operating grants and contributions” column includes amounts paid by organizations outside the City to help meet the operational requirements of a given function. Examples include grants. If a revenue is not a program revenue, it is a general revenue used to support all of the City’s functions. Taxes are always considered general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/from other funds on the Governmental Funds Balance Sheet and as other financing sources and uses on the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated in the government-wide financial statements.

The fund financial statements report on the financial condition and results of operations for two (2) fund categories – governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column in the governmental funds financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services in connection with the proprietary fund’s principal ongoing operations. All other revenues and expenses are considered non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide and proprietary fund financial statements use the economic resources measurement focus and the accrual basis of accounting. With the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included in the Statement of Net Position. With the accrual basis of accounting, revenue is recognized in the accounting period in which it is earned and becomes measurable. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The total net position for these funds are segregated into net investment in capital assets, restricted net position, and unrestricted net position.

The City’s proprietary fund applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with, or contradict GASB pronouncements.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, if measurable; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund used to account for all financial resources except those required to be accounted for in another fund. It is a budgeted fund, and any fund balances are considered resources available for current operations. Major revenue sources include property and other taxes, licenses and permits, municipal court fines, charges for services, and interest.

City of Windcrest Economic Development Corporation – This is a Special Revenue Fund that accounts for the accumulation and use of the sales tax revenue.

Capital Projects Fund – Accounts for resources and expenditures for the acquisition or major repair/upgrade of capital facilities.

Debt Service Fund – Accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Additionally, the City reports the following fund types:

Governmental Funds:

Special Revenue Funds – Accounts for revenues restricted for a specific purpose.

Proprietary Fund:

Garbage Utility Fund – Accounts for the provisions of residential and commercial garbage collection services.

D. OTHER ACCOUNTING POLICIES

1. Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, and investments with original maturities of three (3) months or less from the date of acquisition.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Investments

At September 30, 2013, the City's current investments are comprised of a local government investment pool, which are reflected as cash and cash equivalents.

Texas Local Government Investment Pool ("TexPool"): TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in each pool. Financial information for TexPool can be accessed on the internet (<http://www.texpool.com>).

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust company, which is authorized to operate TexPool. Administrative and investment services are provided by Federated Investors, Inc., acting on behalf of the Texas Treasury Safekeeping Trust Company. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy. This Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

3. Property Tax Receivable

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 located in the City in conformity with Subtitle E, Texas Property Code. Taxes are due upon 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 31 of each year, a tax lien attaches to property to secure payments of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the general fund and debt service fund based on the tax rate approved by the City Council. For the year ended September 30, 2013, the general and debt service fund rates were \$0.351654 and \$0.081316, respectively, for a total of \$0.432970 per \$100 of assessed valuation.

Allowances for uncollectible tax receivables within the general fund are based on tax receivables that have been outstanding for four (4) years or more at September 30, 2013.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, improvements other than buildings, furniture and equipment, and equipment under capital lease, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more and an estimated useful life of three (3) years or more. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

General infrastructure assets acquired prior to October 1, 2003, are not reported in the financial statements. General infrastructure assets that are reported in the financial statements include all streets and other infrastructure assets acquired subsequent to October 1, 2003.

Capital assets are depreciated and equipment under capital lease are amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Building Improvements	5 – 50
Improvements Other than Buildings	20 – 50
Vehicles	3 – 10
Furniture and Equipment	3 – 10
Equipment Under Capital Lease	3 – 7

6. Compensated Absences

The City permits full-time employees to accumulate earned but unused vacation pay benefits up to certain limits. Upon resignation, the employee may receive pay for any unused accrued vacation provided the employee gives two (2) weeks written notice of the resignation and is not subject to discharge for misconduct. Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment) and recognized as a long term liability in the government-wide statements. All governmental funds, with the exception of the debt service fund, generally liquidate the liability when it matures.

Unused sick leave may be accumulated to certain limits; however, in the event of termination, reimbursement to the employee is not made for accumulated sick leave; therefore, a liability does not exist at September 30, 2013.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Long Term Obligations

In the government-wide financial statements, long-term debt is reported as non-current liabilities in the Statement of Net Position. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight line method.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual proceeds received, are reported as debt service expenditures.

8. Fund Balance

In applying GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable and then identifying other amounts to be classified as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

The City uses the following criteria when classifying fund balance amounts:

Nonspendable – amounts that are not in spendable form or are required to be maintained intact.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers either constitutionally or through enabling legislation.

Committed – amounts that can be used only for the specific purposes determined by the City Council. The formal action required to be taken to establish, modify, or rescind a commitment is a resolution approved by the City Council. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned – amounts intended to be used by the City for specific purposes. Intent can be expressed by the City Council, Municipal Finance Officer, or City Manager. Assignments may occur after fiscal year end. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – residual amount of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. In other funds, this classification is used only to report a deficit balance resulting from over spending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Minimum Unassigned Fund Balance

The City's goal is to achieve and maintain an unassigned fund balance in the general fund equal to 30% of the current year's expenditures. At September 30, 2013, the general fund's unassigned fund balance is \$2,172,859, which represents 42.8% of the current year's expenditures.

10. Spending Order

Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when an expenditure is incurred for the respective purpose. If an expenditure is incurred that meets the criteria for more than one fund balance category, the City relieves fund balance in the following order: restricted, committed, assigned, and then unassigned.

11. Sales and Use Tax

The City's sales and use tax is currently levied at 2.00%. The sales and use tax is used for the promotion and development of new and expanded business enterprises, and is allocated as follows: 1.25% to the City's general fund; .25% to the City's capital projects fund; .25% to the City's crime control and prevention district; and, .25% to the Corporation. At September 30, 2013, the sales and use tax revenue reported totaled \$3,729,083.

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. BUDGETARY INFORMATION

The City Council adopts a budget for the General Fund and presents the original adopted and final amended budget for revenues and expenditures and compares the actual revenues and expenditures in the accompanying financial statements to the final amended budgeted amounts. Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. At September 30, 2013, although the total budgeted expenditures were not exceeded, the budget was exceeded at the department level in two (2) instances.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

II. BUDGETARY INFORMATION (Continued)

The Corporation's Board of Directors adopts its budget which is approved by the City Council. The original adopted and final amended budget for revenues and expenditures and a comparison of the actual revenues and expenditures in the accompanying financial statements to the final amended budgeted amount is presented. The budget can be amended by the Board of Directors, subject to City Council approval. Actual expenditures may not legally exceed appropriations at the fund level. At September 30, 2013, although the total budgeted expenditures were not exceeded, four (4) individual line items exceeded their budget.

III. DETAILED NOTES

A. CASH AND INVESTMENTS

At September 30, 2013, cash and cash equivalents are comprised of the following:

	Governmental Funds						Proprietary Fund	Grand Total
	General Fund	Economic Development Corporation	Capital Projects	Debt Service	Other Funds	Total		
Demand Accounts	\$ 1,435,561	\$ 662,136	\$ 186,347	\$ 21,005	\$ 392,881	\$ 2,697,930	\$ 144,079	\$ 2,842,009
Certificate of Deposit	228,873	-	-	-	-	228,873	-	228,873
Cash on Hand	6,018	3,485	-	-	-	9,503	-	9,503
Investment Pool	994,166	-	158,510	-	10,946	1,163,622	40,432	1,204,054
Total	\$ 2,664,618	\$ 665,621	\$ 344,857	\$ 21,005	\$ 403,827	\$ 4,099,928	\$ 184,511	\$ 4,284,439

The City's cash deposits at September 30, 2013 and during the year then ended were entirely covered by FDIC insurance or pledged collateral held in the name of the City by the Federal Reserve Bank.

