

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF  
OAK RIDGE NORTH, TEXAS**

For the Year Ended  
September 30, 2013

(This page intentionally left blank.)

# **CITY OF OAK RIDGE NORTH, TEXAS**

## **TABLE OF CONTENTS**

September 30, 2013

	<b><u>Page</u></b>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis (Required Supplementary Information)</b>	5
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position	15
Statement of Activities	16
<b>Fund Financial Statements</b>	
<b>Governmental Funds Financial Statements</b>	
Balance Sheet – Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
<b>Proprietary Funds Financial Statements</b>	
Statement of Net Position – Proprietary Funds	25
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
<b>Notes to Financial Statements</b>	31
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
General Fund	53
Oak Ridge North Economic Development Corporation	54
Village of Oak Ridge Grove Public Improvement District	55
Schedule of Funding Progress – Texas Municipal Retirement System	57
<b><u>OTHER SUPPLEMENTARY INFORMATION</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual:	
Debt Service Fund	61
Capital Projects Fund	62
Capital Improvements Fund	63

(This page intentionally left blank.)



## *INDEPENDENT AUDITORS' REPORT*

To the Honorable Mayor and  
Council Members of the  
City of Oak Ridge North, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Oak Ridge North, Texas (the "City") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **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. 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.

---

#### **Partners**

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

#### **Houston**

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

#### **Bellville**

1304 South Front St.  
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



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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedule of funding progress, 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 other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
Certified Public Accountants  
Houston, Texas  
January 20, 2014

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

(This page intentionally left blank.)



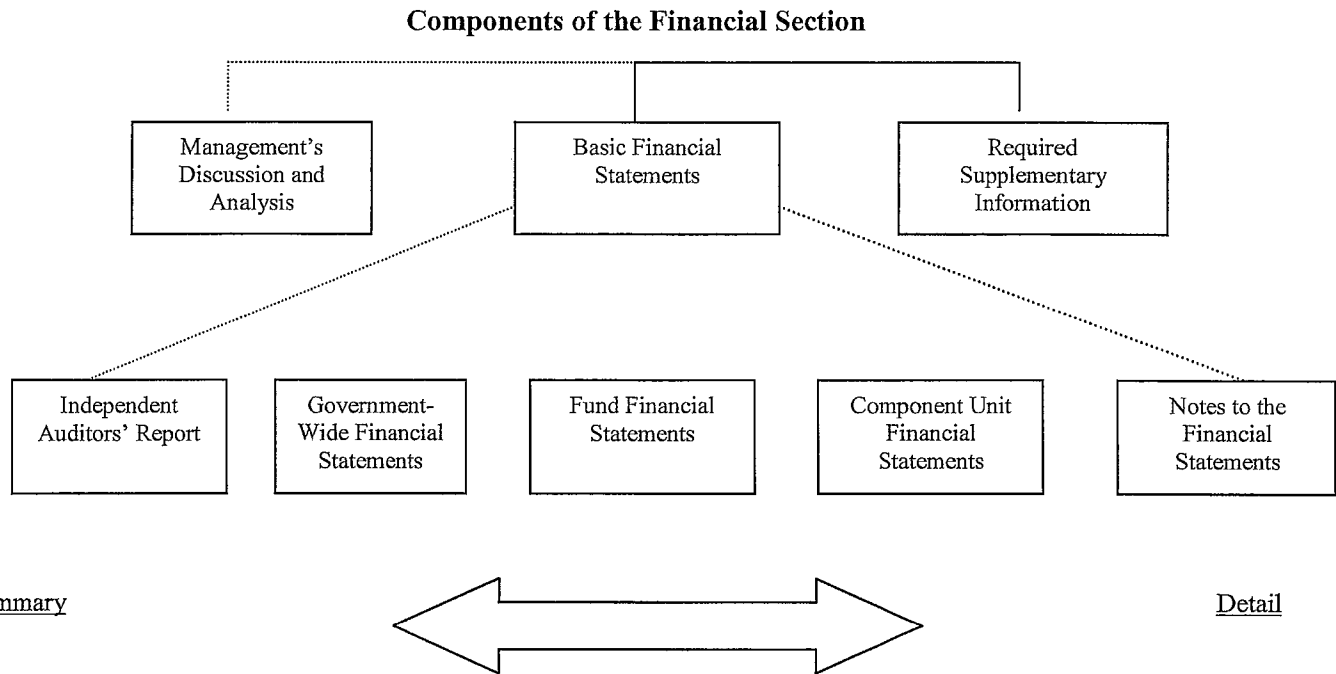
# CITY OF OAK RIDGE NORTH, TEXAS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2013

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 Oak Ridge North, Texas (the "City") for the year ending September 30, 2013. 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 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 non-financial 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 OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
**For the Year Ended September 30, 2013**

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 – 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 report the City as two classes of activities:

1. Governmental Activities – The City's basic services are reported here including general government, public safety, and public works. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, 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 water distribution and wastewater collection/treatment operations.

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 City has two categories of funds: 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 City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six 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, the capital projects fund, the capital improvements fund, and Oak Ridge North Economic Development Corporation fund which are considered to be major funds, as well as the Village of Oak Ridge Grove Public Improvement District (PID) fund, which the City has elected to present as major due to its significance. Budgetary comparison schedules have been provided for all funds.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(continued)*  
For the Year Ended September 30, 2013

**Proprietary Funds**

Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information. The City's enterprise fund (one type of proprietary fund) is the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The City's enterprise fund accounts for the operations of the City's water and sewer system.

