

ANNUAL FINANCIAL REPORT

of the

CITY OF DICKINSON, TEXAS

For the Year Ended
September 30, 2014

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS

TABLE OF CONTENTS

September 30, 2014

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Principal Officials	2
Organization Chart	5
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report	9
Management's Discussion and Analysis (Required Supplementary Information)	15
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Position	25
Statement of Activities	26
Fund Financial Statements	
Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds	28
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	31
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35
Proprietary Funds Financial Statements	
Statement of Net Position	37
Statement of Revenues, Expenses, and Changes in Fund Net Position	39
Statement of Cash Flows	41
Discretely Presented Component Units Fund Financial Statements	
Statement of Net Position	43
Statement of Activities	44
Notes to Financial Statements	47
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund (Budget Basis)	74
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Street Maintenance Fund	77
Schedule of Funding Progress – Texas Municipal Retirement System	78
Schedule of Funding Progress – Texas Emergency Services Retirement System	79

CITY OF DICKINSON, TEXAS

TABLE OF CONTENTS (Continued)

September 30, 2014

<u>OTHER SUPPLEMENTARY INFORMATION</u>	<u>Page</u>
Combining and Individual Fund Statements and Schedules	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	83
Combining Balance Sheet – Nonmajor Governmental Funds	84
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	86
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	88
Combining Statement of Net Position – Internal Service Funds	91
Combining Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Funds	92
Combining Statement of Cash Flows – Internal Service Funds	93

INTRODUCTORY SECTION

CITY OF DICKINSON, TEXAS

PRINCIPAL OFFICIALS

September 30, 2014



City Council

Julie Masters	Mayor
Charles Suderman	Position No. 1
Bruce Henderson	Position No. 2
Walter Wilson	Position No. 3
Wally Deats	Position No. 4 (Mayor Pro Tem)
Louis Decker	Position No. 5
William King III	Position No. 6

CITY OF DICKINSON, TEXAS

PRINCIPAL OFFICIALS (Continued)

September 30, 2014

Elected Officials	Position	Term Expires
Julie Masters	Mayor	05/2017
Charles Suderman	Council Member – Position 1	05/2017
Bruce Henderson	Council Member – Position 2	05/2016
Walter Wilson	Council Member – Position 3	05/2017
Wally Deats	Council Member – Position 4/ Mayor Pro Tem	05/2016
Louis Decker	Council Member – Position 5	05/2017
William King, III	Council Member – Position 6	05/2016

Appointed Officials	Position
Julie M. Robinson	City Administrator
Carolyn E. Anderson	City Secretary
Olson and Olson	City Attorney
Richard Cope	Municipal Court Judge
Ellis Ortego	Prosecuting Attorney
Ron Morales	Chief of Police

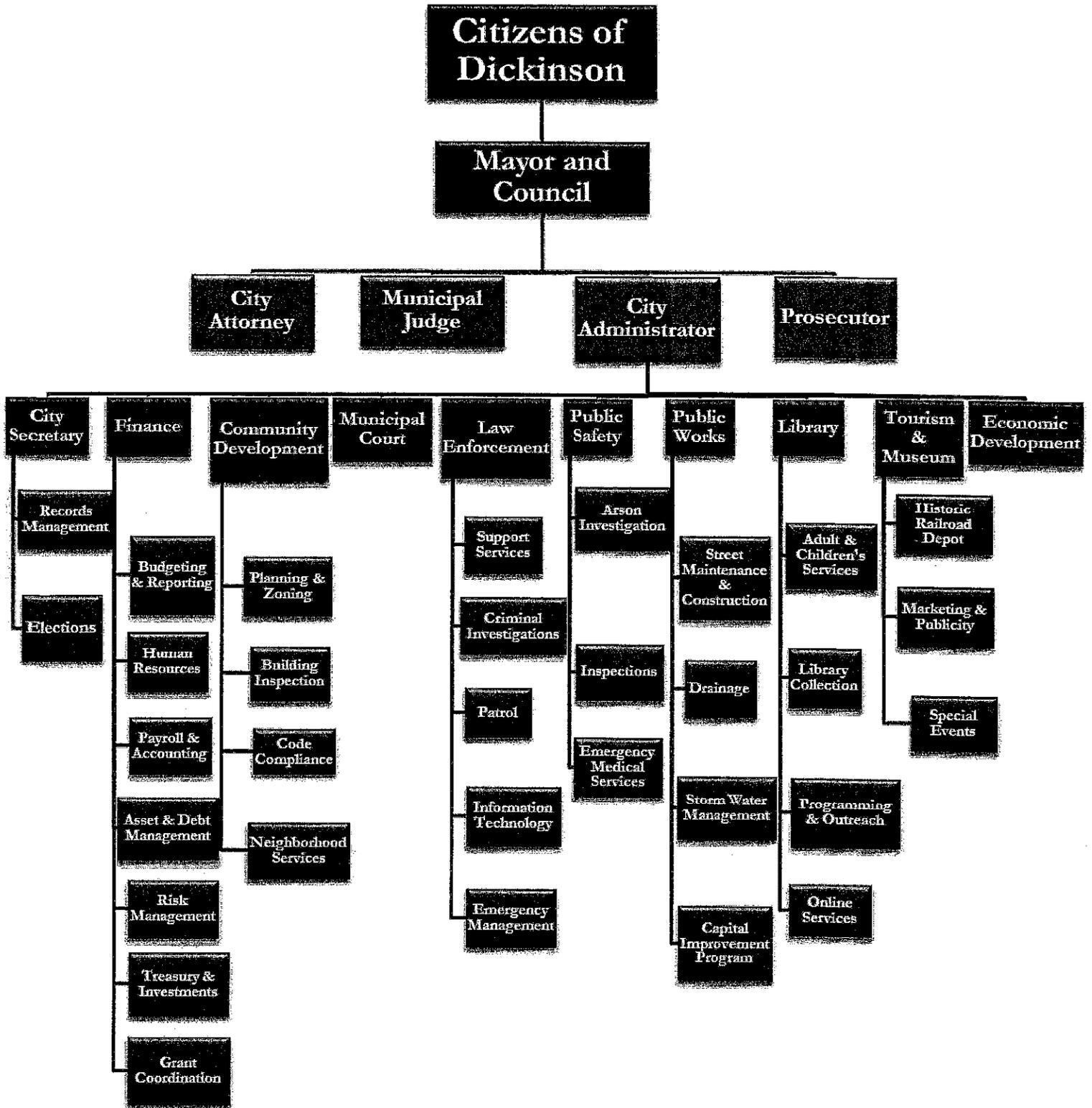
City Management	Position
Stephanie Russell	Administrative Services Manager
Lee Darrow	Fire Marshal
Zachary Meadows	Director of Community Development
Irma Rivera	Court Administrator
Kellis George	Director of Public Works
Vicki McAllister	Library Director

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS

ORGANIZATION CHART

September 30, 2014



(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.)



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Dickinson, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dickinson, Texas (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Partners

Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston

3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville

P.O. Box 826
Bellville, TX 77418
979.865.3169

Austin

100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices

www.texasauditors.com
info@txauditors.com
713.263.1550 fax

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 schedules of funding progress, identified as Required Supplementary Information on 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 introductory section and combining and individual fund statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

The introductory 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 17, 2015

(This page intentionally left blank.)

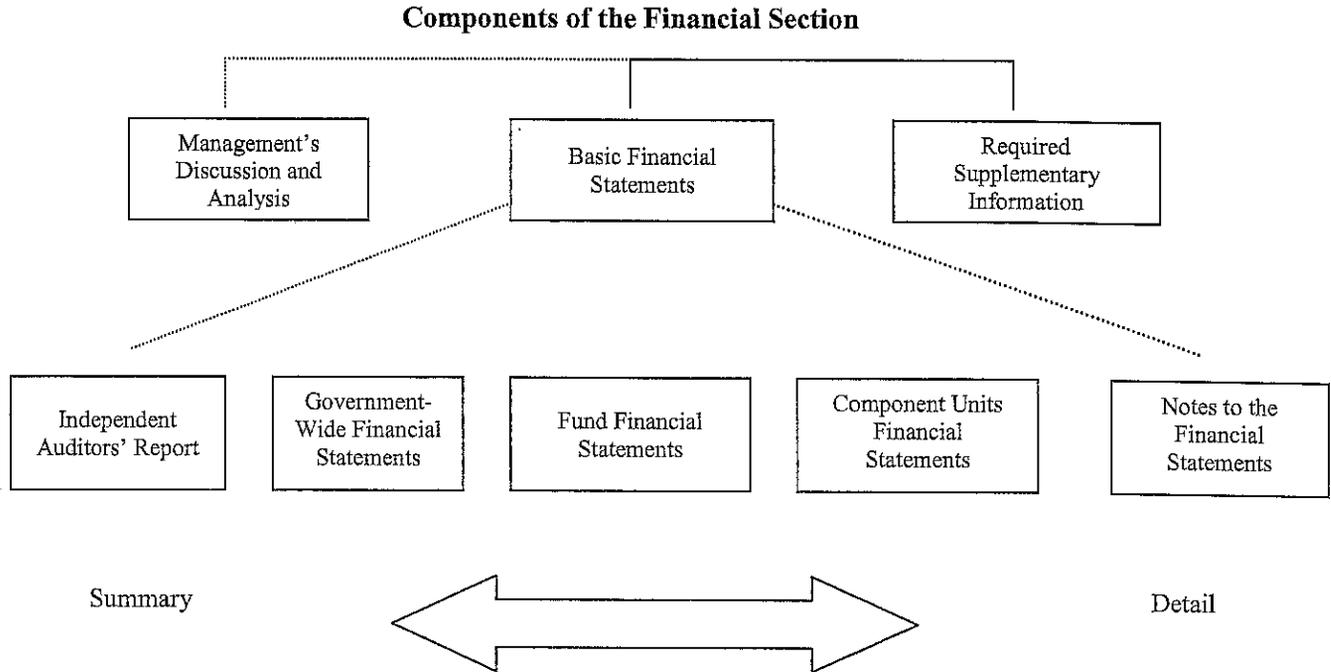
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Dickinson, Texas (the "City") for the year ended September 30, 2014. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows using the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into two classes of activities:

1. **Governmental Activities** – Most of the City's basic services are reported here including general government, public safety, public works, culture and recreation, economic development, and community development. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. **Business-Type Activities** – Services involving a fee for those services are reported here. These services include the City's emergency medical services and drainage services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation, Dickinson Economic Development Corporation, a legally separate management district, Dickinson Management District No. 1, for which the City is financially accountable; and a legally separate corporation, the Dickinson Education Finance Corporation. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Bayou Lakes Public Improvement District No. 1, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *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*.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

The City maintains ten individual governmental 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 fund, debt service fund, street maintenance fund, and the CDBG disaster recovery fund, which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general, street maintenance, debt service, VOCA, COPS 2010, and special revenue and grants funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two types of proprietary funds, enterprise funds and internal service funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise funds to account for its emergency medical service and municipal drainage utility funds. The proprietary fund financial statements provide separate information for the emergency medical service and municipal drainage utility funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service funds to account for an employee benefit program and building maintenance costs. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Component Units Combining Financial Statements

The City's three discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information for each of the discretely presented component units presented in the form of combining statements immediately following the fund financial statements of the primary government.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund and street maintenance fund and schedules of funding progress for the Texas Municipal Retirement System and the Texas Emergency Services Retirement System. RSI can be found after the notes to the basic financial statements.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities by \$26,984,742 as of year end in the primary government.

A comparative analysis of government-wide data has been presented as a component of the MD&A.

The largest portion of the City's net position, 72 percent, reflects its investments in capital assets (e.g., land, construction in progress, buildings and improvements, vehicles and heavy equipment, furniture and fixtures, and infrastructure) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 8,748,600	\$ 8,319,525	\$ 335,638	\$ 70,748	\$ 9,084,238	\$ 8,390,273
Capital assets, net	29,826,262	29,319,371	104,855	69,216	29,931,117	29,388,587
Total Assets	<u>38,574,862</u>	<u>37,638,896</u>	<u>440,493</u>	<u>139,964</u>	<u>39,015,355</u>	<u>37,778,860</u>
Deferred outflows of resources	133,103	-	-	-	133,103	-
Long-term liabilities	10,625,446	10,603,971	6,965	10,331	10,632,411	10,614,302
Other liabilities	1,432,718	1,784,133	98,587	71,576	1,531,305	1,855,709
Total Liabilities	<u>12,058,164</u>	<u>12,388,104</u>	<u>105,552</u>	<u>81,907</u>	<u>12,163,716</u>	<u>12,470,011</u>
Net Position:						
Net investment in capital assets	19,409,311	18,912,863	104,855	69,216	19,514,166	18,982,079
Restricted	2,633,583	2,446,306	-	-	2,633,583	2,446,306
Unrestricted	4,606,907	3,891,623	230,086	(11,159)	4,836,993	3,880,464
Total Net Position	<u>\$ 26,649,801</u>	<u>\$ 25,250,792</u>	<u>\$ 334,941</u>	<u>\$ 58,057</u>	<u>\$ 26,984,742</u>	<u>\$ 25,308,849</u>

A portion of the primary government's net position, \$2,633,583 or ten percent, represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position, \$4,836,993, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City improved this year as total net position increased by \$1,675,893.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 2,547,400	\$ 2,596,712	\$ 914,622	\$ 935,692	\$ 3,462,022	\$ 3,532,404
Operating grants and contributions	1,157,482	1,431,698	236,729	197,807	1,394,211	1,629,505
Capital grants and contributions	1,518,245	1,455,289	-	-	1,518,245	1,455,289
General revenues:						
Property taxes	3,302,578	3,271,066	-	-	3,302,578	3,271,066
Sales taxes	6,655,949	5,464,349	-	-	6,655,949	5,464,349
Other taxes	1,056,955	1,003,257	-	-	1,056,955	1,003,257
Investment earnings	6,022	13,662	-	-	6,022	13,662
Other revenues	178,154	34,866	-	-	178,154	34,866
Total Revenues	16,422,785	15,270,899	1,151,351	1,133,499	17,574,136	16,404,398
Expenses						
General government	2,732,067	2,532,486	-	-	2,732,067	2,532,486
Public safety	4,218,005	4,194,651	-	-	4,218,005	4,194,651
Public works	3,315,271	2,171,367	-	-	3,315,271	2,171,367
Culture and recreation	416,483	375,443	-	-	416,483	375,443
Community development	395,261	340,414	-	-	395,261	340,414
Economic development	3,225,317	2,606,038	-	-	3,225,317	2,606,038
Interest on long-term debt	554,940	450,421	-	-	554,940	450,421
Emergency medical services	-	-	735,280	1,069,914	735,280	1,069,914
Municipal drainage utility	-	-	305,619	305,593	305,619	305,593
Total Expenses	14,857,344	12,670,820	1,040,899	1,375,507	15,898,243	14,046,327
Increase (Decrease) in Net Position Before Transfers	1,565,441	2,600,079	110,452	(242,008)	1,675,893	2,358,071
Transfers in (out)	(166,432)	(5,000)	166,432	5,000	-	-
Change in Net Position	1,399,009	2,595,079	276,884	(237,008)	1,675,893	2,358,071
Beginning net position	25,250,792	22,655,713	58,057	295,065	25,308,849	22,950,778
Ending Net Position	\$ 26,649,801	\$ 25,250,792	\$ 334,941	\$ 58,057	\$ 26,984,742	\$ 25,308,849

For the year ended, revenues from governmental activities totaled \$16,422,785. Revenues increased by 8 percent during the year mainly due to a large increase in sales tax revenue.

For the year ended, expenses for governmental activities totaled \$14,857,344. The total expenses increased by 17 percent from the prior year. This increase can be attributed to an increase in personnel costs and contractual services charged to the general government function, an increase in depreciation expense charged to the public works function, an increase in economic development grant expenses, and an increase in interest and fiscal agent fees related to a new debt issuance.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

Business-type activities net position increased by \$276,884, an increase of \$513,892 compared to the prior year change in net position. This increase in net position is mainly due to a decrease personnel costs related to policy changes and a decrease in services. In addition, the emergency medical services fund received a transfer in from the general fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of \$6,799,692. Of this, \$20,174 is restricted for debt service, \$304,894 is restricted for enabling legislation, \$2,311,397 is restricted for capital projects, \$500,882 is assigned, and \$3,662,345 is unassigned.

The general fund had an increase in fund balance of \$214,672 for the year due mainly to an increase in sales tax revenues. Ending fund balance as a percentage of total expenditures was 36 percent as of fiscal year end.

The debt service fund had a decrease in fund balance of \$1,442 as a result of debt service payments in excess of property tax revenues. This decrease was mostly offset by an increase in other financing sources from a new debt issuance and an interfund transfer from other funds.

The street maintenance fund had an increase in fund balance of \$372,429. This increase is due to an increase in sales tax revenues.

The CDBG disaster recovery fund is a grant fund which recognizes revenues and expenditures as incurred. As a result, this fund will have minimal or zero change in fund balance from year to year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgeted revenues exceeded actual revenues by \$2,821,566 during the year mainly due to lower than expected sales tax revenues and intergovernmental revenues. General fund actual expenditures were lower than the final budgeted expenditures by \$2,933,147 mainly due to lower economic development expenditures than originally anticipated.

CITY OF DICKINSON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

CAPITAL ASSETS

At the end of the year, the City's governmental activities funds had invested \$29,826,262 in a variety of capital assets. This represents a net increase of \$506,891.

Major capital asset events during the current year include the following:

- 12 street construction projects totaling \$902,626.
- Purchase of dispatch console totaling \$287,058.
- Purchase of 11 vehicles totaling \$434,541.
- Purchase of land totaling \$895,712.

More detailed information about the City's capital assets is presented in note III. C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total certificates of obligation and general obligation bonds of \$10,010,000. Of this amount, \$1,450,000 represents certificates of obligation and \$8,560,000 represents general obligation bonds. The City had a capital lease total of \$241,724 at the end of the current year.

More detailed information about the City's long-term liabilities is presented in note III. D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Dickinson City Council approved a \$14.5 million general fund budget for the 2014-2015 fiscal year. This is a one percent increase from the prior year amended budget. The total tax rate adopted for the fiscal year 2014-2015 budget will remain unchanged at \$0.4086.

The Council approved a \$822,725 debt service budget for the 2014-2015 fiscal year. This is a ten percent decrease from the prior year. Budgeted property tax receipts comprise 79 percent of all debt service fund revenue. The fiscal year 2014-2015 debt service tax rate did not increase from the prior year.

Enterprise fund expenses are budgeted at \$1,173,182 for the fiscal year 2014-2015, a decrease of \$77,665 from the prior year amended budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator at City of Dickinson, 4403 Highway 3, Dickinson, Texas 77539.