Investments: At September 30, 2013, the City's investments in TexPool were \$1,204,054.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the weighted average maturities of investment pools to less than 12 months. At September 30, 2013, the weighted average of the TexPool investments was 60 days.

Credit Risk. In accordance with the City's investment policy, investments in investment pools must be rated at least AAA, AAAM, or its equivalent. At September 30, 2013, the TexPool investment rating is AAAM.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

B. RECEIVABLES

Receivables at September 30, 2013 were as follows:

	Governmental Funds						Proprietary Fund	Grand Total
	General Fund	Economic Development Corporation	Capital Projects	Debt Service	Other Funds	Total		
Delinquent Property Taxes	\$ 30,039	\$ -	\$ -	\$ 6,823	\$ -	\$ 36,862	\$ -	\$ 36,862
Less: Allowance for Uncollectibles	(7,012)	-	-	(1,580)	-	(8,592)	-	(8,592)
Property Taxes Receivable, Net	\$ 23,027	\$ -	\$ -	\$ 5,243	\$ -	\$ 28,270	\$ -	\$ 28,270
Municipal Court Fines Delinquent Fines	\$ 1,690,400	\$ -	\$ -	\$ -	\$ -	\$ 1,690,400	\$ -	\$ 1,690,400
Less: Allowance for Uncollectibles	(1,521,360)	-	-	-	-	(1,521,360)	-	(1,521,360)
Municipal Court Fines Receivable, Net	\$ 169,040	\$ -	\$ -	\$ -	\$ -	\$ 169,040	\$ -	\$ 169,040
Other Accounts –								
Sales and Use Taxes	\$ 483,339	\$ 96,668	\$ 96,668	\$ -	\$ 96,950	\$ 773,625	\$ -	\$ 773,625
Franchise Taxes	11,937	-	-	-	-	11,937	-	11,937
Mixed Beverage Taxes	171	-	-	-	-	171	-	171
Garbage Accounts	-	-	-	-	-	-	105,558	105,558
Other	7,529	-	-	-	-	7,529	-	7,529
Less: Allowance for Uncollectibles	-	-	-	-	-	-	(48,695)	(48,695)
Accounts Receivable, Net	\$ 502,976	\$ 96,668	\$ 96,668	\$ -	\$ 96,950	\$ 793,262	\$ 56,863	\$ 850,125

These amounts are expected to be collected within one (1) year, with the exception of delinquent property taxes and municipal court fines receivable, which may be collected over several years.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

C. UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenue that are not considered available to liquidate liabilities in the current period. At September 30, 2013, unearned revenue reported in the fund financial statements were as follows:

	General Fund	Debt Service	Total
Net Property Tax Revenue	\$ 23,026	\$ 5,243	\$ 28,269
Net Municipal Court Fines Revenue	169,040	-	169,040
Total	<u>\$ 192,066</u>	<u>\$ 5,243</u>	<u>\$ 197,309</u>

D. DUE TO/FROM OTHER FUNDS

At September 30, 2013, the due to/from other fund balances represent temporary short-term loans to other funds as a result of their overdrafts of pooled cash. All loans are expected to be paid back within one year. The following is a summary of the due to/from other funds.

	Due from Other Funds	Due to Other Funds
Governmental Funds:		
<u>General Fund:</u>		
Economic Development Corporation	\$ 40,000	\$ -
Debt Service Fund	30,000	14,166
Capital Projects Fund	338,000	-
Non Major Special Revenue Funds	6,900	-
<u>Economic Development Corporation:</u>		
General Fund	-	40,000
<u>Non Major Funds:</u>		
General Fund	-	6,900
<u>Debt Service Fund:</u>		
General Fund	14,166	30,000
<u>Capital Projects Fund:</u>		
General Fund	-	338,000
	<u>\$ 429,066</u>	<u>\$ 429,066</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

E. TRANSFERS IN AND OUT

Transfers during the year ended September 30, 2013 were as follows:

	Transfer In	Transfer Out
Governmental Funds:		
<u>General Fund:</u>		
Economic Development Corporation	\$ -	\$ 75,000
Other Governmental Funds	106,847	2,000
Proprietary Funds (Garbage Utility Fund)	95,000	-
<u>Economic Development Corporation:</u>		
General Fund	75,000	-
<u>Capital Projects Fund:</u>		
Debt Service Fund	-	120,000
<u>Debt Service Fund:</u>		
Capital Projects Fund	120,000	-
<u>Other Governmental Funds:</u>		
General Fund	2,000	106,847
Total Transfers – Governmental Funds	398,847	303,847
<u>Proprietary Fund (Garbage Utility):</u>		
General Fund	-	95,000
Grand Total	\$ 398,847	\$ 398,847

The transfers from the Capital Projects Fund to the Debt Service Fund were for payment of principal and interest on long-term debt. The transfer from the Other Governmental Funds to the General Fund was for tourism related expenditures incurred. The transfer from the Proprietary Fund to the General Fund was for administrative support provided by the General Fund.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

F. CAPITAL ASSETS

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

	Balance October 1, 2012	Increases	Decreases	Transfers/ Other	Balance September 30, 2013
Governmental Activities:					
Capital Assets Not Being Depreciated					
Land	\$ 267,050	\$ -	\$ -	\$ -	\$ 267,050
Construction in Progress	2,094,126	2,199,562	-	(269,345)	4,024,343
Total Capital Assets Not Being Depreciated	<u>2,361,176</u>	<u>2,199,562</u>	<u>-</u>	<u>(269,345)</u>	<u>4,291,393</u>
Capital Assets, Being Depreciated					
Buildings and Improvements	2,434,673	-	-	-	2,434,673
Improvements Other Than Buildings	5,178,287	116,290	-	269,345	5,563,922
Furniture and Equipment	3,443,527	300,319	-	-	3,743,846
Equipment Under Capital Lease	72,500	-	-	-	72,500
Total Capital Assets Being Depreciated	<u>11,128,987</u>	<u>416,609</u>	<u>-</u>	<u>269,345</u>	<u>11,814,941</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	(1,410,522)	(88,992)	-	-	(1,499,514)
Improvements Other Than Buildings	(1,659,038)	(249,762)	-	-	(1,908,801)
Furniture and Equipment	(2,856,128)	(197,894)	-	(18,877)	(3,072,899)
Equipment Under Capital Lease	(22,152)	(12,083)	-	-	(34,235)
Total Accumulated Depreciation	<u>(5,947,841)</u>	<u>(548,731)</u>	<u>-</u>	<u>(18,877)</u>	<u>(6,515,449)</u>
Total Capital Assets Being Depreciated, Net	<u>5,181,146</u>	<u>(132,122)</u>	<u>-</u>	<u>250,468</u>	<u>5,299,492</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,542,322</u>	<u>\$ 2,067,440</u>	<u>\$ -</u>	<u>\$ (18,877)</u>	<u>\$ 9,590,885</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

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

General Government	\$	83,157
Public Safety		158,529
Public Works		282,964
Animal Control		1,363
Economic Development		10,264
EMS/Tech Support		12,454
Total Depreciation Expense	\$	<u>548,731</u>

G. LONG-TERM LIABILITIES

1. Bonds Payable

On September 30, 2008, the City issued \$2,545,000 in General Obligation Refunding Bonds, Series 2008 for the purpose of refunding certain obligations. The interest rate is 3.49 percent and is payable May 1 and November 1 each year, with final maturity on May 1, 2014.