**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, each major special revenue fund, and a schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

**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 exceed liabilities by \$20,598,673 as of September 30, 2013. The City's investment in capital assets, 38 percent of net position, reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress, 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.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
For the Year Ended September 30, 2013

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

2013				
	(Full Accrual)			Total
	Governmental	Business-Type		Primary
	Activities	Activities	Reconciliation	Government
Current and other assets	\$ 12,104,246	\$ 1,979,121	\$ -	\$ 14,083,367
Capital assets, net	3,606,214	12,713,940	-	16,320,154
<b>Total Assets</b>	<b>15,710,460</b>	<b>14,693,061</b>	<b>-</b>	<b>30,403,521</b>
Long-term liabilities	8,977,234	-	-	8,977,234
Other liabilities	698,818	128,796	-	827,614
<b>Total Liabilities</b>	<b>9,676,052</b>	<b>128,796</b>	<b>-</b>	<b>9,804,848</b>
Net position:				
Net investment in capital				
assets	(623,626)	12,713,940	(4,193,610)	7,896,704
Restricted	2,417,551	-	-	2,417,551
Unrestricted	4,240,483	1,850,325	4,193,610	10,284,418
<b>Total Net Position</b>	<b>\$ 6,034,408</b>	<b>\$ 14,564,265</b>	<b>\$ -</b>	<b>\$ 20,598,673</b>

2012				
	(Full Accrual)			Total
	Governmental	Business-Type		Primary
	Activities	Activities	Reconciliation	Government
Current and other assets	\$ 10,301,378	\$ 1,559,917	\$ -	\$ 11,861,295
Capital assets, net	3,812,896	11,209,151	-	15,022,047
<b>Total Assets</b>	<b>14,114,274</b>	<b>12,769,068</b>	<b>-</b>	<b>26,883,342</b>
Long-term liabilities	5,725,030	-	-	5,725,030
Other liabilities	568,022	127,123	-	695,145
<b>Total Liabilities</b>	<b>6,293,052</b>	<b>127,123</b>	<b>-</b>	<b>6,420,175</b>
Net position:				
Net investment in capital				
assets	2,815,660	11,209,151	(4,163,780)	9,861,031
Restricted	1,965,596	-	-	1,965,596
Unrestricted	3,039,966	1,432,794	4,163,780	8,636,540
<b>Total Net Position</b>	<b>\$ 7,821,222</b>	<b>\$ 12,641,945</b>	<b>\$ -</b>	<b>\$ 20,463,167</b>

A portion of the City's net position, \$2,417,551 or 12 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$10,284,418 or 50 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

The City has historically issued and repaid debt in its governmental activities for which the proceeds were used to purchase capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Debt associated with governmental

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
For the Year Ended September 30, 2013

activities in the amount of \$4,193,610 is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

**Statement of Activities:**

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

	For the Year Ended September 30, 2013			For the Year Ended September 30, 2012		
	(Full Accrual)			(Full Accrual)		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 853,765	\$ 1,459,383	\$ 2,313,148	\$ 1,087,781	\$ 1,123,889	\$ 2,211,670
Operating grants and contributions	827,495	-	827,495	844,768	135,056	979,824
Capital grants and contributions	-	-	-	11,065	-	11,065
General revenues:						
Ad valorem taxes	1,280,735	-	1,280,735	1,329,019	-	1,329,019
Sales taxes	2,018,994	-	2,018,994	1,913,702	-	1,913,702
Franchise taxes	193,814	-	193,814	197,676	-	197,676
Investment earnings	12,488	710	13,198	10,941	1,055	11,996
Other revenues	139,886	-	139,886	56,358	-	56,358
<b>Total Revenues</b>	<b>5,327,177</b>	<b>1,460,093</b>	<b>6,787,270</b>	<b>5,451,310</b>	<b>1,260,000</b>	<b>6,711,310</b>
<b>Expenses</b>						
General government	1,559,751	-	1,559,751	1,346,319	-	1,346,319
Public safety	1,753,876	-	1,753,876	1,572,559	-	1,572,559
Public works	1,558,619	-	1,558,619	1,799,891	-	1,799,891
Water and sewer	-	1,477,221	1,477,221	-	1,283,495	1,283,495
Interest and fiscal agent fees	302,297	-	302,297	162,621	-	162,621
<b>Total Expenses</b>	<b>5,174,543</b>	<b>1,477,221</b>	<b>6,651,764</b>	<b>4,881,390</b>	<b>1,283,495</b>	<b>6,164,885</b>
<b>Increase (Decrease) in Net Position Before Transfers</b>	<b>152,634</b>	<b>(17,128)</b>	<b>135,506</b>	<b>569,920</b>	<b>(23,495)</b>	<b>546,425</b>
Transfers in (out)	(1,939,448)	1,939,448	-	(1,177,491)	1,177,491	-
<b>Change in Net Position</b>	<b>(1,786,814)</b>	<b>1,922,320</b>	<b>135,506</b>	<b>(607,571)</b>	<b>1,153,996</b>	<b>546,425</b>
Beginning net position	7,821,222	12,641,945	20,463,167	8,428,793	11,487,949	19,916,742
<b>Ending Net Position</b>	<b>\$ 6,034,408</b>	<b>\$ 14,564,265</b>	<b>\$ 20,598,673</b>	<b>\$ 7,821,222</b>	<b>\$ 12,641,945</b>	<b>\$ 20,463,167</b>

For the year ended September 30, 2013, revenues from governmental activities totaled \$5,327,177. Overall governmental revenues decreased by two percent mainly due to a decrease in revenue from charges for service, which includes fines and permit fees, solid waste disposal fees, and court fines. Sales tax revenues increased by six percent due to more economic activity in the City.

For the year ended September 30, 2013, expenses for governmental activities totaled \$5,174,543. This represents an increase of six percent compared to last year. General government experienced the greatest increase over the prior year. This increase is a result of greater expenses related to payroll, economic development, and legal fees.

For the year ended September 30, 2013, revenues from business-type activities totaled \$1,460,093. Overall business-type revenues had an increase of 16 percent which was primarily due to an increase in charges for services. Expenses for business-type activities increased by 15 percent due to a loss in water service, causing the City to purchase water from an outside source. A City water well stopped producing, forcing the City to purchase water at a higher rate for its customers.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS** *(continued)*  
For the Year Ended September 30, 2013

**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 \$11,344,939. Of this, \$5,601,043 is assigned for various purposes and \$3,324,690 is unassigned. Total restricted fund balance for various purposes is \$2,417,551. The remaining balance of \$1,655 is nonspendable.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$3,324,690, while total fund balance reached \$3,571,571. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 81 percent of total general fund expenditures, while total fund balance represents 87 percent of the total expenditures. The general fund demonstrated an overall increase of \$241,536 primarily due to a transfer in from another fund.

The debt service fund has a total fund balance of \$494,665, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$285,232. This increase can be attributed to transfers from other funds for payments and a decrease in interest and fiscal agent fees.