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS

STATEMENT OF NET POSITION

September 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and cash equivalents	\$ 5,360,417	\$ 338,794	\$ 5,699,211	\$ 1,163,067
Investments	720,779	-	720,779	500,000
Receivables, net	2,033,652	93,478	2,127,130	726,701
Internal balances	311,740	(311,740)	-	-
Due from component unit	322,012	215,106	537,118	-
Due from primary government	-	-	-	113,612
	8,748,600	335,638	9,084,238	2,503,380
Capital assets:				
Non-depreciable	1,766,512	-	1,766,512	4,597,984
Net depreciable	28,059,750	104,855	28,164,605	29,205
	29,826,262	104,855	29,931,117	4,627,189
Total Assets	38,574,862	440,493	39,015,355	7,130,569
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	133,103	-	133,103	-
<u>Liabilities</u>				
Accounts payable and accrued liabilities	1,281,216	98,587	1,379,803	377,211
Accrued interest payable	37,890	-	37,890	-
Due to component unit	113,612	-	113,612	-
Due to primary government	-	-	-	537,118
	1,432,718	98,587	1,531,305	914,329
Noncurrent liabilities:				
Long-term liabilities due within one year	729,568	6,269	735,837	151,674
Long-term liabilities due in more than one year	9,895,878	696	9,896,574	1,567,586
	10,625,446	6,965	10,632,411	1,719,260
Total Liabilities	12,058,164	105,552	12,163,716	2,633,589
<u>Net Position</u>				
Net investment in capital assets	19,409,311	104,855	19,514,166	2,907,929
Restricted for:				
Debt service	17,292	-	17,292	-
Enabling legislation	304,894	-	304,894	-
Capital projects	2,311,397	-	2,311,397	-
Economic development	-	-	-	1,589,051
Unrestricted	4,606,907	230,086	4,836,993	-
Total Net Position	\$ 26,649,801	\$ 334,941	\$ 26,984,742	\$ 4,496,980

See Notes to Financial Statements.

CITY OF DICKINSON, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,732,067	\$ 1,187,452	\$ 898,318	\$ -
Public safety	4,218,005	749,931	259,164	-
Public works	3,315,271	610,017	-	1,518,245
Culture and recreation	416,483	-	-	-
Community development	395,261	-	-	-
Economic development	3,225,317	-	-	-
Interest and fiscal agent fees on long-term debt	554,940	-	-	-
Total Governmental Activities	<u>14,857,344</u>	<u>2,547,400</u>	<u>1,157,482</u>	<u>1,518,245</u>
Business-Type Activities				
Emergency medical services	735,280	560,976	236,729	-
Municipal drainage utility	305,619	353,646	-	-
Total Business-Type Activities	<u>1,040,899</u>	<u>914,622</u>	<u>236,729</u>	<u>-</u>
Total Primary Government	<u>\$ 15,898,243</u>	<u>\$ 3,462,022</u>	<u>\$ 1,394,211</u>	<u>\$ 1,518,245</u>
Component Units				
Dickinson Economic Development Corp.	\$ 1,001,455	\$ 12,460	\$ -	\$ -
Dickinson Management District No. 1	2,218,969	-	-	-
Total Component Units	<u>\$ 3,220,424</u>	<u>\$ 12,460</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Other taxes
- Investment earnings
- Other revenues
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (646,297)	\$ -	\$ (646,297)	\$ -
(3,208,910)	-	(3,208,910)	-
(1,187,009)	-	(1,187,009)	-
(416,483)	-	(416,483)	-
(395,261)	-	(395,261)	-
(3,225,317)	-	(3,225,317)	-
(554,940)	-	(554,940)	-
<u>(9,634,217)</u>	<u>-</u>	<u>(9,634,217)</u>	<u>-</u>
-	62,425	62,425	-
-	48,027	48,027	-
-	110,452	110,452	-
<u>(9,634,217)</u>	<u>110,452</u>	<u>(9,523,765)</u>	<u>-</u>
-	-	-	(988,995)
-	-	-	<u>(2,218,969)</u>
-	-	-	<u>(3,207,964)</u>
3,302,578	-	3,302,578	-
6,655,949	-	6,655,949	3,929,096
1,056,955	-	1,056,955	-
6,022	-	6,022	5,303
178,154	-	178,154	-
(166,432)	166,432	-	-
<u>11,033,226</u>	<u>166,432</u>	<u>11,199,658</u>	<u>3,934,399</u>
1,399,009	276,884	1,675,893	726,435
25,250,792	58,057	25,308,849	3,770,545
<u>\$ 26,649,801</u>	<u>\$ 334,941</u>	<u>\$ 26,984,742</u>	<u>\$ 4,496,980</u>

CITY OF DICKINSON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	General	Debt Service	Street Maintenance	CDBG Disaster Recovery
<u>Assets</u>				
Cash and cash equivalents	\$ 2,347,587	\$ 252,877	\$ 1,472,541	\$ -
Investments	720,779	-	-	-
Receivables, net	1,656,124	51,071	244,367	18,568
Due from other funds	968,307	7,045	113,622	367,121
Due from component unit	322,012	-	-	-
Total Assets	\$ 6,014,809	\$ 310,993	\$ 1,830,530	\$ 385,689
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 1,056,775	\$ 3,803	\$ 154,201	\$ 15,113
Due to other funds	487,197	235,946	-	370,576
Due to component unit	113,612	-	-	-
Total Liabilities	1,657,584	239,749	154,201	385,689
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	193,998	51,070	-	-
<u>Fund Balances</u>				
Assigned:				
Capital projects	262,000			
Disaster	227,382	-	-	-
Tree replacements	11,500	-	-	-
Restricted for:				
Debt service	-	20,174	-	-
Enabling legislation	-	-	-	-
Capital projects	-	-	1,676,329	-
Unassigned	3,662,345	-	-	-
Total Fund Balances	4,163,227	20,174	1,676,329	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,014,809	\$ 310,993	\$ 1,830,530	\$ 385,689

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 978,400	\$ 5,051,405
-	720,779
63,522	2,033,652
4,566	1,460,661
-	322,012
<u>\$ 1,046,488</u>	<u>\$ 9,588,509</u>

\$ 51,324	\$ 1,281,216
55,202	1,148,921
-	113,612
<u>106,526</u>	<u>2,543,749</u>

<u>-</u>	<u>245,068</u>
----------	----------------

	262,000
-	227,382
-	11,500
-	20,174
304,894	304,894
635,068	2,311,397
-	3,662,345
<u>939,962</u>	<u>\$ 6,799,692</u>
<u>\$ 1,046,488</u>	<u>\$ 9,588,509</u>

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

September 30, 2014

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

Total fund balances - total governmental funds	\$ 6,799,692
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in governmental funds.	
Capital assets, non-depreciable	1,766,512
Capital assets, net depreciable	28,059,750
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	
	245,068
Internal service funds are used by management to charge costs of insurance and facility maintenance to individual funds. The assets of the internal service fund are included in the governmental activities in the Statement of Net Position.	
	309,012
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Accrued interest payable	(37,890)
Deferred charge on refunding	133,103
Non-current liabilities due in one year	(729,568)
Non-current liabilities due in more than one year	(9,895,878)
	(9,895,878)
Net Position of Governmental Activities	\$ 26,649,801

See Notes to Financial Statements.

CITY OF DICKINSON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	General	Debt Service	Street Maintenance	CDBG Disaster Recovery
Revenues				
Property taxes	\$ 2,659,595	\$ 636,085	\$ -	\$ -
Sales taxes	5,324,836	-	1,331,113	-
Special assessments	-	-	-	-
Franchise fees	970,457	-	-	-
Other taxes	86,498	-	-	-
Licenses and permits	378,825	-	-	-
Fines and forfeitures	719,183	-	-	-
Charges for services	1,187,452	-	-	-
Intergovernmental	747,148	-	-	1,518,245
Contributions	-	151,170	-	-
Investment earnings	4,725	164	781	-
Other revenues	199,729	-	-	-
Total Revenues	12,278,448	787,419	1,331,894	1,518,245
Expenditures				
Current:				
General government	3,144,503	-	-	-
Public safety	3,737,620	-	-	-
Public works	554,035	-	959,465	1,518,245
Culture and recreation	409,699	-	-	-
Community development	379,456	-	-	-
Economic development	3,225,317	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	485,000	-	-
Interest and fiscal charges	-	551,416	-	-
Total Expenditures	11,450,630	1,036,416	959,465	1,518,245
Excess (Deficiency) of Revenues Over (Under) Expenditures	827,818	(248,997)	372,429	-
Other Financing Sources (Uses)				
Refunding bonds issued	-	6,710,000	-	-
Premium on refunding bonds	-	168,077	-	-
Payment to refunded bonds escrow agent	-	(6,758,103)	-	-
Transfers in	320,644	127,581	-	-
Transfers (out)	(1,170,861)	-	-	-
Capital lease proceeds	-	-	-	-
Sale of capital assets	237,071	-	-	-
Total Other Financing Sources (Uses)	(613,146)	247,555	-	-
Net Change in Fund Balances	214,672	(1,442)	372,429	-
Beginning fund balances	3,948,555	21,616	1,303,900	-
Ending Fund Balances	\$ 4,163,227	\$ 20,174	\$ 1,676,329	\$ -

See Notes to Financial Statements.