The following is a summary of changes in bonds payable for the year ended September 30, 2013:

Balance – October 1, 2012	\$	905,000
Retired		<u>(445,000)</u>
Balance – September 30, 2013	\$	<u>460,000</u>
Due Within One Year	\$	<u>460,000</u>

The City has not defaulted on any principal or interest payments. Management has indicated that the City is in compliance with all significant limitations and restrictions at September 30, 2013.

The annual debt service requirements to maturity for the bonds payable are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2014	\$ 460,000	\$ 16,054	\$ 476,054
Total	<u>\$ 460,000</u>	<u>\$ 16,054</u>	<u>\$ 476,054</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

2. Capital Lease

The City has a commitment under a capital lease agreement for public works and police equipment. The agreements bear an interest rate of 4.22% and contains a bargain purchase option.

The following is a summary of changes in capital leases for the year ended September 30, 2013:

Balance – October 1, 2012	\$	35,585
Retired		(11,375)
Balance – September 30, 2013	<u>\$</u>	<u>24,210</u>
Due Within One Year	<u>\$</u>	<u>11,855</u>

Commitments under capital lease agreements provide for minimum lease payments as of September 30, 2013, as follows:

Year Ending September 30	Amounts
2014	\$ 12,877
2015	12,877
Total Minimum Lease Payments	<u>25,754</u>
Less: Amount Representing Interest	<u>(1,544)</u>
Present Value of Minimum Lease Payments	<u>\$ 24,210</u>

3. Loan Payable

During fiscal year 2011, the Corporation obtained a Texas Leverage Fund (TLF) loan from the Office of the Governor Economic Development and Tourism Division in the amount of \$1,600,000 for the purpose of building a road for handling the increased employment traffic to the Rackspace location in the City. The interest rate is variable based on the federal funds rate plus 3%; the federal funds rate ranged from 0.00%-0.25%. The loan has a first lien on economic development sales and use tax receipts. The final maturity on the loan is November 1, 2021.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

A summary of changes in the loan payable for the year ended September 30, 2013 follows:

Balance – October 1, 2012	\$ 1,292,988
Payments	<u>(341,089)</u>
Balance – September 30, 2013	<u>\$ 951,899</u>
Amount Due Within One Year	<u>\$ 96,657</u>

Annual debt service requirements to maturity for the loan payable follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2014	\$ 96,657	\$ 27,057	\$ 123,714
2015	108,776	26,185	134,961
2016	112,364	22,596	134,960
2017	116,071	18,889	134,960
2018	119,900	15,060	134,960
2019-2022	<u>398,131</u>	<u>20,969</u>	<u>419,100</u>
Total	<u>\$ 951,899</u>	<u>\$ 130,756</u>	<u>\$ 1,082,655</u>

4. Compensated Absences

Compensated absences activity for the year ended September 30, 2013 was as follows:

Balance – October 1, 2012	\$ 80,568
Additions	94,450
Payments	<u>(81,658)</u>
Balance – September 30, 2013	<u>\$ 93,360</u>
Amount Due Within One Year	<u>\$ 93,360</u>

CITY OF WINDCREST, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

H. SUMMARY CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended September 30, 2012 were as follows:

	Balance October 1, 2012	Issued / Additions	Retired / Payments	Balance September 30, 2013	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 905,000	\$ -	\$ (445,000)	\$ 460,000	\$ 460,000
Capital Leases	35,585	-	(11,375)	24,210	11,855
Loan Payable	1,292,988	-	(341,089)	951,899	96,657
Compensated Absences	80,568	94,450	(81,658)	93,360	93,360
Total Governmental Activities	\$ 2,314,141	\$ 94,450	\$ (879,122)	\$ 1,529,469	\$ 661,872

Interest expense of the governmental activities for the current year totaled \$65,266.

I. RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its fulltime employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide 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 statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplemental information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. The report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.tmr.com.

The plan provisions adopted by the City Council were as follows:

	<u>Plan Year 2011 and 2012</u>
Employee Deposit Rate	6%
Matching Ratio (City to Employee)	1.5 to 1
Years Required for Vesting	5
Service Retirement Eligibility (Expressed as Age / Years of Service)	60 / 5, 0 / 20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to Retirees)	70% of CPI Repeating

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

Contributions

Under the state law governing TMRS, the contribution rate is determined annually by the actuary, using the projected unit credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as updated service credits and annuity increases.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a 1 year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The City's plan is 100% funded, therefore, the City has no net pension obligation/(asset) at September 30, 2013.

Contributions to TMRS made for the last 3 years follows:

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 182,222	\$ 182,222	100%	\$ -
2012	142,861	142,861	100%	-
2013	141,466	141,466	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, is as follows:

	December 31, 2010	December 31, 2011	December 31, 2012
Actuarial Valuation Date:	December 31, 2010	December 31, 2011	December 31, 2012
Actuarial Cost Method:	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method:	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Period (years):	27.1 – Closed Period	25.9 – Closed Period	25.0 – Closed Period
Asset Valuation Method:	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return:	7.0%	7.0%	7.0%
Projected Salary Increases:	Varies by Ages and Service	Varies by Ages and Service	Varies by Ages and Service
Inflation Rate:	3.0%	3.0%	3.0%
Cost of Living Adjustments:	2.1%	2.1%	2.1%

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$ 5,955,000	\$ 6,316,072	94.3%	\$ 361,072	\$ 2,176,402	16.6%

The schedule of funding progress, presented as required supplementary information immediately 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 for benefits.

J. OTHER POST-EMPLOYMENT BENEFITS

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 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 post-employment 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 1 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 life insurance during the employees' entire careers.

The City's contribution to the TMRS SDBF for the years September 30, 2013, 2012, and 2011 were \$3,925; \$4,872; and \$4,592, respectively, which equaled the required contributions each year. Therefore, the City does not have an OPEB liability at September 30, 2013.

K. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and, natural disasters. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML and liability to the City is generally limited to the contributed amounts. There were no significant reductions in coverage in the past fiscal year, and settlements did not exceed insurance coverage for each of the past three (3) fiscal years.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

III. DETAILED NOTES (Continued)

L. CONTINGENCIES AND COMMITMENTS

Litigation

In previous years the City and the Corporation filed a lawsuit against a former City Manager alleging various causes of action in the nature of fraud and theft of public funds for which he had been indicted. The former City Manager has filed a counterclaim against the City alleging compensation and benefits. The City and Corporation are not considered to be subject to any further liability and have no reasonable expectation of any future recoveries related to the incident.

The City is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on its financial position.

Commitments

The revitalization and redevelopment of the Walzem Road area includes the redevelopment of Windsor Park Mall (the Mall) for the purpose of providing corporate headquarters to Rackspace U.S., Inc., an internet storage company that plans to relocate a total of 4,500 full-time jobs to the City.