The capital projects fund recorded a decrease of \$725,057 in fund balance due to the increase in capital outlay expenditures related to the water and sewer rehabilitation project.

The capital improvements fund had a fund balance increase of \$1,787,954 mainly due to an issuance of long term debt.

The Oak Ridge North Economic Development Corporation fund recorded an increase of \$131,807. The fund had an ending balance of \$1,412,337, which is restricted for economic development within the City.

The Village of Oak Ridge Grove PID fund had a decrease of \$773. This fund is used to account for assessments for properties located within the district to pay for past infrastructure costs.

**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**

The original and amended budgets adopted did not anticipate any change in fund balance. However, the net change in fund balance increased by \$241,536 as a result of greater sales tax, permits, and grant revenue being collected than expected combined with less expenditures than expected.

Actual general fund revenues were greater than amended budgeted revenues by \$75,379 during 2013. This net positive variance includes the positive variance of \$49,955 for sales tax revenues. Actual expenditures were less than the final amended budget across all municipal functions by \$170,729 for the fiscal year.

**CITY OF OAK RIDGE NORTH, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**  
For the Year Ended September 30, 2013

**CAPITAL ASSETS**

At the end of year 2013, the City's governmental activities funds had invested \$3,606,214 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of \$206,682.

Major capital asset events during the year included the following:

- Capitalized repairs to buildings and other improvements of \$61,428;
- Purchased two new police vehicles for \$47,519.

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 of \$7,715,000 and tax anticipation notes of \$1,100,000 outstanding.

The City had two debt issuances this year: bond series 2012 for \$3,125,000 and a 2013 tax anticipation note for \$1,100,000.

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

Current underlying ratings on debt issues are as follows:

	<b>Standard and</b>
	<b>Poor's</b>
Certificates of obligation	<hr/> AA-

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City Council approved a \$4 million budget for the 2013/2014 year. The property tax rate for 2014 decreased to \$0.5244.

**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 Kristen Woolley, Finance Officer, 27424 Robinson Road, Oak Ridge North, TX, 77385; or for general City information, visit the City's website at [www.oakridgenorth.com](http://www.oakridgenorth.com).

(This page intentionally left blank.)



## ***BASIC FINANCIAL STATEMENTS***

(This page intentionally left blank.)

# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF NET POSITION (Full Accrual)

September 30, 2013

	Primary Government			
	Governmental	Business-Type		
	Activities	Activities	Reconciliation	Total
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 11,130,691	\$ 1,754,202	\$ -	\$ 12,884,893
Receivables, net of allowances	575,510	179,419	-	754,929
Prepays and other assets	1,655	45,500	-	47,155
Restricted assets:				
Cash and cash equivalents	396,390	-	-	396,390
Capital assets:				
Non-depreciable capital assets	613,803	1,676,647	-	2,290,450
Depreciable capital assets, net	2,992,411	11,037,293	-	14,029,704
<b>Total Assets</b>	<b>15,710,460</b>	<b>14,693,061</b>	<b>-</b>	<b>30,403,521</b>
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	698,818	53,901	-	752,719
Customer deposits	-	74,895	-	74,895
Tax anticipation notes	-	-	-	-
Noncurrent liabilities:				
Due within one year	616,495	-	-	616,495
Due in more than one year	8,360,739	-	-	8,360,739
<b>Total Liabilities</b>	<b>9,676,052</b>	<b>128,796</b>	<b>-</b>	<b>9,804,848</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	(623,626)	12,713,940	(4,193,610)	7,896,704
Restricted for:				
Capital projects	466,390	-	-	466,390
Debt service	495,478	-	-	495,478
Economic development	1,412,337	-	-	1,412,337
Special revenue projects	43,346	-	-	43,346
Unrestricted	4,240,483	1,850,325	4,193,610	10,284,418
<b>Total Net Position</b>	<b>\$ 6,034,408</b>	<b>\$ 14,564,265</b>	<b>\$ -</b>	<b>\$ 20,598,673</b>

See Notes to Financial Statements.

# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF ACTIVITIES (Full Accrual)

For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General government	\$ 1,559,751	\$ 271,537	\$ -
Public safety	1,753,876	293,444	107,901
Public works	1,558,619	288,784	719,594
Interest and fiscal agent fees	302,297	-	-
<b>Total Governmental Activities</b>	<u>5,174,543</u>	<u>853,765</u>	<u>827,495</u>
<b>Business-Type Activities:</b>			
Water and sewer	1,477,221	1,459,383	-
<b>Total Business-Type Activities</b>	<u>1,477,221</u>	<u>1,459,383</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 6,651,764</u>	<u>\$ 2,313,148</u>	<u>\$ 827,495</u>
<b>General Revenues:</b>			
Ad valorem taxes			
Sales taxes			
Franchise taxes			
Investment earnings			
Other revenues			
Transfers			
<b>Total General Revenues and Transfers</b>			
<b>Change in Net Position</b>			
Beginning net position			
<b>Ending Net Position</b>			

See Notes to Financial Statements.

Note: Charges for services includes license and permit fees, solid waste disposal fees,

<u>Net (Expense) Revenue and Changes in Net Position</u>		
<u>Government</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ (1,288,214)	\$ -	\$ (1,288,214)
(1,352,531)	-	(1,352,531)
(550,241)	-	(550,241)
(302,297)	-	(302,297)
<u>(3,493,283)</u>	<u>-</u>	<u>(3,493,283)</u>
-	(17,838)	(17,838)
<u>-</u>	<u>(17,838)</u>	<u>(17,838)</u>
(3,493,283)	(17,838)	(3,511,121)
1,280,735	-	1,280,735
2,018,994	-	2,018,994
193,814	-	193,814
12,488	710	13,198
139,886	-	139,886
<u>(1,939,448)</u>	<u>1,939,448</u>	<u>-</u>
<u>1,706,469</u>	<u>1,940,158</u>	<u>3,646,627</u>
(1,786,814)	1,922,320	135,506
7,821,222	12,641,945	20,463,167
<u>\$ 6,034,408</u>	<u>\$ 14,564,265</u>	<u>\$ 20,598,673</u>