<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 3,295,680
-	6,655,949
231,192	231,192
-	970,457
-	86,498
-	378,825
30,748	749,931
-	1,187,452
259,164	2,524,557
-	151,170
348	6,018
-	199,729
521,452	16,437,458
217,461	3,361,964
261,222	3,998,842
37,281	3,069,026
-	409,699
-	379,456
-	3,225,317
681,424	681,424
45,334	530,334
-	551,416
1,242,722	16,207,478
(721,270)	229,980
-	6,710,000
-	168,077
-	(6,758,103)
695,429	1,143,654
(448,225)	(1,619,086)
287,058	287,058
68,819	305,890
603,081	237,490
(118,189)	467,470
1,058,151	6,332,222
\$ 939,962	\$ 6,799,692

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

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

Net changes in fund balances - total governmental funds	\$	467,470
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		2,270,113
Depreciation expense		(1,672,828)
<p>The Statement of Activities reports losses arising from the trade-in or sale of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gains or loss on trade-ins of capital assets.</p>		
		(90,394)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		6,898
<p>The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Refunding bonds issuance		(6,710,000)
Capital lease issuance		(287,058)
Payment to refund bond escrow agent		6,625,000
Principal expenditures		530,334
Amortization of deferred amounts		(35,616)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Accrued interest		(2,882)
Compensated absences		(11,032)
<p>Internal service funds are used by management to charge the costs of insurance and facility maintenance to individual funds. The net revenue is reported with governmental activities.</p>		
		309,004
Change in Net Position of Governmental Activities	\$	<u>1,399,009</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2014

	Emergency Medical Services	Municipal Drainage Utility	Business-Type Activities Total Proprietary Funds	Governmental Activities Internal Service
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ 338,794	\$ 338,794	\$ 309,012
Receivables, net	61,199	32,279	93,478	-
Due from component unit	215,106	-	215,106	-
Total Current Assets	<u>276,305</u>	<u>371,073</u>	<u>647,378</u>	<u>309,012</u>
Capital assets:				
Vehicles and heavy equipment	307,393	-	307,393	-
Less: accumulated depreciation	(202,538)	-	(202,538)	-
Total Capital Assets, Net of Accumulated Depreciation	<u>104,855</u>	<u>-</u>	<u>104,855</u>	<u>-</u>
Total Assets	<u>381,160</u>	<u>371,073</u>	<u>752,233</u>	<u>309,012</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	87,157	11,430	98,587	-
Due to other funds	311,740	-	311,740	-
Compensated absences due in one year	6,269	-	6,269	-
Total Current Liabilities	<u>405,166</u>	<u>11,430</u>	<u>416,596</u>	<u>-</u>
Noncurrent liabilities:				
Compensated absences due in more than one year	696	-	696	-
Total Noncurrent Liabilities	<u>696</u>	<u>-</u>	<u>696</u>	<u>-</u>
Total Liabilities	<u>405,862</u>	<u>11,430</u>	<u>417,292</u>	<u>-</u>
Net Position				
Net investment in capital assets	104,855	-	104,855	-
Unrestricted	(129,557)	359,643	230,086	309,012
Total Net Position	<u>\$ (24,702)</u>	<u>\$ 359,643</u>	<u>\$ 334,941</u>	<u>\$ 309,012</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Emergency Medical Services	Municipal Drainage Utility	Business-Type Activities Total Proprietary Funds	Governmental Activities Internal Service
<u>Operating Revenues</u>				
Charges for services	\$ 560,976	\$ 353,646	\$ 914,622	\$ 741,940
Operating grants and contributions	236,729	-	236,729	-
Total Operating Revenues	797,705	353,646	1,151,351	741,940
<u>Operating Expenses</u>				
General and administrative	512,934	191,377	704,311	741,940
Supplies and materials	49,413	17,379	66,792	-
Contractual and professional services	52,289	47,661	99,950	-
Repairs and maintenance	35,047	40,920	75,967	-
Insurance claims and expenses	6,721	-	6,721	-
Other operating expenses	35,604	8,282	43,886	-
Depreciation	43,272	-	43,272	-
Total Operating Expenses	735,280	305,619	1,040,899	741,940
Operating Income	62,425	48,027	110,452	-
<u>Nonoperating Revenues</u>				
Investment earnings	-	-	-	4
Total Nonoperating Revenues	-	-	-	4
Income Before Transfers	62,425	48,027	110,452	4
<u>Other Financing Sources (Uses)</u>				
Transfers in	211,432	-	211,432	309,000
Transfers (out)	-	(45,000)	(45,000)	-
Total Other Financing Sources (Uses)	211,432	(45,000)	166,432	309,000
Change in Net Position	273,857	3,027	276,884	309,004
Beginning net position	(298,559)	356,616	58,057	8
Ending Net Position	\$ (24,702)	\$ 359,643	\$ 334,941	\$ 309,012

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Emergency Medical Services	Municipal Drainage Utility	Business-Type Activities Total Proprietary Funds	Governmental Activities Internal Service
<u>Cash Flows from Operating Activities</u>				
Receipts from customers and users	\$ 728,174	\$ 553,956	\$ 1,282,130	\$ 741,940
Payments to suppliers	(344,395)	(117,035)	(461,430)	(741,940)
Payments to employees	(516,300)	(191,377)	(707,677)	-
Net Cash Provided (Used) by Operating Activities	<u>(132,521)</u>	<u>245,544</u>	<u>113,023</u>	<u>-</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Transfers in from other funds	211,432	-	211,432	309,000
Transfer to other funds	-	(45,000)	(45,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>211,432</u>	<u>(45,000)</u>	<u>166,432</u>	<u>309,000</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Acquisition and construction of capital assets	(78,911)	-	(78,911)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(78,911)</u>	<u>-</u>	<u>(78,911)</u>	<u>-</u>
<u>Cash Flows from Investing Activities</u>				
Interest on investments	-	-	-	4
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>
Net Increase in Cash and Cash Equivalents	-	200,544	200,544	309,004
Beginning cash and cash equivalents	-	138,250	138,250	8
Ending Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 338,794</u>	<u>\$ 338,794</u>	<u>\$ 309,012</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>				
Operating income	\$ 62,425	\$ 48,027	\$ 110,452	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	43,272	-	43,272	-
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in:				
Accounts receivable	(24,042)	(2,293)	(26,335)	-
Due from component units	(45,489)	-	(45,489)	-
Due from other funds	-	202,603	202,603	-
Increase (Decrease) in:				
Accounts payable and accrued liabilities	29,803	(2,793)	27,010	-
Due to other funds	(195,124)	-	(195,124)	-
Compensated absences	(3,366)	-	(3,366)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (132,521)</u>	<u>\$ 245,544</u>	<u>\$ 113,023</u>	<u>\$ -</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2014

	Dickinson Economic Development Corporation	Dickinson Management District No. 1	Dickinson Education Finance Corporation	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 536,324	\$ 626,743	\$ -	\$ 1,163,067
Investments	500,000	-	-	500,000
Due from primary government	113,612	-	-	113,612
Receivables, net	248,877	477,824	-	726,701
	<u>1,398,813</u>	<u>1,104,567</u>	<u>-</u>	<u>2,503,380</u>
Capital assets:				
Non-depreciable	4,597,984	-	-	4,597,984
Net depreciable	29,205	-	-	29,205
	<u>4,627,189</u>	<u>-</u>	<u>-</u>	<u>4,627,189</u>
Total Assets	<u>6,026,002</u>	<u>1,104,567</u>	<u>-</u>	<u>7,130,569</u>
<u>Liabilities</u>				
Accounts payable and accrued liabilities	7,000	370,211	-	377,211
Due to primary government	261,500	275,618	-	537,118
	<u>268,500</u>	<u>645,829</u>	<u>-</u>	<u>914,329</u>
Noncurrent liabilities:				
Long-term liabilities due within one year	151,674	-	-	151,674
Long-term liabilities due in more than one year	1,567,586	-	-	1,567,586
	<u>1,719,260</u>	<u>-</u>	<u>-</u>	<u>1,719,260</u>
Total Liabilities	<u>1,987,760</u>	<u>645,829</u>	<u>-</u>	<u>2,633,589</u>
<u>Net Position</u>				
Net investment in capital assets	2,907,929	-	-	2,907,929
Restricted	1,130,313	458,738	-	1,589,051
Total Net Position	<u>\$ 4,038,242</u>	<u>\$ 458,738</u>	<u>\$ -</u>	<u>\$ 4,496,980</u>

See Notes to Financial Statements.

CITY OF DICKINSON, TEXAS
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Dickinson Economic Development Corporation	Dickinson Management District No. 1
Component Units				
Dickinson Economic Development Corporation	\$ 1,001,455	\$ 12,460	\$ (988,995)	\$ -
Dickinson Management District No. 1	2,218,969	-	-	(2,218,969)
Dickinson Education Finance Corporation	-	-	-	-
Total Component Units	<u>\$ 3,220,424</u>	<u>\$ 12,460</u>	<u>(988,995)</u>	<u>(2,218,969)</u>
General Revenues:				
Taxes				
Sales taxes			1,331,123	2,597,973
Investment earnings			5,303	-
Total General Revenues			<u>1,336,426</u>	<u>2,597,973</u>
Change in Net Position			347,431	379,004
Beginning net position			3,690,811	79,734
Ending Net Position			<u>\$ 4,038,242</u>	<u>\$ 458,738</u>

See Notes to Financial Statements.

Net (Expense)	
Revenue and	
Changes in	
Net Position	
Dickinson	Total
Education	
Finance	
Corporation	
\$ -	\$ (988,995)
-	(2,218,969)
-	-
-	(3,207,964)
-	3,929,096
-	5,303
-	3,934,399
-	726,435
-	3,770,545
\$ -	\$ 4,496,980

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Village of Dickinson, Texas was incorporated by virtue of an election in August 1977. The Village of Dickinson, Texas became the City of Dickinson, Texas (the "City") in December 1982. The City operates under a Council – Mayor form of government. The Mayor and six Council Members are elected from the City at large serving three-year terms. The City Council is the principal legislative body of the City. The City Administrator, City Prosecutor, Municipal Court Judge, Police Chief, and City Secretary are appointed by City Council. The City Administrator is responsible for appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget. The Mayor presides at meetings of the City Council and can vote only in the case of a tie vote.

The City provides the following services: public safety, public works, culture and recreation, economic development, community development, emergency medical services, drainage, and general government administration. Fire protection is provided through a volunteer department.

The City is an independent political subdivision of the State and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, as listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is a legally separate entity, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Dickinson Economic Development Corporation

Dickinson Economic Development Corporation (the "Corporation") is a not-for-profit corporation established for the specific purpose of economic development with the City through the use of dedicated sales tax revenues. The Board members of the Corporation are approved by City Council, as is the annual budget.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Dickinson Management District No. 1

Dickinson Management District No. 1 (the “District”) was created for the purposes of managing and financing improvement projects and/or services benefiting the District. These activities include maintenance and beautification of the area; development and/or expansion of transportation and commerce; promotion of health, safety, and welfare of the City; and general and administrative costs. The Board members of the District are appointed by City Council.