The terms of the agreement call for a long-term direct financing lease to purchase and transfer the Mall to Rackspace U.S., Inc. The Corporation served as a conduit to the transaction and holds title to the Mall in trust for the parties to the transaction, consisting of City of Windcrest, Windcrest Economic Development Company, LLC, (the Developer) and Rackspace U.S., Inc. (the Lessee).

Pursuant to the lease agreement, Rackspace U.S., Inc., advanced \$5,000,000 to the Corporation for the purpose of providing funding to the Developer for infrastructure improvements. The Corporation and the City liability for infrastructure is limited to the amount of the original funds, including interest earned less other agreed upon costs.

The Corporation also serves as a conduit to facilitate the purchase of various tracts of land in the surrounding region commonly referred to as the "180 Acres", for the purpose of development of multi-family housing, retail, office, restaurant, entertainment facilities, and single-family neighborhoods. The Corporation holds the various tracts of land in trust for the Developer (beneficiary), Buddin Properties, LLC (Buddin). The tracts of land are secured by deeds of trust subject to various liens. The liens do not represent debt of the Corporation or the City, and accordingly, have not been reported in the accompanying financial statements.

M. SPECIAL ITEMS - RESOURCE

Special items are comprised of \$142,665 of general fund insurance recoveries arising from legal proceedings.

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Required Supplementary Information

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Budgetary Comparison Information

CITY OF WINDCREST, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Property Taxes				
Ad Valorem Tax	\$ 1,550,638	\$ 1,550,638	\$ 1,559,495	\$ 8,857
Total Property Taxes	1,550,638	1,550,638	1,559,495	8,857
Non-Property Taxes				
Sales and Use Tax	1,927,570	2,219,231	2,217,638	(1,593)
Franchise Tax	475,414	475,414	432,856	(42,558)
Mixed Beverage Tax	18,730	18,730	16,593	(2,137)
Total Non-Property Taxes	2,421,714	2,713,375	2,667,087	(46,288)
Total Taxes	3,972,352	4,264,013	4,226,582	(37,431)
Licenses and permits	152,947	188,963	262,007	73,044
Municipal Court Fines	427,000	448,350	449,484	1,134
Charges for services				
Swimming Pool Fees	29,500	29,500	35,984	6,484
Vehicle Storage Fees	21,184	21,184	20,297	(887)
Civic Center Fees	25,615	29,010	33,460	4,450
Other Miscellaneous Fees	19,700	19,700	9,263	(10,437)
Total Charges for Services	95,999	99,394	99,004	(390)
Interest Income	3,300	3,300	1,216	(2,084)
Other Revenue				
Post Office Subsidy	25,000	25,000	25,000	-
Grant Proceeds	22,000	22,000	8,076	(13,924)
Lease Revenue	-	-	45,833	45,833
Other Miscellaneous Revenue	-	-	159,366	159,366
Total Other Revenue	47,000	47,000	238,275	191,275
TOTAL REVENUES	\$ 4,698,598	\$ 5,051,020	\$ 5,276,568	\$ 225,548

CITY OF WINDCREST, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Final Budget
				(GAAP Basis)	Positive or
					(Negative)
EXPENDITURES					
<u>General Government</u>					
501 & 525	Administrative/City Management				
	Salaries and Benefits	\$ 248,237	\$ 252,111	\$ 229,813	\$ 22,298
	Other Charges and Services	70,050	80,514	94,315	(13,801)
	Total Administrative/City Management	318,287	332,625	324,128	8,497
510	Facility Division				
	Other Charges and Services	114,000	126,000	149,891	(23,891)
	Total Facility Division	114,000	126,000	149,891	(23,891)
520	Finance				
	Salaries and benefits	126,537	127,038	155,799	(28,761)
	Other Charges and Services	93,962	95,182	102,400	(7,218)
	Total Finance	220,499	222,220	258,199	(35,979)
Other Departments					
511	Civic Center	135,053	145,925	153,398	(7,473)
527	Post Office	35,798	36,540	38,876	(2,336)
526	Pool	97,696	98,437	95,058	3,379
528	Human Resources	147,900	148,100	40,506	107,594
	Total Other Departments	416,447	429,002	327,838	101,164
514	Nondepartmental				
	Legal	140,000	136,400	144,743	(8,343)
	EMS	70,000	70,000	70,000	-
	Municipal Insurance	60,000	60,000	60,502	(502)
	Mobility Impaired Transport	12,000	12,000	12,000	-
	Other Contractual Services	56,000	102,018	122,418	(20,400)
	Other Charges and Services	11,400	19,575	20,584	(1,009)
	Total Nondepartmental	349,400	399,993	430,247	(30,254)
	Total General Government	1,418,633	1,509,840	1,490,303	19,537
<u>Public Safety</u>					
502	Police Department				
	Salaries and benefits	1,504,358	1,456,347	1,413,226	43,121
	Other Charges and Services	108,748	119,277	123,050	(3,773)
	Total Police Department	1,613,106	1,575,624	1,536,276	39,348

CITY OF WINDCREST, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

		Budgeted Amounts		Actual	Variance with
		Original	Final	Amounts	Final Budget
				(GAAP Basis)	Positive or
					(Negative)
EXPENDITURES (Continued)					
503	Fire Department				
	Salaries and benefits	121,849	115,053	98,907	16,146
	Other Charges and Services	104,218	107,838	72,679	35,159
	Capital Outlay	27,000	14,000	15,414	(1,414)
	Total Fire Department	253,067	236,891	187,000	49,891
519	Inspection Department				
	Salaries and benefits	53,241	53,367	46,120	7,247
	Other Charges and Services	6,950	4,730	9,106	(4,376)
	Total Inspection Department	60,191	58,097	55,226	2,871
508	Municipal Court				
	Salaries and benefits	227,380	235,531	253,537	(18,006)
	Other Charges and Services	29,300	34,546	33,812	734
	Total Municipal Court	256,680	270,077	287,349	(17,272)
	Total Public Safety	2,183,044	2,140,689	2,065,851	74,838
<u>Public Works</u>					
516	Public Works Department				
	Salaries and benefits	436,320	392,720	428,301	(35,581)
	Other Charges and Services	89,875	81,005	79,431	1,574
	Capital Outlay	2,500	2,500	58,229	(55,729)
	Total Public Works Department	528,695	476,225	565,961	(89,736)
507	Fleet Department				
	Salaries and benefits	53,896	51,365	51,658	(293)
	Debt Service - Principal	12,877	11,375	11,375	-
	Debt Service - Interest and Fiscal Charges	-	1,502	1,502	-
	Other Charges and Services	99,875	98,453	93,783	4,670
	Total Fleet Department	166,648	162,695	158,318	4,377
506	Parks & Recreation Department				
	Other Charges and Services	151,575	120,262	99,573	20,689
	Capital Outlay	150,000	150,000	188,720	(38,720)
	Total Parks & Recreation Department	301,575	270,262	288,293	(18,031)
	Total Public Works	996,918	909,182	1,012,572	(103,390)