# CITY OF OAK RIDGE NORTH, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS (Modified Accrual)

September 30, 2013

			Oak Ridge North Economic Development Corporation	Capital Projects
	General	Debt Service		
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 3,338,394	\$ 1,593,626	\$ 1,379,178	\$ 354,966
Receivables, net	444,095	30,683	100,732	-
Due from other funds	68,073	1,539	-	-
Prepaid costs	1,655	-	-	-
Restricted assets:				
Cash and cash equivalents	-	-	-	396,390
<b>Total Assets</b>	<b>\$ 3,852,217</b>	<b>\$ 1,625,848</b>	<b>\$ 1,479,910</b>	<b>\$ 751,356</b>
<b><u>Liabilities:</u></b>				
Accounts payable and accrued liabilities	\$ 249,301	\$ -	\$ -	\$ 128,783
Due to other funds	1,539	1,100,500	67,573	-
<b>Total Liabilities</b>	<b>250,840</b>	<b>1,100,500</b>	<b>67,573</b>	<b>128,783</b>
<b><u>Deferred Inflows of Resources:</u></b>				
Unavailable revenue - property taxes	29,806	30,683	-	-
<b><u>Fund Balances:</u></b>				
Nonspendable:				
Prepays and inventory	1,655	-	-	-
Restricted:				
Debt service	-	494,665	-	-
Capital projects funds	-	-	-	396,390
Economic development	-	-	1,412,337	-
Court security	22,202	-	-	-
Court technology	17,521	-	-	-
Judicial efficiency	3,623	-	-	-
Assigned:				
Crime solving rewards	1,880	-	-	-
Severance reserve fund	200,000	-	-	-
Capital projects funds	-	-	-	226,183
Unassigned	3,324,690	-	-	-
<b>Total Fund Balances</b>	<b>3,571,571</b>	<b>494,665</b>	<b>1,412,337</b>	<b>622,573</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,852,217</b>	<b>\$ 1,625,848</b>	<b>\$ 1,479,910</b>	<b>\$ 751,356</b>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

#### Net Position of Governmental Activities

See Notes to Financial Statements.

<u>Capital Improvements</u>	<u>Village of Oak Ridge Grove PID</u>	<u>Total Governmental Funds</u>
\$ 4,463,714	\$ 813	\$ 11,130,691
-	-	575,510
1,100,000	-	1,169,612
-	-	1,655
-	-	396,390
<u>\$ 5,563,714</u>	<u>\$ 813</u>	<u>\$ 13,273,858</u>
\$ 320,734	\$ -	\$ 698,818
-	-	1,169,612
<u>320,734</u>	<u>-</u>	<u>1,868,430</u>
<u>-</u>	<u>-</u>	<u>60,489</u>
-	-	1,655
-	813	495,478
70,000	-	466,390
-	-	1,412,337
-	-	22,202
-	-	17,521
-	-	3,623
-	-	1,880
-	-	200,000
5,172,980	-	5,399,163
-	-	3,324,690
<u>5,242,980</u>	<u>813</u>	<u>11,344,939</u>
<u>\$ 5,563,714</u>	<u>\$ 813</u>	
		613,803
		2,992,411
		60,489
		(616,495)
		<u>(8,360,739)</u>
		<u>\$ 6,034,408</u>

**CITY OF OAK RIDGE NORTH, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS (Modified Accrual)**  
For the Year Ended September 30, 2013

	General	Debt Service	Oak Ridge North Economic Development Corporation	Capital Projects
<b><u>Revenues</u></b>				
Ad valorem taxes	\$ 747,193	\$ 582,169	\$ -	\$ -
Sales taxes	1,524,962	-	494,032	-
Franchise taxes	193,814	-	-	-
Permits, licenses, and fees	271,537	-	-	-
Fines and forfeitures	293,444	-	-	-
Charges for services	288,784	-	-	-
Intergovernmental	757,495	-	-	-
Investment earnings	2,414	3,100	1,217	430
Other revenue	63,642	-	-	-
<b>Total Revenues</b>	<u>4,143,285</u>	<u>585,269</u>	<u>495,249</u>	<u>430</u>
<b><u>Expenditures</u></b>				
Current:				
General government	1,165,701	-	235,896	-
Public safety	1,523,713	-	-	-
Public works	1,420,736	-	-	-
Capital outlay	-	-	-	725,479
Debt service:				
Principal	-	990,000	-	-
Interest and fiscal agent fees	-	215,037	-	-
Bond issuance costs	-	-	-	-
<b>Total Expenditures</b>	<u>4,110,150</u>	<u>1,205,037</u>	<u>235,896</u>	<u>725,479</u>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over (Under) Expenditures</b>	<u>33,135</u>	<u>(619,768)</u>	<u>259,353</u>	<u>(725,049)</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Issuance of long-term debt	-	-	-	-
Transfers in	208,401	905,000	-	-
Transfers (out)	-	-	(127,546)	(8)
<b>Total Other Financing Sources (Uses)</b>	<u>208,401</u>	<u>905,000</u>	<u>(127,546)</u>	<u>(8)</u>
<b>Net Change in Fund Balances</b>	<u>241,536</u>	<u>285,232</u>	<u>131,807</u>	<u>(725,057)</u>
Beginning fund balances	3,330,035	209,433	1,280,530	1,347,630
<b>Ending Fund Balances</b>	<u>\$ 3,571,571</u>	<u>\$ 494,665</u>	<u>\$ 1,412,337</u>	<u>\$ 622,573</u>

See Notes to Financial Statements.



<u>Capital Improvements</u>	<u>Village of Oak Ridge Grove PID</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,329,362
-	-	2,018,994
-	-	193,814
-	-	271,537
-	-	293,444
-	-	288,784
70,000	-	827,495
5,321	6	12,488
-	76,244	139,886
<u>75,321</u>	<u>76,250</u>	<u>5,375,804</u>
-	77,023	1,478,620
-	-	1,523,713
-	-	1,420,736
1,520,107	-	2,245,586
-	-	990,000
-	-	215,037
87,260	-	87,260
<u>1,607,367</u>	<u>77,023</u>	<u>7,960,952</u>
<u>(1,532,046)</u>	<u>(773)</u>	<u>(2,585,148)</u>
4,225,000	-	4,225,000
-	-	1,113,401
<u>(905,000)</u>	<u>-</u>	<u>(1,032,554)</u>
<u>3,320,000</u>	<u>-</u>	<u>4,305,847</u>
1,787,954	(773)	1,720,699
3,455,026	1,586	9,624,240
<u>\$ 5,242,980</u>	<u>\$ 813</u>	<u>\$ 11,344,939</u>

(This page intentionally left blank.)