Dickinson Education Finance Corporation

The Dickinson Education Finance Corporation (DEFC) was organized exclusively for the purpose of financing or refinancing educational facilities. The members of the Board are appointed by the City Council.

Blended Component Unit

Bayou Lakes Public Improvement District No. 1

Bayou Lakes Public Improvement District No. 1 (the “PID No. 1”) has been included in the reporting entity as a blended component unit. The PID No. 1 was created to promote the interests of the City that has undertaken an improvement project that confers a special benefit on a definable part of the City. This improvement project includes landscaping; lighting and signs; and construction and improvement of water, wastewater, and drainage.

The City reimburses a developer for the costs of creating and operating the PID No. 1 from assessments collected from homeowners. The City charges the PID No. 1 a fee for administration and operating expenses and audit.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City’s water and wastewater functions and various other functions of the City. Elimination of these

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its blended component unit. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, community development, and economic development. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of bonds, other debt instruments, contributions, and auction proceeds, as well as related interest earnings for capital improvement projects. The capital projects funds are considered nonmajor funds for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The street maintenance fund and CDBG disaster recovery fund are included as major funds. Nonmajor special revenue funds include special revenue and grants, VOCA, COPS 2010, and Bayou Lakes PID No. 1.

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide emergency medical services and municipal drainage services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise funds are considered major funds for reporting purposes.

Additionally, the City reports the following fund type:

Internal service funds account for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The employee benefit fund is used to account for insurance provided to City employees. The building maintenance fund is used to account for facility maintenance costs.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

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

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

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

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

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash and investments account for all funds of the City. Each fund's positive equity in the pooled cash account is presented as cash and cash equivalents or investments. Interest income is allocated to each respective individual fund monthly based on their representative fund balances.

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Obligations of the U.S. Treasury
- Fully collateralized certificates of deposit and money market accounts with local depository banks
- Local government investment pools
- Repurchase agreements

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, vehicle, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Buildings and improvements	40 years
Furniture and fixtures	3 to 20 years
Machinery and equipment	5 to 20 years
Vehicles	5 years
Streets and sidewalks	30 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide State of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time. Vacation benefits are earned based on the employees' years of service with the City. Vacation and compensatory time amounts accumulated may be paid to employees upon termination of employment or at retirement up to a certain amount. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

will pay it when it becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

7. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

In fiscal year 2014-2015, the City Council set a policy of maintaining the same M&O and I&S rates moving forward. To carry out this policy, a transfer of \$262,000 was made from the general fund to the debt service fund. This amount was designed to cover any shortfall in revenues in the debt service fund that would lead to a shift in the M&O and I&S rates. By using the supplemental funds to offset any revenue shortfalls, the rates can remain constant at their FY 2014-2015 rates.

8. Net Position Flow Assumption

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

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Nonspendable fund balance represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance represents amount that are constrained by external parties, constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Estimates

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

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied on October 1 of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a budget basis. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control, as defined by the charter, in the approved budget is the department level. The City Administrator may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year. Encumbrance accounting is not utilized.

B. Budget/GAAP Reconciliation

The City has elected to present the annual budget on a basis of accounting which differs from generally accepted accounting principles (GAAP basis) because of perspective differences. Perspective differences result from the City's intentional use of fund balance which appears as a revenue source when shown under budget basis. For budgeting purposes, the City prefers to show the draw downs on fund balance as a revenue source to reflect their intentional use. Therefore, the actual column presented in the budget to actual comparison has been adjusted to the City's budget basis of accounting to provide a meaningful comparison of actual results with the budget. Adjustments necessary to convert results of operations for the general fund for the year ended September 30, 2014 from budget basis to GAAP basis are presented in the notes to RSI.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

C. Expenditures in Excess of Appropriations

General fund	
Library	\$5,861
Debt service fund	
Interest and fiscal charges	\$119,974
Payment to refunding bonds escrow agent	\$6,758,103
Special revenue and grants fund	
Public works	\$37,281
VOCA fund	
Public safety	\$3,310
COPS 2010 fund	
Public safety	\$6,717

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of year end, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 1,004,771	0.00
Certificates of deposit	718,998	0.30
Total Fair Value	<u>\$ 1,723,769</u>	
Portfolio weighted average maturity		0.13

Interest rate risk. In accordance with the City investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations.

Credit risk. The City's investment policy limits investments in money market mutual funds rated as to investment quality not less than "AAA" by at least one nationally recognized rating service. As of September 30, 2014, the City's investment in TexPool was rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

Concentration of credit risk. To guard against default possibilities and to assure diversification of bidders, business with any one issuer or investment broker should be limited to 40 percent of the total portfolio at any point in time.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2014, the bank balances were \$5,704,295, of which \$1,370,821 was insured by FDIC. The market values of pledged securities were \$6,779,855.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool "AAAm." As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

B. Receivables

The following comprise receivable balances at year end:

		Governmental Funds					
		General	Debt Service	Street Maintenance	CDBG Disaster Recovery	Other Governmental	Total Governmental Funds
Property taxes	\$	204,208	\$ 53,758	\$ -	\$ -	\$ -	\$ 257,966
Sales taxes		977,468	-	244,367	-	-	1,221,835
Other		484,658	-	-	-	58,365	543,023
Grants		-	-	-	18,568	5,157	23,725
Less allowance		(10,209)	(2,688)	-	-	-	(12,897)
	\$	<u>1,656,125</u>	<u>\$ 51,070</u>	<u>\$ 244,367</u>	<u>\$ 18,568</u>	<u>\$ 63,522</u>	<u>\$ 2,033,652</u>
		Proprietary Funds					
		Emergency Medical Services	Municipal Drainage Utility			Total Proprietary Funds	
Accounts	\$	1,096,653	\$ 32,279			\$ 1,128,932	
Less allowance		(1,035,454)	-			(1,035,454)	
	\$	<u>61,199</u>	<u>\$ 32,279</u>			<u>\$ 93,478</u>	
		Component Units					
		Dickinson Economic Development Corporation	Dickinson Management District No. 1			Total Component Units	
Accounts	\$	4,500	\$ -			\$ 4,500	
Sales taxes		244,377	477,824			722,201	
	\$	<u>248,877</u>	<u>\$ 477,824</u>			<u>\$ 726,701</u>	

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year end is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 909,825	\$ 925,186	\$ (237,071)	\$ 1,597,940
Construction in progress	133,101	902,626	(867,155)	168,572
Total Capital Assets Not Being Depreciated	1,042,926	1,827,812	(1,104,226)	1,766,512
Other capital assets:				
Buildings and improvements	12,823,159	-	-	12,823,159
Vehicles and heavy equipment	2,315,569	392,314	(259,788)	2,448,095
Furniture and fixtures	1,096,719	287,058	-	1,383,777
Infrastructure	33,283,464	867,155	(165,327)	33,985,292
Total Other Capital Assets	49,518,911	1,546,527	(425,115)	50,640,323
Less accumulated depreciation for:				
Buildings and improvements	(1,959,111)	(321,654)	-	(2,280,765)
Vehicles and heavy equipment	(1,447,192)	(236,857)	171,806	(1,512,243)
Furniture and fixtures	(600,227)	(114,591)	-	(714,818)
Infrastructure	(17,235,936)	(999,726)	162,915	(18,072,747)
Total Accumulated Depreciation	(21,242,466)	(1,672,828)	334,721	(22,580,573)
Other capital assets, net	28,276,445	(126,301)	(90,394)	28,059,750
Governmental Activities Capital Assets, Net	\$ 29,319,371	\$ 1,701,511	\$ (1,194,620)	29,826,262
			Less associated debt	(10,416,951)
			Net Investment in Capital Assets	\$ 19,409,311

Depreciation was charged to governmental functions as follows:

General government	\$ 267,017
Public safety	240,969
Public works	1,146,665
Culture and recreation	4,578
Community development	13,599
Total Governmental Activities Depreciation Expense	\$ 1,672,828

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

The City has active governmental activities construction projects as of September 30, 2014. The projects include:

<u>Project Description</u>	<u>Total in Progress</u>	<u>Remaining Commitment</u>
48th Street	\$ 32,862	\$ 55,161
Avenue L	13,947	354,175
Dakota	27,456	159,515
Desel Dr.	7,012	161,054
MLK Blvd.	8,646	44,236
	<u>\$ 89,923</u>	<u>\$ 774,141</u>

The following is a summary of changes in capital assets for business-type activities for the year ended September 30, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Other capital assets:				
Vehicles and heavy equipment	\$ 228,482	\$ 42,227	\$ -	\$ 270,709
Furniture and fixtures	-	36,684	-	36,684
Total Other Capital Assets	<u>228,482</u>	<u>78,911</u>	<u>-</u>	<u>307,393</u>
Less accumulated depreciation for:				
Vehicles and heavy equipment	(159,266)	(42,592)	-	(201,858)
Furniture and fixtures	-	(680)	-	(680)
Total Accumulated Depreciation	<u>(159,266)</u>	<u>(43,272)</u>	<u>-</u>	<u>(202,538)</u>
Other capital assets, net	69,216	35,639	-	104,855
Business-Type Activities Capital Assets, Net	<u>\$ 69,216</u>	<u>\$ 35,639</u>	<u>\$ -</u>	<u>\$ 104,855</u>

Depreciation was charged to business-type functions as follows:

Emergency medical services	\$ 43,272
Total Business-Type Activities Depreciation Expense	<u>\$ 43,272</u>