CITY OF WINDCREST, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)	
	Original	Final			
EXPENDITURES (Continued)					
517	<u>Animal Control</u>				
	Salaries and benefits	65,365	65,365	52,524	12,841
	Other Charges and Services	18,250	17,084	25,092	(8,008)
	Total Animal Control	83,615	82,449	77,616	4,833
504	<u>Special Services</u>				
	Salaries and benefits	57,114	62,275	62,995	(720)
	Other Charges and Services	101,135	119,977	128,571	(8,594)
	Total Special Services	158,249	182,252	191,566	(9,314)
515	<u>EMS Tech Support</u>				
	Other Charges and Services	213,074	213,074	212,629	445
	Capital Outlay	-	74,080	26,574	47,506
	Total EMS Tech Support	213,074	287,154	239,203	47,951
	TOTAL EXPENDITURES	5,053,533	5,111,566	5,077,111	34,455
	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(354,935)	(60,546)	199,457	260,003
	Other Financing Sources (Uses)				
	Transfers In	201,847	201,847	201,847	-
	Transfers Out (Use)	(2,000)	(2,000)	(77,000)	(75,000)
	Total Other Financing Sources (Uses)	199,847	199,847	124,847	(75,000)
	Special Item - Resource	-	-	142,665	142,665
	Net Change in Fund Balance	(155,088)	139,301	466,969	327,668
	Fund Balance - October 1 (Beginning)	2,643,443	2,643,443	2,643,443	-
	Fund Balance - September 30 (Ending)	\$ 2,488,355	\$ 2,782,744	\$ 3,110,412	\$ 327,668

CITY OF WINDCREST, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CITY OF WINDCREST ECONOMIC DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Sales and Use Taxes	\$ 382,571	\$ 382,571	\$ 443,534	\$ 60,963
Interest	250	250	117	(133)
Miscellaneous	-	-	7,047	7,047
Total Revenues	382,821	382,821	450,698	67,877
EXPENDITURES				
Current				
Salaries and Benefits	83,899	85,837	61,363	24,474
Economic Development Projects	-	-	24,055	(24,055)
Other	167,154	165,216	169,768	(4,552)
Capital Outlay	1,813,541	1,813,541	1,371,187	442,354
Debt Service				
Principal	-	-	341,089	(341,089)
Interest	-	-	43,872	(43,872)
Total Expenditures	2,064,594	2,064,594	2,011,334	53,260
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,681,773)	(1,681,773)	(1,560,636)	121,137
OTHER FINANCING SOURCES				
Transfer from City of Windcrest	-	-	75,000	75,000
Total Other Financing Sources	-	-	75,000	75,000
Net Change in Fund Balance	(1,681,773)	(1,681,773)	(1,485,636)	196,137
Fund Balance - Beginning	1,871,601	1,871,601	1,871,601	-
Fund Balance - Ending	\$ 189,828	\$ 189,828	\$ 385,965	\$ 196,137

CITY OF WINDCREST, TEXAS

SCHEDULE OF FUNDING PROGRESS - TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Payroll ((b-a)/c)
12/31/10	\$ 5,122,505	\$ 5,854,397	87.5%	\$ 731,893	\$ 2,449,618	29.9%
12/31/11	\$ 5,498,300	\$ 6,026,441	91.2%	\$ 528,141	\$ 2,019,671	26.1%
12/31/12	\$ 5,955,000	\$ 6,316,072	94.3%	\$ 361,072	\$ 2,176,402	16.6%

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Other Supplementary Information

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Nonmajor Governmental Funds (Special Revenue Funds)

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CITY OF WINDCREST, TEXAS

SPECIAL REVENUE FUNDS DESCRIPTIONS

Special Revenue Funds are used to account for specific revenues where expenditures are legally restricted for particular purposes. Funds included in the Special Revenue Funds category that are non-major are described below.

School Crossing Guard Fund – used to account for revenues restricted by the State to provide for school crossing guards and maintenance of school zones.

Asset Seizure and Forfeiture Funds – used to account for revenues provided by police seizures restricted by the Federal and State to provide crime prevention and detection.

County Fire Contribution Fund – used to account for funds provided by Bexar County to offset expenditures incurred in providing fire protection outside City limits.

Police Donations Fund – used to account for donations provided and expenditures incurred for police protection within the City of Windcrest, Texas.

Police Education And Training – used to account for L.E.O.S.E. funds received from the State to be used for police education and training.

Roosevelt Scholarship Fund – used to account for donations from the Windfest Family Fun Day to provide for a scholarship to be awarded to a graduating Roosevelt High School senior.

Court Technology Fund – used to account for fees assessed on fines for the purpose of improving technology.

Building Security Fund – used to account for fees assessed for providing security to City facilities.

Hotel/Motel Tax Fund – used to account for hotel occupancy tax proceeds collected to pay off long-term debt.

Crime Control and Prevention District (Blended Component Unit) – used to account for sales tax proceeds collected to support crime control and prevention.

Friends to Animal Control Fund – used to account for the costs of the trap and release program for the feral cat program within the City. Donations are accepted, and the City matches the donations 1 to 1 up to \$2,000.

CITY OF WINDCREST, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	School Crossing Guard	Asset Seizure & Forfeitures (Federal)	Asset Seizure & Forfeitures (State)
ASSETS			
Cash and Cash Equivalents	\$ 32,297	\$ 347	\$ 5,641
Receivables (Net)	-	-	-
Total Assets	<u>\$ 32,297</u>	<u>\$ 347</u>	<u>\$ 5,641</u>
LIABILITIES			
Accounts Payable	\$ 11	\$ -	\$ 228
Due to Other Funds	1,700	-	-
Total Liabilities	<u>1,711</u>	<u>-</u>	<u>228</u>
FUND BALANCES			
Restricted Fund Balance:			
Special Revenue	30,586	347	5,413
Total Fund Balances	<u>30,586</u>	<u>347</u>	<u>5,413</u>
Total Liabilities and Fund Balances	<u>\$ 32,297</u>	<u>\$ 347</u>	<u>\$ 5,641</u>

County Fire Contributions	Police Donations	Police Education & Training	Roosevelt Scholarships	Court Technology	Building Security	Hotel/Motel Tax	Crime Control & Prevention District
\$ 25,163	\$ 6,844	\$ 7,121	\$ 4,092	\$ 40,917	\$ 30,562	\$ 127,550	\$ 125,233
-	-	-	-	-	-	-	96,950
<u>\$ 25,163</u>	<u>\$ 6,844</u>	<u>\$ 7,121</u>	<u>\$ 4,092</u>	<u>\$ 40,917</u>	<u>\$ 30,562</u>	<u>\$ 127,550</u>	<u>\$ 222,183</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,556
4,000	1,200	-	-	-	-	-	-
<u>4,000</u>	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,556</u>
21,163	5,644	7,121	4,092	40,917	30,562	127,550	214,627
<u>21,163</u>	<u>5,644</u>	<u>7,121</u>	<u>4,092</u>	<u>40,917</u>	<u>30,562</u>	<u>127,550</u>	<u>214,627</u>
<u>\$ 25,163</u>	<u>\$ 6,844</u>	<u>\$ 7,121</u>	<u>\$ 4,092</u>	<u>\$ 40,917</u>	<u>\$ 30,562</u>	<u>\$ 127,550</u>	<u>\$ 222,183</u>

CITY OF WINDCREST, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Friends to Animal Control	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ (1,940)	\$ 403,827
Receivables (Net)	-	96,950
Total Assets	<u>\$ (1,940)</u>	<u>\$ 500,777</u>
LIABILITIES		
Accounts Payable	\$ -	\$ 7,795
Due to Other Funds	-	6,900
Total Liabilities	<u>-</u>	<u>14,695</u>
FUND BALANCES		
Restricted Fund Balance:		
Special Revenue	(1,940)	486,082
Total Fund Balances	<u>(1,940)</u>	<u>486,082</u>
Total Liabilities and Fund Balances	<u>\$ (1,940)</u>	<u>\$ 500,777</u>