**CITY OF OAK RIDGE NORTH, 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, 2013**

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

Net changes in fund balances - total governmental funds	\$ 1,720,699
---	--------------

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.

Capital outlay	141,985
Depreciation expense	(348,667)

The issuance of long-term debt (e.g., bonds, 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 debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.

Principal payments	990,000
Capital leases	7,396
Proceeds from issuance of debt	(4,225,000)

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.	(48,627)
---	----------

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 governmental funds.	(24,600)
---	----------

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (1,786,814)</b>
--	-----------------------

See Notes to Financial Statements.

(This page intentionally left blank.)

# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS (Full Accrual)

September 30, 2013

	<u>Water and Sewer</u>
<b><u>Assets</u></b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,754,202
Receivables, net	179,419
Prepaid expenses	45,500
<b>Total Current Assets</b>	<u>1,979,121</u>
<b>Noncurrent Assets</b>	
Capital assets:	
Non-depreciable	1,676,647
Net depreciable capital assets	11,037,293
<b>Total Noncurrent Assets</b>	<u>12,713,940</u>
<b>Total Assets</b>	<u>14,693,061</u>
<b><u>Liabilities</u></b>	
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	53,901
Customer deposits	74,895
<b>Total Current Liabilities</b>	<u>128,796</u>
<b>Total Liabilities</b>	<u>128,796</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	12,713,940
Unrestricted	1,850,325
<b>Total Net Position</b>	<u>\$ 14,564,265</u>

See Notes to Financial Statements.



**CITY OF OAK RIDGE NORTH, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS (Full Accrual)**  
For the year ended September 30, 2013

	<u>Water and Sewer</u>
<b><u>Operating Revenues</u></b>	
Water and sewer charges	\$ 1,266,917
Other services	192,466
<b>Total Operating Revenues</b>	<u>1,459,383</u>
<b><u>Operating Expenses</u></b>	
Salaries and benefits	262,653
Operating expenses	699,060
Depreciation	515,508
<b>Total Operating Expenses</b>	<u>1,477,221</u>
<b>Operating (Loss)</b>	<u>(17,838)</u>
<b><u>Nonoperating Revenues (Expenses)</u></b>	
Investment income	710
<b>Total Nonoperating Revenues</b>	<u>710</u>
<b>(Loss) Before Contributions and Transfers</b>	(17,128)
Capital contribution	2,020,295
Transfers (out)	(80,847)
<b>Change in Net Position</b>	<u>1,922,320</u>
Beginning net position	<u>12,641,945</u>
<b>Ending Net Position</b>	<u><u>\$ 14,564,265</u></u>

See Notes to Financial Statements.

# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Cash Basis) (Page 1 of 2)

For the year ended September 30, 2013

	Water and Sewer
<b><u>Cash Flows from Operating Activities</u></b>	
Receipts from customers	\$ 1,436,359
Payments to suppliers	(808,348)
Payments to employees	(262,653)
Net Cash Provided by Operating Activities	<u>365,358</u>
<b><u>Cash Flows from Noncapital Financing Activities</u></b>	
Operating transfer (out)	<u>(80,847)</u>
Net Cash (Used) by Noncapital Financing Activities	<u>(80,847)</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	<u>710</u>
Net Cash Provided by Investing Activities	<u>710</u>
Net Increase in Cash and Cash Equivalents	285,221
Beginning cash and cash equivalents	<u>1,468,982</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,754,203</u></u>



# CITY OF OAK RIDGE NORTH, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Cash Basis) (Page 2 of 2)

For the year ended September 30, 2013

	<u>Water and Sewer</u>
<b><u>Reconciliation of Operating Income (Loss)</u></b>	
<b><u>to Net Cash Provided (Used) by Operating Activities</u></b>	
Operating (loss)	\$ (17,838)
Adjustments to reconcile operating (loss) to net cash provided:	
Depreciation	515,508
<b>Changes in Operating Assets and Liabilities:</b>	
<b>(Increase) in:</b>	
Accounts receivable	(25,211)
Prepaid expenses	3,109
<b>Increase (Decrease) in:</b>	
Accounts payable and accrued liabilities	(514)
Customer deposits	2,187
Increase (decrease) in due to other funds	(111,883)
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 365,358</u></u>
Noncash investing, capital, and financing activities:	
Contributions of capital assets from governmental funds	<u><u>\$ 2,020,295</u></u>

See Notes to Financial Statements.

(This page intentionally left blank.)

# **CITY OF OAK RIDGE NORTH, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS***

**For the Year Ended September 30, 2013**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The Town of Oak Ridge North, Texas was incorporated in 1979 and changed to the City of Oak Ridge North, Texas (the "City") in February 1980. The City has operated as a general law city under State statutes with a Council-Manager form of government.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police protection, municipal court, public works to include streets and drainage, water and sewer services, and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor 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 legally separate, 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.

#### **Blended Component Units**

##### **Oak Ridge North Economic Development Corporation**

The Oak Ridge North Economic Development Corporation (the "Corporation") is a non profit corporation organized under The Development Corporation Act of 1979 and covered by Section 4B of the Act. The Corporation was organized exclusively for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of, the City, for the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare. The Corporation is governed by a board of directors appointed by the City Council. The Corporation is responsible for managing one half cent sales tax revenues

# **CITY OF OAK RIDGE NORTH, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended September 30, 2013**

for its economic development activities on behalf of the City. The Corporation's budget requires approval from City Council.

### The Village of Oak Ridge Grove Public Improvement District

Following a public hearing on August 25, 2003, the City Council created the Village of Oak Ridge Grove Public Improvement District (the "District") in accordance with Chapter 372 of the local Government Code. The District was created to provide a method of financing certain public improvements to land in the District, the costs of which would be paid by owners of real property located in the District. Public improvements included creation costs of the District, as well as construction of public streets. These public improvements were funded from developer revenues before construction began. The developer will be repaid in annual installments over a ten year period through assessments to the homeowners in the District. The timing at which begins after the construction of the homes.