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

The following is a summary of changes in capital assets for the Dickinson Economic Development Corporation (a discretely presented component unit) for the year ended September 30, 2014:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Dickinson Economic Development Corporation:				
Capital assets not being depreciated:				
Land	\$ 1,622,596	\$ 2,975,388	\$ -	\$ 4,597,984
Total Capital Assets Not Being Depreciated	<u>1,622,596</u>	<u>2,975,388</u>	<u>-</u>	<u>4,597,984</u>
Other capital assets:				
Furniture and fixtures	-	29,205	-	29,205
Total Other Capital Assets	<u>-</u>	<u>29,205</u>	<u>-</u>	<u>29,205</u>
Dickinson Economic Development Corporation Capital Assets, Net	<u>\$ 1,622,596</u>	<u>\$ 3,004,593</u>	<u>\$ -</u>	<u>\$ 4,627,189</u>

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2014. In general, the City uses the general and debt service funds to liquidate long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 1,960,000	\$ 6,710,000	\$ 110,000	\$ 8,560,000 *	\$ 110,000
Certificates of obligation	8,450,000	-	7,000,000	1,450,000 *	395,000
Discount/premium	(3,492)	168,077	(642)	165,227 *	-
Capital lease	-	287,058	45,334	241,724 *	36,922
Total Bonds Payable	<u>10,406,508</u>	<u>7,165,135</u>	<u>7,154,692</u>	<u>10,416,951</u>	<u>541,922</u>
Compensated absences	197,463	231,723	220,691	208,495	187,646
Total Governmental Activities	<u>\$ 10,603,971</u>	<u>\$ 7,396,858</u>	<u>\$ 7,375,383</u>	<u>\$ 10,625,446</u>	<u>\$ 729,568</u>
				<u>\$ 9,895,878</u>	
				<u>*Debt associated with capital assets</u>	<u>\$ 10,416,951</u>
Business-Type Activities:					
Compensated absences	\$ 10,331	\$ 4,947	\$ 8,313	\$ 6,965	\$ 6,269
Total Business-Type Activities	<u>\$ 10,331</u>	<u>\$ 4,947</u>	<u>\$ 8,313</u>	<u>\$ 6,965</u>	<u>\$ 6,269</u>
				<u>\$ 696</u>	

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

The following is a summary of changes in the Dickinson Economic Development Corporation's (a discretely presented component unit) total long-term liabilities for the year ended September 30, 2014.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Dickinson Economic Development Corporation:					
Note payable	\$ -	\$ 1,840,000	\$ 120,740	\$ 1,719,260	\$ 151,674
Total Dickinson Economic Development Corporation	<u>\$ -</u>	<u>\$ 1,840,000</u>	<u>\$ 120,740</u>	<u>\$ 1,719,260</u>	<u>\$ 151,674</u>
				<u>\$ 1,567,586</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Long-term governmental and discretely presented component unit debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rates (%)</u>	<u>Balance</u>
<u>Governmental Activities</u>		
General obligation bonds:		
Series 2009 refunding	3.000-4.900	\$ 1,850,000
Series 2014 refunding	2.000-3.000	6,710,000
Total General Obligation		<u>8,560,000</u>
Certificates of obligation:		
Series 2006	4.125-5.000	\$ 120,000
Series 2007	3.750-5.250	275,000
Series 2009	3.000-4.900	1,055,000
Total Certificates of Obligation		<u>1,450,000</u>
Capital lease		
Dispatch console	3.480	\$ 241,724
Total Governmental Activities		<u>\$ 10,251,724</u>
<u>Dickinson Economic Development Corporation</u>		
Note payable:		
Note - Sussan property	5.000	\$ 1,719,260

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

The annual requirements to amortize governmental debt issues outstanding at year end are as follows:

Year Ending Sept. 30	General Obligation Bonds		Certificates of Obligation		Capital Lease		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 110,000	\$ 251,510	\$ 395,000	\$ 60,914	\$ 36,922	\$ 8,412	\$ 541,922	\$ 320,836
2016	585,000	231,495	-	50,695	38,207	7,127	623,207	289,317
2017	595,000	217,895	-	50,695	39,537	5,797	634,537	274,387
2018	610,000	203,983	-	50,695	40,913	4,421	650,913	259,099
2019	625,000	189,520	-	50,695	42,336	2,998	667,336	243,213
2020-2024	3,045,000	727,390	-	253,475	43,809	1,525	3,088,809	982,390
2025-2029	2,635,000	307,055	675,000	222,163	-	-	3,310,000	529,218
2030	355,000	8,698	380,000	9,310	-	-	735,000	18,008
Total	\$ 8,560,000	\$ 2,137,546	\$ 1,450,000	\$ 748,642	\$ 241,724	\$ 30,280	\$ 10,251,724	\$ 2,916,468

The annual requirements to amortize the Dickinson Economic Development Corporation's (a discretely presented component unit) debt issues outstanding at year end are as follows:

Year Ending Sept. 30	Note Payable	
	Principal	Interest
2015	\$ 151,674	\$ 82,518
2016	159,434	74,759
2017	167,591	66,602
2018	176,165	58,027
2019	185,178	49,014
2020-2024	879,218	96,587
	\$ 1,719,260	\$ 427,507

Certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment is from taxes levied on all taxable property located within the City.

Advance Refunding

In 2014, the City defeased combination tax and revenue certificates of obligations, series 2006 in the amount of \$2,010,000 and combination tax and revenue certificates of obligations, series 2007 in the amount of \$4,615,000 by placing proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. The reacquisition prices exceeded the net carrying amount of the old debt by \$133,103. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued. This refunding was undertaken to reduce total debt service payments over the next 13 years by \$637,656 and resulted in an economic gain of \$547,722.

Dickinson Economic Development Corporation (the "Corporation") agreed to pay a portion of the series 2000 certificates of obligation (subsequently refunded with the Series 2009 refunding general obligation bonds). During the fiscal year ending September 30, 2014, \$64,205 was remitted by the Corporation to the debt service fund. The agreement extends through fiscal year 2021.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Nonmajor governmental	General	\$ 320,644
Nonmajor governmental	Debt service	127,581
General	Nonmajor governmental	650,429
General	Emergency medical services	211,432
General	Building maintenance	309,000
Drainage	Nonmajor governmental	45,000
		<u>\$ 1,664,086</u>

Amounts transferred between funds related to amounts collected by the general, drainage, and other nonmajor governmental funds for various governmental expenditures and debt payments.

Interfund receivables and payables between the primary government funds during the year were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt service	\$ 235,946
General	Emergency medical services fund	311,740
General	CDBG Disaster Recovery	370,576
General	Nonmajor governmental	50,045
Debt service	General	7,045
Nonmajor governmental	Nonmajor governmental	4,566
CDBG Disaster Recovery	Nonmajor governmental	591
CDBG Disaster Recovery	General	366,530
Street maintenance	General	113,622
		<u>\$ 1,460,661</u>

Amounts recorded as "due to/from" are considered to be temporary loans and will be repaid during the following year.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

F. Fund Equity

As of September 30, 2014, \$304,894 of the City's total fund balance is restricted by enabling legislation.

Change in Beginning Fund Balance/Net Position Restatement

The beginning fund balance of the general fund has been restated for the purchase of land that should have been recognized as capital outlay in the prior year. The beginning net position for governmental activities and the Dickinson Economic Development Corporation (the "Corporation") have been restated for land that was sold and deeded from the City to the Corporation.

	General	Governmental Activities	Dickinson Economic Development Corporation
Beginning fund balance/net position	\$ 4,180,626	\$ 27,105,459	\$ 1,836,144
Restatement - Corporation land recognized in governmental activities	-	(1,622,596)	1,622,596
Restatement - Land receivable/payable	(232,071)	(232,071)	232,071
Restated beginning fund balance/net position	\$ 3,948,555	\$ 25,250,792	\$ 3,690,811

Negative Net Position

As of September 30, 2014, the emergency medical services fund had a negative net position balance in the amount of \$24,702.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with over 2,700 other entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in several lawsuits. Although the outcome of the lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

C. Pension Plans

Texas Municipal Retirement System

Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information for TMRS. The report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained from the TMRS website at www.TMRS.com.

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

	<u>2014</u>	<u>2013</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service requirement eligibility (expressed as age/yr(s) of service)	60/10, 0/20	60/10, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

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

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

The City contributes to TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Three-year trend information for the annual pension cost (APC) is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 402,735	\$ 402,735	100.00%	\$ -
2013	\$ 362,154	\$ 362,154	100.00%	\$ -
2014	\$ 346,983	\$ 346,983	100.00%	\$ -

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	30.0 Years - Closed period	20.8 Years - Closed period	21.8 Years - 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 age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	0.0%	0.0%	0.0%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

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

	2014
Actuarial Valuation Date	12/31/2013
Actuarial Value of Assets	\$ 11,208,178
Actuarial Accrued Liability	\$ 12,249,479
Percentage Funded	91.5%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,041,301
Annual Covered Payroll	\$ 4,250,594
UAAL as a Percentage of Covered Payroll	24.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

Texas Emergency Services Retirement System

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2014, the System membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,073
Terminated Members Entitled to Benefits but Not Yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	<u>4,036</u>
	9,270

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50 percent vested after the tenth year of service, with the vesting percent increasing 10 percent for each

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

of the next five years of service so that a member becomes 100 percent vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as if August 31, 2014, the Part Two contribution rate was zero percent, since the first actuarial valuation report after the adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments has a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather the minimum contribution provisions are set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, the total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,530,343 for the fiscal year ending August 31, 2014.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contribution both from the governing body of each participating department and from the State. The expected contributions from the State are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014, the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	8/31/2014
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with an 80%/120% corridor on market value
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases	N/A
*Includes inflation at	3.50%
Cost of living adjustments	None

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

A report may be obtained by writing the Office of the Fire Fighters' Pension Commissioner, P.O. Box 12577, Austin, TX 78711-2577.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

D. Other Post Employment Benefits

TMRS Supplemental Death Benefit Fund

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2014, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

The City's contributions to the TMRS SDBF for the fiscal years ending 2014, 2013 and 2012 were \$416, \$437 and \$448, respectively which equaled the required contributions each year. The City's contribution rates for the past three years are shown below:

	2014	2013	2012
Annual Req. Contrib. (Rate)	0.01%	0.01%	0.01%
Actual Contribution Made	0.01%	0.01%	0.01%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with the Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use other than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal laws. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with generally accepted government accounting standards, the assets of the Plan have not been included in the City's financial statements.