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CITY OF WINDCREST, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	School Crossing Guard	Asset Seizure & Forfeitures (Federal)	Asset Seizure & Forfeitures (State)
REVENUES:			
Taxes:			
General Sales and Use Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	6,331	-	-
Investment Earnings	4	-	1
Contributions & Donations from Private Sources	-	-	-
Other Revenue	-	-	-
Total Revenues	<u>6,335</u>	<u>-</u>	<u>1</u>
EXPENDITURES:			
Current:			
Public Safety	402	-	2,684
Animal Control	-	-	-
Capital Outlay:			
Capital Outlay	13,915	-	2,051
Total Expenditures	<u>14,317</u>	<u>-</u>	<u>4,735</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,982)</u>	<u>-</u>	<u>(4,734)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	-	-	-
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(7,982)	-	(4,734)
Fund Balance - October 1 (Beginning)	<u>38,568</u>	<u>347</u>	<u>10,147</u>
Fund Balance - September 30 (Ending)	<u>\$ 30,586</u>	<u>\$ 347</u>	<u>\$ 5,413</u>

County Fire Contributions	Police Donations	Police Education & Training	Roosevelt Scholarships	Court Technology	Building Security	Hotel/Motel Tax	Crime Control & Prevention District
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 166,760	\$ 624,378
21,078	-	-	-	-	-	-	-
-	1	1	-	3	2	13	16
-	616	-	-	-	-	-	-
-	-	-	-	14,288	10,716	-	-
<u>21,078</u>	<u>617</u>	<u>1</u>	<u>-</u>	<u>14,291</u>	<u>10,718</u>	<u>166,773</u>	<u>624,394</u>
8,822	246	3,337	-	-	-	7,900	302,520
-	-	-	-	-	-	-	-
-	-	-	-	3,892	-	63,389	336,536
<u>8,822</u>	<u>246</u>	<u>3,337</u>	<u>-</u>	<u>3,892</u>	<u>-</u>	<u>71,289</u>	<u>639,056</u>
<u>12,256</u>	<u>371</u>	<u>(3,336)</u>	<u>-</u>	<u>10,399</u>	<u>10,718</u>	<u>95,484</u>	<u>(14,662)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(106,847)	-
-	-	-	-	-	-	(106,847)	-
12,256	371	(3,336)	-	10,399	10,718	(11,363)	(14,662)
<u>8,907</u>	<u>5,273</u>	<u>10,457</u>	<u>4,092</u>	<u>30,518</u>	<u>19,844</u>	<u>138,913</u>	<u>229,289</u>
<u>\$ 21,163</u>	<u>\$ 5,644</u>	<u>\$ 7,121</u>	<u>\$ 4,092</u>	<u>\$ 40,917</u>	<u>\$ 30,562</u>	<u>\$ 127,550</u>	<u>\$ 214,627</u>

CITY OF WINDCREST, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Friends to Animal Control	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
General Sales and Use Taxes	\$ -	\$ 791,138
Intergovernmental Revenue and Grants	-	27,409
Investment Earnings	-	41
Contributions & Donations from Private Sources	2,872	3,488
Other Revenue	-	25,004
Total Revenues	<u>2,872</u>	<u>847,080</u>
EXPENDITURES:		
Current:		
Public Safety	-	325,911
Animal Control	8,764	8,764
Capital Outlay:		
Capital Outlay	-	419,783
Total Expenditures	<u>8,764</u>	<u>754,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,892)</u>	<u>92,622</u>
OTHER FINANCING SOURCES (USES):		
Transfers In	2,000	2,000
Transfers Out (Use)	-	(106,847)
Total Other Financing Sources (Uses)	<u>2,000</u>	<u>(104,847)</u>
Net Change in Fund Balance	(3,892)	(12,225)
Fund Balance - October 1 (Beginning)	<u>1,952</u>	<u>498,307</u>
Fund Balance - September 30 (Ending)	<u>\$ (1,940)</u>	<u>\$ 486,082</u>

STATISTICAL SECTION

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CITY OF WINDCREST, TEXAS

STATISTICAL SECTION OVERVIEW

This part of the City's annual financial report presents detailed information to provide the readers of the City's financial statements with a background for a better understanding of the information in the financial statements, note disclosures, and required supplementary information.

The statistical section is organized in the following sections:

Financial Trend Information – This section contains schedules of government-wide and fund financial statements.

Government-Wide Information – This section contains schedules that reflect current year and past years amounts on the City's government-wide financial statements.

Fund Information – This section contains schedules that reflect current year and past years amounts on the City's fund financial statements.

Revenue Capacity Information – This section contains schedules that provide information about the City's most significant source of revenues, which is property taxes, and the factors that impact the City's ability to generate such revenue.

Debt Capacity Information – This section contains schedules that provide information on the City's current levels of outstanding debt.

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CITY OF WINDCREST, TEXAS

NET POSITION BY COMPONENT

LAST SIX YEARS
(UNAUDITED)

	2008	2009	2010	2011	2012	2013
Governmental Activities:						
Net Investment in Capital Assets	\$ 3,634,291	\$ 3,892,776	\$ 3,955,730	\$ 5,335,703	\$ 4,284,298	\$ 8,154,776
Restricted	37,620	30,273	14,449	701,621	2,373,499	884,683
Unrestricted	2,407,120	2,126,548	2,263,974	1,187,346	4,351,129	3,195,932
Total Governmental Activities Net Position	\$ 6,079,031	\$ 6,049,597	\$ 6,234,153	\$ 7,224,670	\$ 11,008,926	\$ 12,235,391
Business-Type Activities:						
Unrestricted	\$ 56,112	\$ 96,481	\$ 109,649	\$ 142,771	\$ 197,258	\$ 171,586
Total Business-Type Activities Net Position	\$ 56,112	\$ 96,481	\$ 109,649	\$ 142,771	\$ 197,258	\$ 171,586
Primary Government						
Net Investment in Capital Assets	\$ 3,634,291	\$ 3,892,776	\$ 3,955,730	\$ 5,335,703	\$ 4,284,298	\$ 8,154,776
Restricted	37,620	30,273	14,449	701,621	2,373,499	884,683
Unrestricted	2,463,232	2,223,029	2,373,623	1,330,117	4,548,387	3,367,518
Total Primary Government Net Position	\$ 6,135,143	\$ 6,146,078	\$ 6,343,802	\$ 7,367,441	\$ 11,206,184	\$ 12,406,977

Source: The City's Statement of Net Position

CITY OF WINDCREST, TEXAS

GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES EXPENSES & PROGRAM REVENUES

LAST SIX YEARS
(UNAUDITED)