The component units identified above are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City Council functions as the organizations' boards and is either able to impose its will on them or a financial benefit/burden exists.

### **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 activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

### **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 functions and various other functions of the City. Elimination of these 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. 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.

# **CITY OF OAK RIDGE NORTH, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended September 30, 2013**

The City reports the following governmental funds:

### General Fund

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, and public works.

### Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds include the Oak Ridge North Economic Development Corporation (blended component unit) and the Village of Oak Ridge Grove PID (blended component unit). The special revenue funds are presented as major funds for reporting purposes.

### Debt Service Fund

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.

### Capital Projects Fund

The capital projects fund is used to account for the expenditures of resources accumulated from various tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

### Capital Improvements Fund

The capital improvements fund is used to account for the expenditures related to capital projects through resources accumulated from various internal transfers. The capital improvements fund is considered a major fund for reporting purposes.

The City reports the following enterprise fund:

### Enterprise Funds

The water and sewer fund is used to account for the operations that provide water and wastewater collection and wastewater treatment operations. 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 water and sewer fund is considered a major fund for reporting purposes.

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

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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 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.

# **CITY OF OAK RIDGE NORTH, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Year Ended September 30, 2013

### **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.

#### **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:

- Direct obligations of the U.S. Government
- Money market mutual funds that meet certain criteria
- Statewide investment pools

#### **3. Inventories and Prepaid Items**

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). 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, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental column 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 in excess of five 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.

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.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings	15 to 50 years
Improvements	5 to 50 years
Equipment	5 to 10 years
Water and sewer system	20 to 50 years
Infrastructure	40 to 50 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 has no items that qualify for reporting in this category. 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, sick pay benefits, and compensatory time. Accumulated amounts, up to certain amounts, may be paid to employees upon termination of employment. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or 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. See page 43.

### 7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest are reported as expenditures. In the governmental



# **CITY OF OAK RIDGE NORTH, TEXAS**

## ***NOTES TO FINANCIAL STATEMENTS (Continued)***

**For the Year Ended September 30, 2013**

fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

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 interest earned in the debt service fund.

Assets acquired under the terms of capital leases 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.

### **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.

### **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).

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

# **CITY OF OAK RIDGE NORTH, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Year Ended September 30, 2013

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. Post Employment Healthcare Benefits**

The City does not provide post employment healthcare benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by the employees who elect coverage under COBRA and the City incurs no direct costs.

### **12. 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.

## **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 during October of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year.

### **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. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined in the approved budget is the department level in the general fund and all others are the fund level. The City Manager may transfer appropriations within a department without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2013.

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

As of September 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 12,319,358	0.00
Total fair value	<u>\$ 12,319,358</u>	
Portfolio weighted average maturity		0.00

*Interest rate risk.* In accordance with its 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 and invest operating funds primarily in short-term securities.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2013, market values of pledged securities, and FDIC exceeded bank balances.

*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 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.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

### B. Receivables

The following comprise receivable balances at year end:

	Oak Ridge North			
	Economic			
	General	Debt Service	Development Corporation	Water and Sewer
Property taxes	\$ 35,840	\$ 39,540	\$ -	\$ -
Other taxes - sales tax	302,195	-	100,732	-
Accounts	19,924	-	-	180,728
Other	92,171	-	-	-
Less allowance	(6,035)	(8,857)	-	(1,309)
<b>Total Receivables</b>	<b>\$ 444,095</b>	<b>\$ 30,683</b>	<b>\$ 100,732</b>	<b>\$ 179,419</b>

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

### C. Capital Assets

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

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 613,803	\$ -	\$ -	\$ 613,803
<b>Total Capital Assets Not             Being Depreciated</b>	<u>613,803</u>	<u>-</u>	<u>-</u>	<u>613,803</u>
Other capital assets:				
Buildings and improvements	3,764,833	61,428	-	3,826,261
Furniture, fixtures and equipment	1,296,456	80,557	-	1,377,013
Infrastructure	2,206,641	-	-	2,206,641
<b>Total Other Capital Assets</b>	<u>7,267,930</u>	<u>141,985</u>	<u>-</u>	<u>7,409,915</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,468,867)	(195,893)	-	(2,664,760)
Furniture, fixture and equipment	(869,770)	(108,641)	-	(978,411)
Infrastructure	(730,200)	(44,133)	-	(774,333)
<b>Total Accumulated Depreciation</b>	<u>(4,068,837)</u>	<u>(348,667)</u>	<u>-</u>	<u>(4,417,504)</u>
Other capital assets, net	<u>3,199,093</u>	<u>(206,682)</u>	<u>-</u>	<u>2,992,411</u>
<b>Governmental Activities             Capital Assets, Net</b>	<u>\$ 3,812,896</u>	<u>\$ (206,682)</u>	<u>\$ -</u>	<u>3,606,214</u>
			Less associated debt	<u>(4,229,840)</u>
			<b>Net Investment in Capital Assets</b>	<u>\$ (623,626)</u>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 122,732
Public safety	173,423
Public works	52,512
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 348,667</u>

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

The following is a summary of changes in capital assets for business-type activities

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 372,320	\$ -	\$ -	\$ 372,320
Construction in progress	1,240,389	63,938	-	1,304,327
<b>Total Capital Assets Not Being Depreciated</b>	<b>1,612,709</b>	<b>63,938</b>	<b>-</b>	<b>1,676,647</b>
Other capital assets:				
Buildings and improvements	2,723,927	673,387	-	3,397,314
Furniture, fixtures and equipment	749,257	38,060	-	787,317
Infrastructure	10,062,478	1,244,912	-	11,307,390
<b>Total Other Capital Assets</b>	<b>13,535,662</b>	<b>1,956,359</b>	<b>-</b>	<b>15,492,021</b>
Less accumulated depreciation for:				
Buildings and improvements	(727,461)	(222,366)	-	(949,827)
Furniture, fixture and equipment	(283,743)	(66,994)	-	(350,737)
Infrastructure	(2,928,016)	(226,148)	-	(3,154,164)
<b>Total Accumulated Depreciation</b>	<b>(3,939,220)</b>	<b>(515,508)</b>	<b>-</b>	<b>(4,454,728)</b>
Other capital assets, net	9,596,442	1,440,850	-	11,037,293
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 11,209,151</b>	<b>\$ 1,504,788</b>	<b>\$ -</b>	<b>\$ 12,713,940</b>