CITY OF DICKINSON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

F. Dickinson Education Finance Corporation Conduit Debt

The Dickinson Education Finance Corporation (DEFC) issues bonds to finance or refinance educational facilities. The borrower receives a more favorable interest rate and the DEFC receives a fee for issuing these bonds. These bonds are limited obligations of the DEFC since they are payable solely from revenues received from the borrower pursuant to a loan agreement by and between the DEFC and the borrower. The debt is further secured by a deed of trust on certain real property of the borrower securing payment under such loan agreements. Therefore, the DEFC has no responsibility for the payment of this debt. The loan agreements and bonds payable have not been recorded in the financial statements of the City. As of September 30, 2014, the total amount of outstanding conduit debt is \$19,617,624.

G. Chapter 380 Economic Development Agreements

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs to promote state or local economic development and to stimulate business and commercial activity in the municipality. The City has entered into Chapter 380 Economic Development Agreements with five large businesses. Each business agreed to establish and maintain an office in the City that generates substantial taxable sales. Each agreement is for a term of ten years, and will be automatically extended for two additional ten-year periods. The City will remit back to the businesses 60 percent of sales tax revenues for the first three to five years, at which point the percentage increases to 66.66 percent through the remainder of the agreements, including the two additional ten-year terms. Each business is subject to a minimum annual taxable sales amount ranging from \$5 million to \$15 million. Should any business fail to meet that threshold, the City has the option to terminate the agreement. During the current fiscal year, the City made payments of \$3,043,422 related to these agreements.

The City has entered into Chapter 380 Economic Development Agreement with another business. The business agreed to establish and maintain an office in the City that generates substantial taxable sales. The agreement is for a term of ten years, and will be automatically extended for two additional ten-year periods. If the taxable sales threshold is met, the City will remit back to the business 50 percent of sales tax revenues collected for that month.

The City entered into a Chapter 380 Economic Development Agreement with another business. The agreement is for a ten year term. This business agreed to expend no less than \$8,000,000 on the construction of a new 85,000 gross square-foot building. This business has also agreed to comply with the employment requirements for entire term of the agreement. The City will remit back to the business 50 percent of the real and business personal property tax increment. This business agreed to generate substantial taxable sales. If the taxable sales threshold is met, the City agreed to remit 50 percent of the sales tax revenues collected for that month.

During the current fiscal year, the City made payments of \$3,043,422 related to the agreements noted above.

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DICKINSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (BUDGET BASIS) (Page 1 of 2)
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<u>Revenues</u>				
Property taxes	\$ 2,661,103	\$ 2,686,103	\$ 2,659,595	\$ (26,508)
Sales taxes	6,072,985	7,720,794	5,324,836	(2,395,958)
Franchise fees	915,073	921,073	970,457	49,384
Other taxes	66,900	74,900	86,498	11,598
Licenses and permits	284,210	336,590	378,825	42,235
Fines and forfeitures	778,400	716,100	719,183	3,083
Charges for services	1,131,109	1,147,106	1,187,452	40,346
Intergovernmental	280,182	1,431,162	747,148	(684,014)
Investment income	9,500	4,000	4,725	725
Other revenues	48,500	62,186	199,729	137,543
Total Revenues	<u>12,247,962</u>	<u>15,100,014</u>	<u>12,278,448</u>	<u>(2,821,566)</u>
<u>Use of Fund Balance</u>				
Tree replacement reserve	5,000	5,000	5,000	-
Use of beginning fund balance	-	1,178,000	1,178,000	-
Total Use of Fund Balance	<u>5,000</u>	<u>1,183,000</u>	<u>1,183,000</u>	<u>-</u>
<u>Expenditures</u>				
General government:				
General government	1,692,047	2,677,996	2,663,927	14,069
Finance	179,797	193,581	183,106	10,475
Information technology	290,109	315,809	297,470	18,339
Public safety:				
Municipal court	251,396	269,788	264,640	5,148
Law enforcement	3,459,609	3,300,406	3,231,200	69,206
Public safety	196,171	181,949	170,051	11,898
Emergency management	74,239	77,633	71,729	5,904
Public works	594,370	629,017	554,035	74,982
Culture and recreation:				
Library	296,870	322,671	328,532	(5,861) *
Tourism and museum	81,442	87,532	81,167	6,365
Community development	379,586	406,635	379,456	27,179
Economic development	4,674,467	5,920,760	3,225,317	2,695,443
Total Expenditures	<u>12,170,103</u>	<u>14,383,777</u>	<u>11,450,630</u>	<u>2,933,147</u>
Excess of Revenues Over Expenditures	<u>82,859</u>	<u>1,899,237</u>	<u>2,010,818</u>	<u>111,581</u>

CITY OF DICKINSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (BUDGET BASIS) (Page 2 of 2)
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<u>Other Financing</u>				
<u>Sources (Uses)</u>				
Transfers in	19,500	19,500	320,644	301,144
Transfers out	(82,320)	(1,222,663)	(1,170,861)	51,802
Sale of capital assets	-	-	237,071	237,071
Total Other Financing (Uses)	(62,820)	(1,203,163)	(613,146)	590,017
Net Change in Fund Balance	\$ 20,039	\$ 696,074	1,397,672	\$ 701,598

Notes to Required Supplementary Information:

1. Reconciliation of Net Change in Fund Balance (GAAP Basis)

Perspective differences:

Tree replacement reserve	(5,000)
Use of beginning fund balance	(1,178,000)

Net Change in Fund Balance (GAAP Basis) \$ 214,672

2. * Expenditures exceeded appropriations at the legal level of control.

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STREET MAINTENANCE FUND
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended		
Revenues				
Sales taxes	\$ 1,012,123	\$ 1,286,747	\$ 1,331,113	\$ 44,366
Investment earnings	200	750	781	31
Total Revenues	<u>1,012,323</u>	<u>1,287,497</u>	<u>1,331,894</u>	<u>44,397</u>
Use of Fund Balance				
Use of beginning fund balance	524,718	291,548	-	(291,548)
Total Use of Fund Balance	<u>524,718</u>	<u>291,548</u>	<u>-</u>	<u>(291,548)</u>
Expenditures				
Current:				
Public works	1,537,041	1,537,041	959,465	577,576
Total Expenditures	<u>1,537,041</u>	<u>1,537,041</u>	<u>959,465</u>	<u>577,576</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 42,004</u>	372,429	<u>\$ 330,425</u>
Beginning fund balance			1,303,900	
Ending Fund Balance			<u>\$ 1,676,329</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF DICKINSON, TEXAS

SCHEDULE OF FUNDING PROGRESS

TEXAS MUNICIPAL RETIREMENT SYSTEM

September 30, 2014

The City's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the City makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the City's schedule of funding progress.

Fiscal Year	2014	2013	2012
Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Value of Assets	\$ 11,208,178	\$ 10,124,208	\$ 8,957,019
Actuarial Accrued Liability (AAL)	\$ 12,249,479	\$ 11,109,709	\$ 10,110,559
Percentage Funded	91.5%	91.1%	88.6%
Unfunded AAL (UAAL)	\$ 1,041,301	\$ 985,501	\$ 1,153,540
Annual Covered Payroll	\$ 4,250,594	\$ 4,511,467	\$ 4,398,735
UAAL % of Covered Payroll	24.5%	21.8%	26.2%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	346,983	362,154	402,735
Contributions Made	346,983	362,154	402,735
NPO at the End of Period	\$ -	\$ -	\$ -

CITY OF DICKINSON, TEXAS
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
For the Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (1) (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered [(b-a)/c]
8/31/10 (3)	\$ 64,113,803	\$ 81,264,230	\$ 17,150,427	78.9%	8,644	\$ 1,984
8/31/12 (2)	\$ 67,987,487	\$ 101,856,042	\$ 33,868,555	66.7%	9,448	\$ 3,585
8/31/14	\$ 83,761,038	\$ 109,854,799	\$ 26,093,761	76.2%	9,270	\$ 2,815

(1) The actuarial accrued liability is based upon the entry age actuarial cost method.

(2) Changes in actuarial assumptions were reflected in this valuation.

(3) A change in an actuarial assumption and method was reflected in this valuation.

(This page intentionally left blank.)

***COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES***

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Budget as Amended		
Revenues				
Property taxes	\$ 637,154	\$ 641,154	\$ 636,085	\$ (5,069)
Contributions	151,170	151,170	151,170	-
Investment earnings	100	150	164	14
Total Revenues	788,424	792,474	787,419	(5,055)
Expenditures				
Current:				
Principal	485,000	485,000	485,000	-
Interest and fiscal charges	430,041	431,442	551,416	(119,974) *
Total Expenditures	915,041	916,442	1,036,416	(119,974)
(Deficiency) of Revenues (Under) Expenditures	(126,617)	(123,968)	(248,997)	(125,029)
Other Financing Sources (Uses)				
Refunding bonds issued	-	-	6,710,000	6,710,000
Premium on refunding bonds	-	-	168,077	168,077
Payment to refunded bonds escrow agent	-	-	(6,758,103)	(6,758,103) *
Transfers in	127,581	389,581	127,581	(262,000)
Total Other Financing Sources	127,581	389,581	247,555	(142,026)
Net Change in Fund Balance	\$ 964	\$ 265,613	(1,442)	\$ (267,055)
Beginning fund balance			21,616	
		Ending Fund Balance	\$ 20,174	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

CITY OF DICKINSON, TEXAS

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS

September 30, 2014

	Special Revenue Funds			
	Special Revenue and Grants	VOCA	COPS 2010	Bayou Lakes Public Improvement District No. 1
<u>Assets</u>				
Cash	\$ 332,589	\$ -	\$ 5,035	\$ 40,307
Receivables, net	2,675	5,157	-	3,900
Due from other funds	2,274	-	-	2,292
Total Assets	\$ 337,538	\$ 5,157	\$ 5,035	\$ 46,499
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 26,517	\$ 2,581	\$ 5,035	\$ -
Due to other funds	7,000	2,576	-	45,626
Total Liabilities	33,517	5,157	5,035	45,626
<u>Fund Balances</u>				
Restricted for:				
Capital projects	-	-	-	-
Enabling legislation	304,021	-	-	873
Total Fund Balances	304,021	-	-	873
Total Liabilities and Fund Balances	\$ 337,538	\$ 5,157	\$ 5,035	\$ 46,499

<u>Capital Projects Funds</u>		
<u>Vehicle Acquisition</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 206,669	\$ 393,800	\$ 978,400
51,790	-	63,522
-	-	4,566
<u>\$ 258,459</u>	<u>\$ 393,800</u>	<u>\$ 1,046,488</u>
\$ 2,641	\$ 14,550	\$ 51,324
-	-	55,202
<u>2,641</u>	<u>14,550</u>	<u>106,526</u>
255,818	379,250	635,068
-	-	304,894
<u>255,818</u>	<u>379,250</u>	<u>939,962</u>
<u>\$ 258,459</u>	<u>\$ 393,800</u>	<u>\$ 1,046,488</u>

CITY OF DICKINSON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	Special Revenue Funds			Bayou Lakes Public Improvement District No. 1
	Special Revenue and Grants	VOCA	COPS 2010	
Revenues				
Special assessments	\$ -	\$ -	\$ -	\$ 231,192
Fines and forfeitures	30,748	-	-	-
Intergovernmental	185,636	43,900	29,628	-
Investment earnings	103	-	-	72
Total Revenues	216,487	43,900	29,628	231,264
Expenditures				
General government	-	-	-	217,461
Public safety	104,265	55,107	101,850	-
Public works	37,281	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Total Expenditures	141,546	55,107	101,850	217,461
Excess (Deficiency) of Revenues Over (Under) Expenditures	74,941	(11,207)	(72,222)	13,803
Other Financing Sources (Uses)				
Transfers in	-	11,207	72,222	-
Transfers out	(4,500)	-	-	(15,000)
Capital lease proceeds	-	-	-	-
Sale of capital assets	-	-	-	-
Total Other Financing Sources (Uses)	(4,500)	11,207	72,222	(15,000)
Net Change in Fund Balances	70,441	-	-	(1,197)
Beginning fund balances	233,580	-	-	2,070
Ending Fund Balances	\$ 304,021	\$ -	\$ -	\$ 873

<u>Capital Projects Funds</u>		
<u>Vehicle Acquisition</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ 231,192
-	-	30,748
-	-	259,164
-	173	348
-	173	521,452
-	-	217,461
-	-	261,222
-	-	37,281
655,360	26,064	681,424
45,334	-	45,334
<u>700,694</u>	<u>26,064</u>	<u>1,242,722</u>
<u>(700,694)</u>	<u>(25,891)</u>	<u>(721,270)</u>
612,000	-	695,429
-	(428,725)	(448,225)
287,058	-	287,058
68,819	-	68,819
<u>967,877</u>	<u>(428,725)</u>	<u>603,081</u>
<u>267,183</u>	<u>(454,616)</u>	<u>(118,189)</u>
<u>(11,365)</u>	<u>833,866</u>	<u>1,058,151</u>
<u>\$ 255,818</u>	<u>\$ 379,250</u>	<u>\$ 939,962</u>

CITY OF DICKINSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (Page 1 of 2)
For the Year Ended September 30, 2014

	Special Revenue and Grants Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original Budget	Budget as Amended		
Revenues				
Fines and forfeitures	\$ 49,362	\$ 40,362	\$ 30,748	\$ (9,614)
Intergovernmental	64,938	108,963	185,636	76,673
Investment earnings	-	-	103	103
Total Revenues	114,300	149,325	216,487	67,162
Use of Fund Balance				
Use of beginning fund balance	993	993	-	(993)
Total Use of Fund Balance	993	993	-	(993)
Expenditures				
Current:				
Public safety	109,337	144,362	104,265	40,097
Public works	-	-	37,281	(37,281) *
Total Expenditures	109,337	144,362	141,546	2,816
Excess of Revenues Over Expenditures	5,956	5,956	74,941	63,353
Other Financing (Uses)				
Transfers (out)	(4,500)	(4,500)	(4,500)	-
Total Other Financing (Uses)	(4,500)	(4,500)	(4,500)	-
Net Change in Fund Balance	\$ 1,456	\$ 1,456	70,441	\$ 63,353
Beginning fund balance			233,580	
Ending Fund Balance			\$ 304,021	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

CITY OF DICKINSON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS (Page 2 of 2)
For the Year Ended September 30, 2014

	VOCA Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original Budget	Budget as Amended		
Revenues				
Intergovernmental	\$ 50,492	\$ 43,711	\$ 43,900	\$ 189
Total Revenues	<u>50,492</u>	<u>43,711</u>	<u>43,900</u>	<u>189</u>
Expenditures				
Current:				
Public safety	50,492	51,797	55,107	(3,310) *
Total Expenditures	<u>50,492</u>	<u>51,797</u>	<u>55,107</u>	<u>(3,310)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>-</u>	<u>(8,086)</u>	<u>(11,207)</u>	<u>(3,121)</u>
Other Financing Sources				
Transfers in	-	14,570	11,207	(3,121)
Total Other Financing Sources	<u>-</u>	<u>14,570</u>	<u>11,207</u>	<u>(3,121)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 6,484</u>	<u>-</u>	<u>\$ -</u>
Beginning fund balance			-	
Ending Fund Balance			<u>\$ -</u>	

	COPS 2010 Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original Budget	Budget as Amended		
Revenues				
Intergovernmental	\$ 98,255	\$ 28,558	\$ 29,628	\$ 1,070
Total Revenues	<u>98,255</u>	<u>28,558</u>	<u>29,628</u>	<u>1,070</u>
Expenditures				
Current:				
Public safety	98,255	95,133	101,850	(6,717) *
Total Expenditures	<u>98,255</u>	<u>95,133</u>	<u>101,850</u>	<u>(6,717)</u>
(Deficiency) of Revenues (Under) Expenditures	<u>-</u>	<u>(66,575)</u>	<u>(72,222)</u>	<u>(5,647)</u>
Other Financing Sources				
Transfers in	-	14,570	72,222	57,652
Total Other Financing Sources	<u>-</u>	<u>14,570</u>	<u>72,222</u>	<u>57,652</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (52,005)</u>	<u>-</u>	<u>\$ 52,005</u>
Beginning fund balance			-	
Ending Fund Balance			<u>\$ -</u>	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

(This page intentionally left blank.)

CITY OF DICKINSON, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2014

	Employee Benefit	Building Maintenance	Total Funds
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 12	\$ 309,000	\$ 309,012
Total Current Assets	12	309,000	309,012
<u>Net Position</u>			
Unrestricted	12	309,000	309,012
Total Net Position	\$ 12	\$ 309,000	\$ 309,012

See Notes to Financial Statements.

CITY OF DICKINSON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2014

	<u>Employee Benefit</u>	<u>Building Maintenance</u>	<u>Total Funds</u>
<u>Operating Revenues</u>			
Charges for services	\$ 741,940	\$ -	\$ 741,940
Total Operating Revenues	<u>741,940</u>	<u>-</u>	<u>741,940</u>
<u>Operating Expenses</u>			
General and administrative	741,940	-	741,940
Total Operating Expenses	<u>741,940</u>	<u>-</u>	<u>741,940</u>
Operating Income (Loss)	<u>-</u>	<u>-</u>	<u>-</u>
<u>Nonoperating Revenues</u>			
Investment earnings	4	-	4
Total Nonoperating Revenues	<u>4</u>	<u>-</u>	<u>4</u>
Income Before Transfers	<u>4</u>	<u>-</u>	<u>4</u>
Transfers in	-	309,000	309,000
Change in Net Position	4	309,000	309,004
Beginning net position	8	-	8
Ending Net Position	<u>\$ 12</u>	<u>\$ 309,000</u>	<u>\$ 309,012</u>

See Notes to Financial Statements.

CITY OF DICKINSON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2014

	<u>Employee Benefit</u>	<u>Building Maintenance</u>	<u>Total Funds</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers and users	\$ 741,940	\$ -	\$ 741,940
Payments to suppliers	(741,940)	-	(741,940)
Net Cash Provided (Used) by Operating Activities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in from other funds	-	309,000	309,000
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>309,000</u>	<u>309,000</u>
<u>Cash Flows from Investing Activities</u>			
Interest on investments	4	-	4
Net Cash Provided by Investing Activities	<u>4</u>	<u>-</u>	<u>4</u>
Net Increase in Cash and Cash Equivalents	4	309,000	309,004
Beginning cash and cash equivalents	<u>8</u>	<u>-</u>	<u>8</u>
Ending Cash and Cash Equivalents	<u>\$ 12</u>	<u>\$ 309,000</u>	<u>\$ 309,012</u>

(This page intentionally left blank.)