	2008	2009	2010	2011	2012	2013
Expenses						
Governmental Activities:						
General Government	\$ 1,160,125	\$ 1,412,819	\$ 1,328,506	\$ 1,073,204	\$ 1,434,211	\$ 1,563,234
Public Safety	1,820,471	2,150,486	2,212,779	2,329,645	2,343,858	2,666,282
Public Works	1,260,839	1,290,905	1,296,176	1,207,103	1,022,592	1,389,440
Animal Control	10,547	49,290	48,941	58,885	77,108	87,871
Economic Development	540,042	197,712	243,801	155,221	233,603	264,621
EMS/Tech Support	205,468	343,686	270,179	201,655	127,144	171,844
Special Services	137,093	274,195	291,313	45,296	199,855	225,082
Loss on Sale of Equipment	-	3,386	892	-	-	-
Capital Outlay	61,611	18,219	181,370	-	-	-
Interest on Long-Term Debt	170,563	97,937	102,169	102,456	99,438	65,266
Total Governmental Activities Expenses	5,366,759	5,838,635	5,976,126	5,173,465	5,537,809	6,433,640
Business-Type Activities:						
Garbage Utility	604,072	692,375	808,770	744,022	725,765	769,450
Total Business-Type Activities Expenses	604,072	692,375	808,770	744,022	725,765	769,450
Total Primary Government	\$ 5,970,831	\$ 6,531,010	\$ 6,784,896	\$ 5,917,487	\$ 6,263,574	\$ 7,203,090
Program Revenues						
Governmental Activities:						
Charges for Services						
General Government	\$ 55,000	416,796	398,660	578,204	381,353	456,848
Public Safety	697,554	359,334	345,476	362,397	384,996	494,484
Public Works	511,802	164,681	296,182	49,881	-	-
Animal Control	-	1,825	889	-	-	-
Economic Development	-	196,558	206,679	-	-	-
Special Services	68,112	-	-	-	-	-
Operating Grants and Contributions	63,198	16,794	12,183	14,211	-	-
Total Government Activities Revenue	1,395,666	1,155,988	1,260,069	1,004,693	766,349	951,332
Business-Type Activities:						
Charges for Services:						
Garbage Utility	617,048	730,143	812,081	872,402	836,468	828,067
Total Business-Type Activities Revenue	617,048	730,143	812,081	872,402	836,468	828,067
Total Primary Government Program Revenue	\$ 2,012,714	\$ 1,886,131	\$ 2,072,150	\$ 1,877,095	\$ 1,602,817	\$ 1,779,399

Source: The City's Statement of Activities

CITY OF WINDCREST, TEXAS

GENERAL REVENUES AND CHANGES IN NET POSITION

LAST SIX YEARS
(UNAUDITED)

	2008	2009	2010	2011	2012	2013
Net Governmental Activities Revenue/(Expense)						
Governmental Activities	\$ (3,971,093)	\$ (4,682,647)	\$ (4,716,057)	\$ (4,168,772)	\$ (4,771,460)	\$ (5,482,308)
Business-Type Activities	12,976	37,768	3,311	128,380	110,703	58,617
Total Primary Government Net Revenue/(Expenses)	\$ (3,958,117)	\$ (4,644,879)	\$ (4,712,746)	\$ (4,040,392)	\$ (4,660,757)	\$ (5,423,691)
General Revenue and Changes in Net Position						
Governmental Activities:						
Property Taxes	\$ 1,767,558	\$ 2,118,060	1,953,924	1,909,897	1,927,907	1,918,856
Nonproperty Taxes	2,624,980	2,508,686	2,935,174	3,289,276	3,839,139	4,345,293
Grants and Other Contributions Not Restricted	-	-	-	-	87,719	46,020
Investment Earnings	77,945	26,467	11,515	3,179	2,807	1,574
Miscellaneous Revenue	76,390	-	-	17,704	71,467	159,366
Loss on Disposal of Capital Asset	-	-	-	(1,945)	-	-
Special Items	-	-	-	-	2,273,585	142,665
Transfers	-	-	-	87,083	71,250	95,000
Total Governmental Activities	4,546,873	4,653,213	4,900,613	5,305,194	8,273,874	6,708,774
Business-Type Activities:						
Investment Earnings	2,743	2,601	1,666	16	15	17
Miscellaneous Revenue	-	-	-	-	15,019	10,694
Transfers	-	-	-	(87,083)	(71,250)	(95,000)
Total Business-Type Activities	2,743	2,601	1,666	(87,067)	(56,216)	(84,289)
Total Primary Government	\$ 4,549,616	\$ 4,655,814	\$ 4,902,279	\$ 5,218,127	\$ 8,217,658	\$ 6,624,485
Change in Net Position						
Governmental Activities	\$ 575,780	\$ (29,434)	\$ 184,556	\$ 1,136,422	\$ 3,502,414	\$ 1,226,466
Business-Type Activities	15,719	40,369	4,977	41,313	54,487	(25,672)
Total Primary Government	\$ 591,499	\$ 10,935	\$ 189,533	\$ 1,177,735	\$ 3,556,901	\$ 1,200,794

Source: The City's Statement of Activities

CITY OF WINDCREST, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN YEARS

(UNAUDITED)

	2004	2005	2006	2007
General Fund:				
Unreserved Designated For:				
Special Projects and Contingencies	\$ 458,153	\$ 648,873	\$ 773,873	\$ 823,873
Unreserved/Undesignated	949,453	1,094,691	1,191,839	1,077,948
Nonspendable	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund Balance	1,407,606	1,743,564	1,965,712	1,901,821
All Other Governmental Funds:				
Unreserved/Undesignated, Reported In:				
Capital Project Funds	\$ -	\$ 4,230,729	\$ 1,881,216	\$ 823,769
Debt Service Funds	7,356	9,108	9,148	9,333
Special Revenue Funds	770,149	903,397	1,055,350	449,543
Unassigned Fund Balance	-	-	-	-
Restricted:				
Retirement of Long-Term Debt	-	-	-	-
Economic Development Projects	-	-	-	-
Special Revenue Funds	-	-	-	-
Capital Improvements	-	-	-	-
Total All Other Governmental Funds Balance	777,505	5,143,234	2,945,714	1,282,645
Total Governmental Funds - Fund Balance	\$ 2,185,111	\$ 6,886,798	\$ 4,911,426	\$ 3,184,466

Source: The City's Governmental Funds Balance Sheet

2008	2009	2010	2011	2012	2013
\$ 914,693	\$ 796,559	\$ 796,559	\$ -	\$ -	\$ -
873,705	549,248	699,404	-	-	-
-	-	-	3,552	3,552	72,921
-	-	-	650,000	475,000	864,632
-	-	-	1,380,926	2,164,891	2,172,859
1,788,398	1,345,807	1,495,963	2,034,478	2,643,443	3,110,412
\$ 286,654	\$ 395,650	\$ 424,919	\$ -	\$ -	\$ -
37,620	30,273	14,449	-	-	-
439,250	375,245	327,228	-	-	-
-	-	-	-	-	(3,500)
-	-	-	5,615	1,135	5,171
-	-	-	1,844,050	1,871,601	385,965
-	-	-	428,865	498,308	486,082
-	-	-	431,282	631,852	-
763,524	801,168	766,596	2,709,812	3,002,896	873,718
\$ 2,551,922	\$ 2,146,975	\$ 2,262,559	\$ 4,744,290	\$ 5,646,339	\$ 3,984,130

CITY OF WINDCREST, TEXAS

CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

LAST SIX YEARS

(UNAUDITED)