Depreciation was charged to business-type functions as follows:

Water and sewer system	\$ 515,507
<b>Total Business-Type Activities Depreciation Expense</b>	<b>\$ 515,507</b>

Construction commitments outstanding at year end were as follows:

Project Description	Authorized Contract	Contract Expenditures	Remaining Commitment
Sewer rehabilitation project	\$ 4,600,000	\$ 3,866,181	\$ 733,819

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

### D. Long-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds, notes and other payables:					
General obligation bonds:					
Series 1998 A	\$ 505,000	\$ -	\$ 505,000	\$ -	\$ -
Series 1998 B	480,000	-	480,000	-	-
Certificates of obligation:					
Series 2009	4,595,000	-	5,000	4,590,000	** 65,000
Series 2012	-	3,125,000	-	3,125,000	* 175,000
2013 tax anticipation note		1,100,000	-	1,100,000	230,000
Capital leases	12,236	-	7,396	4,840	* 4,840
	<u>5,592,236</u>	<u>4,225,000</u>	<u>997,396</u>	<u>8,819,840</u>	<u>474,840</u>
Other liabilities:					
Compensated absences	<u>132,794</u>	<u>144,115</u>	<u>119,515</u>	<u>157,394</u>	<u>141,655</u>
<b>Total Governmental Activities</b>	<u>\$ 5,725,030</u>	<u>\$ 4,369,115</u>	<u>\$ 1,116,911</u>	<u>\$ 8,977,234</u>	<u>\$ 616,495</u>
<b>Long-term debt due in more than one year</b>				<u>\$ 8,360,739</u>	
<b>*Debt associated with governmental activity capital assets</b>				<u>\$ 4,229,840</u>	
<b>**Debt associated with business-type activity capital assets</b>				\$ 4,590,000	
<b>Less unspent bond proceeds</b>				(396,390)	
<b>Debt associated with business-type activity capital assets</b>				<u>\$ 4,193,610</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.

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<b>Certificates of Obligation</b>		
Series 2009	1.0 - 4.35%	\$ 4,590,000
Series 2012	1.62 - 2.00%	3,125,000
<b>Total Certificates of Obligation</b>		<u>7,715,000</u>
<b>Tax Anticipation Note</b>		
2013 tax anticipation note	1.03 - 1.26%	1,100,000
<b>Total Tax Anticipation Note</b>		<u>1,100,000</u>
<b>Capital Leases</b>		
Various leases	4.15 - 8.35%	4,840
<b>Total Capital Leases</b>		<u>4,840</u>
<b>Total Governmental Activities Long-Term Debt</b>		<u>\$ 8,819,840</u>

The annual requirements to amortize bond and certificate debt issues outstanding at year end were as follows:

Year Ending Sep. 30	Governmental Activities	
	Principal	Interest
2014	\$ 470,000	\$ 226,844
2015	465,000	220,473
2016	470,000	213,974
2017	510,000	206,813
2018	515,000	198,964
2019-2023	2,260,000	850,919
2024-2028	2,375,000	552,394
2029-2033	1,430,000	225,876
2034	320,000	6,960
<b>Total</b>	<u>\$ 8,815,000</u>	<u>\$ 2,703,217</u>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.



# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

### Capital Leases

The annual requirements to amortize capital leases outstanding at year end were as follows:

Year Ending Sep 30	Governmental Activities		
	Principal	Interest	Total
2014	\$ 4,840	\$ 212	\$ 5,052

The assets acquired through capital leases are as follows:

		Governmental Activities
<b>Assets:</b>		
Machinery and equipment	\$	83,856
Less: Accumulated depreciation		(50,353)
<b>Total</b>	<b>\$</b>	<b>33,503</b>

### 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 IRS rules and regulations.

### **E. Interfund Transactions**

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

Due To	Due From	Amounts
General fund	Oak Ridge North EDC fund	\$ 67,573
General fund	Debt service fund	500
Debt service fund	General fund	1,539
Capital improvements fund	Debt service fund	1,100,000
	<b>Total</b>	<b>\$ 1,169,612</b>

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

The composition of transfers between funds is as follows:

Transfer In	Transfer Out	Amounts
General Fund	Oak Ridge North EDC Fund	\$ 127,546
General Fund	Water and Sewer Fund	80,847
Debt Service Fund	Capital Improvements Fund	905,000
General Fund	Capital Projects Fund	8
	<b>Total</b>	<b>\$ 1,113,401</b>

Transfers are used to move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due. They are also utilized to move revenue from other funds to help fund expenditures in the general fund that must be accounted for in accordance with budgetary authorizations, including amounts provided as matching funds for various grant programs and governmental expenditures.

### F. Fund Equity

Funds restricted by enabling legislation are \$22,202, \$17,521, and \$3,623 related to court security, court technology, and judicial efficiency, respectively.

### G. Restricted Assets

The balance of the restricted cash account in the capital projects fund recognized by the City is as follows:

<b>Capital Projects Fund</b>	
Restricted for capital projects	<u>\$ 396,390</u>

### H. Restatement of Net Position

During the fiscal year ending August 31, 2013, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). GASB 65 reclassified costs associated with bond issuance as expenses of the current period. Consequently, the City is restating net position for the fiscal year 2012 to reflect the write-off of unamortized bond issuance costs. The beginning balance of net position was restated as follows:

	<b>Governmental Net Position</b>
Prior year ending net position as reported	\$ 8,065,730
Bond issuance cost	(244,508)
Beginning net position	<u>\$ 7,821,222</u>

# **CITY OF OAK RIDGE NORTH, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS (Continued)**

For the Year Ended September 30, 2013

### **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 2,617 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 amounts 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.

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 TMRS's website at [www.TMRS.com](http://www.TMRS.com).

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

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:

	2013	2012
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/hrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

### Benefits

Upon retirement, benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100 percent, 150 percent, or 200 percent) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit. This is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence, and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

### Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits such as Updated Service Credits and Annuity Increases.