	2008	2009	2010	2011	2012	2013
Revenues						
Taxes	\$ 4,397,581	\$ 4,645,184	\$ 4,875,513	\$ 5,226,011	\$ 5,764,235	\$ 6,265,404
Licenses and Permits	473,197	207,326	248,620	197,657	146,924	262,007
Intergovernmental	63,197	43,531	39,226	26,104	84,552	35,485
Public Safety	-	-	-	15,640	-	-
Municipal Court Fines	300,961	339,807	327,526	309,354	381,676	449,484
Charges for Services	81,716	102,985	82,528	95,165	86,931	99,004
Interest	77,945	26,467	11,517	3,179	2,807	1,574
Donations	-	-	-	2,130	3,167	3,488
Miscellaneous	691,442	452,180	562,233	329,534	218,965	262,250
Total Revenues	6,086,039	5,817,480	6,147,163	6,204,774	6,689,257	7,378,696
Expenditures						
General Government	1,091,009	1,362,109	1,277,901	962,128	1,273,055	1,489,800
Public Safety	1,847,022	2,028,763	2,089,665	2,028,188	2,164,969	2,376,348
Public Works	868,356	807,129	841,197	932,824	768,431	752,747
Animal Control	10,547	48,646	48,449	59,164	76,966	86,380
Economic Development	349,452	197,712	243,801	129,670	2,126,309	1,623,853
EMS/Tech Support	203,200	343,612	270,111	190,325	199,522	191,567
Special Services	138,151	233,343	248,890	45,296	127,144	212,628
Capital Outlay	1,522,431	392,913	201,332	420,838	509,845	1,670,822
Debt Service						
Principal	3,472,992	756,851	742,471	736,859	780,522	798,966
Interest and Fiscal Charges	191,284	94,858	105,689	97,355	105,278	75,458
Bond Issue Costs	9,700	300	-	-	-	-
Total Expenditures	9,704,144	6,266,236	6,069,506	5,602,647	8,132,041	9,278,569
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,618,105)	(448,756)	77,657	602,127	(1,442,784)	(1,899,873)
Other Financing Sources (Uses):						
Proceeds from Capital Lease	459,241	43,809	37,927	46,500	-	-
Proceeds from Bonded and Other Debt	2,545,000	-	-	1,600,000	-	-
Transfers In/(Out)	-	-	-	87,083	71,250	95,000
Total Other Financing Sources (Uses)	3,004,241	43,809	37,927	1,733,583	71,250	95,000
Special Item-Resource	-	-	-	-	2,273,585	142,665
Net Change in Fund Balances	\$ (613,864)	\$ (404,947)	\$ 115,584	\$ 2,335,710	\$ 902,051	\$ (1,662,208)

Source: The City's Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

CITY OF WINDCREST, TEXAS

TAX REVENUE BY SOURCE
GOVERNMENTAL FUNDS

LAST SIX YEARS

(UNAUDITED)

Fiscal Year Ended	Property	Sales & Use	Hotel Occupancy	Franchise	Mixed Beverage	Total
2008	\$ 1,772,601	\$ 2,060,100	\$ 231,238	\$ 313,663	\$ 19,979	\$ 4,397,581
2009	2,119,007	1,926,773	163,442	417,211	18,751	4,645,184
2010	1,940,339	2,356,531	159,970	400,584	18,089	4,875,513
2011	1,936,735	2,662,547	153,690	453,851	19,188	5,226,011
2012	1,925,096	3,236,558	155,313	431,254	16,014	5,764,235
2013	1,920,111	3,729,085	166,759	432,856	16,593	6,265,404

Source: The City's Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and City Finance Department

CITY OF WINDCREST, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(Rate Per \$100 of Assessed Values)

LAST FIVE YEARS

(UNAUDITED)

Fiscal Year	City Direct Rates			Overlapping Rates	
	General M&O	Debt Service	Total Direct	North East ISD	Bexar County
2009	0.362654	0.073573	0.436227	1.402900	0.326866
2010	0.362654	0.073841	0.436495	1.402900	0.326187
2011	0.362654	0.073841	0.436495	1.402900	0.326866
2012	0.355748	0.080747	0.436495	1.402900	0.326866
2013	0.351654	0.081316	0.432970	1.425000	0.326866

Source: The City's approved tax ordinance, North East Independent School District (NEISD) and Bexar County Comprehensive Annual Financial Reports (CAFRs).

CITY OF WINDCREST, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST FIVE YEARS
(UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within The Fiscal Year of the Levy		Collection in Subsequent Years	Cumulative Collections (Current and Delinquent)	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 2,051,301	\$ 1,996,628	97.33%	\$ 52,925	\$ 2,049,553	99.91%
2010	1,989,202	1,933,373	97.19%	54,190	1,987,563	99.92%
2011	1,917,559	1,904,102	99.30%	8,862	1,912,964	99.76%
2012	1,938,139	1,927,069	99.43%	3,354	1,930,423	99.60%
2013	1,926,379	1,904,535	98.87%	-	1,910,436	99.17%

Source: Bexar County Tax Assessor Collector and City of Windcrest Finance Department
Note: Cumulative collections are shown net of adjustments by the Tax Assessor Collector.

CITY OF WINDCREST, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST FIVE YEARS
(UNAUDITED)

Fiscal Year	General Obligation Bonds	Governmental Activities		Total Primary Government	Population	Per Capita
		Texas Tax Notes	Capital Leases & Other			
2009	\$ 2,155,000	\$ 110,000	\$ 568,932	\$ 2,833,932	5,105	\$ 555
2010	1,750,000	-	379,388	2,129,388	5,405	394
2011	1,335,000	-	1,685,574	3,020,574	5,446	555
2012	905,000	-	1,328,573	2,233,573	5,446	410
2013	460,000	-	976,109	1,436,109	5,561	258

Source: The City's long-term liabilities note section in the notes to the financial statements and US Census Data estimate.

CITY OF WINDCREST, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST FIVE YEARS

(UNAUDITED)

Fiscal Year	General Bonded Debt Outstanding			Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property
	General Obligation Bonds	Texas Tax Notes	Total		
2009	\$ 2,155,000	\$ 110,000	\$ 2,265,000	\$ 470,160,162	0.48%
2010	1,750,000	-	1,750,000	455,648,775	0.38%
2011	1,335,000	-	1,335,000	440,712,311	0.30%
2012	905,000	-	905,000	443,961,911	0.20%
2013	460,000	-	460,000	444,818,452	0.10%

Source: The City's long-term liabilities section in the notes to the financial statements and property tax roll.

CITY OF WINDCREST, TEXAS

LEGAL DEBT MARGIN

(UNAUDITED)

Texas municipalities are not bound by any direct constitutional or statutory maximums as to the amount of general obligation bonds which may be issued; however, all local bonds must be submitted to and approved by the State Attorney General. It is the established practice of the Attorney General not to approve a prospective bond issue if it will result in the levy of a tax for bonded debt of over \$1.00 for cities under a population of 5,000 or \$1.50 for the cities over 5,000 in population. The City's charter restricts tax levy to no more than \$1.25 per \$100 of assessed valuation for payment of debt.

Taxable Value, Property		<u>\$ 444,818,452</u>
Debt Limit - 10% of Taxable Value		\$ 44,481,845
Amount of Debt Applicable to Debt Limit:		
Total Bonded Debt	\$ 460,000	
Less Fund Balance in Debt Service Fund	<u>(5,171)</u>	
Total Amount of Debt Applicable to Debt Limit		<u>454,829</u>
Legal D		<u>\$ 44,027,016</u>

Source: The City's long-term liabilities section in the notes to the financial statements and Governmental Funds Balance Sheet.