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

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and the net pension obligation (asset) are as follows:

	2013	2012	2011
Annual Req. Contrib. (ARC)	\$ 266,896	\$ 264,617	\$ 275,175
Contributions Made	266,896	264,617	275,175
Total Net Pension Obligation	\$ -	\$ -	\$ -

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

	2013	2012	2011
Actuarial valuation date	12/31/2012	12/31/2011	12/31/2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
GASB 25 equivalent single amortization period	20 Years - Closed period	21 Years - Closed period	22 Years - Closed period
Amortization period for new gains/losses	25 Years	25 Years	25 Years
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	2.10%	2.10%	2.10%

### Funded Status and Funding Progress

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

	2013
Actuarial valuation date	12/31/2012
Actuarial value of assets	\$ 4,749,252
Actuarial accrued liability	\$ 5,944,130
Percentage funded	79.9%
Unfunded actuarial accrued liability (UAAL)	\$ 1,194,878
Annual covered payroll	\$ 2,156,848
UAAL as a percentage of covered payroll	55.4%

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

# CITY OF OAK RIDGE NORTH, TEXAS

## NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2013

short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as required supplementary information 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.

### 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, 2013, 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 assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the fiscal years ended 2013, 2012, and 2011 were \$217, \$213, and \$210, respectively. The City's contribution rates for the past three years are shown below:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
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%

***REQUIRED SUPPLEMENTARY INFORMATION***





**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (Modified Accrual)**  
For the Year Ended September 30, 2013

	Budgeted Amounts			Variance with
	Original	Final		Final Budget
	Budget	Budget	Actual	Positive
	Amounts	Amounts	Amounts	(Negative)
<b><u>Revenues</u></b>				
Taxes:				
Ad valorem	\$ 740,320	\$ 740,320	\$ 747,193	\$ 6,873
Sales	1,420,007	1,475,007	1,524,962	49,955
Franchise	192,250	197,250	193,814	(3,436)
Permits, licenses, and fees	173,714	191,514	271,537	80,023
Fines and forfeitures	457,253	457,253	293,444	(163,809)
Charges for services	281,273	281,273	288,784	7,511
Intergovernmental	625,839	675,839	757,495	81,656
Investment earnings	2,900	2,900	2,414	(486)
Other revenues	46,550	46,550	63,642	17,092
<b>Total Revenues</b>	<b>3,940,106</b>	<b>4,067,906</b>	<b>4,143,285</b>	<b>75,379</b>
<b><u>Expenditures</u></b>				
Current:				
General government:				
Administration	762,605	822,605	809,039	13,566
Building and permits	148,315	166,115	165,723	392
Municipal court	219,031	219,031	190,939	28,092
Total general government	<b>1,129,951</b>	<b>1,207,751</b>	<b>1,165,701</b>	<b>42,050</b>
Total Public safety	1,580,986	1,580,986	1,523,713	57,273
Public works:				
Public works	600,358	600,358	578,240	22,118
Parks and recreation	230,453	230,453	211,724	18,729
Maintenance	611,331	661,331	630,772	30,559
Total public works	<b>1,442,142</b>	<b>1,492,142</b>	<b>1,420,736</b>	<b>71,406</b>
<b>Total Expenditures</b>	<b>4,153,079</b>	<b>4,280,879</b>	<b>4,110,150</b>	<b>170,729</b>
<b>Revenues Over/ (Under) Expenditures</b>	<b>(212,973)</b>	<b>(212,973)</b>	<b>33,135</b>	<b>246,108</b>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	212,973	212,973	208,401	(4,572)
<b>Total Other Financing Sources</b>	<b>212,973</b>	<b>212,973</b>	<b>208,401</b>	<b>(4,572)</b>
<b>Revenues and other Financing</b>	<b>\$ -</b>	<b>\$ -</b>	<b>241,536</b>	<b>\$ 241,536</b>
Beginning fund balance			3,330,035	
<b>Ending Fund Balance</b>			<b>\$ 3,571,571</b>	

Notes to Required Supplementary Information:

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

**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**OAK RIDGE NORTH ECONOMIC DEVELOPMENT CORPORATION (Modified Accrual)**  
For the Year Ended September 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Taxes:				
Sales	\$ 458,336	\$ 458,336	\$ 494,032	\$ 35,696
Investment earnings	1,150	1,150	1,217	67
<b>Total Revenues</b>	<u>459,486</u>	<u>459,486</u>	<u>495,249</u>	<u>35,763</u>
<b><u>Expenditures</u></b>				
Current:				
Economic development	594,500	714,500	218,013	496,487
Administrative costs	10,850	20,850	17,883	2,967
<b>Total Expenditures</b>	<u>594,500</u>	<u>735,350</u>	<u>235,896</u>	<u>499,454</u>
<b>Excess (Deficiency) of Revenues Over         (Under) Expenditures</b>	<u>(135,014)</u>	<u>(275,864)</u>	<u>259,353</u>	<u>535,217</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers (out)	(130,024)	(130,024)	(127,546)	2,478
<b>Total Other Financing (Uses)</b>	<u>(130,024)</u>	<u>(130,024)</u>	<u>(127,546)</u>	<u>2,478</u>
<b>Net Change in Fund Balance</b>	<u>\$ (265,038)</u>	<u>\$ (405,888)</u>	<u>131,807</u>	<u>\$ 537,695</u>
Beginning fund balance			<u>1,280,530</u>	
<b>Ending Fund Balance</b>			<u>\$ 1,412,337</u>	

Notes to Required Supplementary Information:

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

**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**VILLAGE OF OAK RIDGE GROVE PUBLIC IMPROVEMENT DISTRICT (Modified Accrual)**  
For the Year Ended September 30, 2013

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Investment earnings	\$ 10	\$ 6	\$ (4)
Other revenues	69,604	76,244	6,640
<b>Total Revenues</b>	<u>69,614</u>	<u>76,250</u>	<u>6,636</u>
<b><u>Expenditures</u></b>			
Current:			
Administration costs	69,604	77,023	(7,419)
<b>Total Expenditures</b>	<u>69,604</u>	<u>77,023</u>	<u>(7,419)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 10</u>	<u>(773)</u>	<u>\$ (783)</u>
Beginning fund balance		<u>1,586</u>	
<b>Ending Fund Balance</b>		<u>\$ 813</u>	

Notes to Required Supplementary Information:

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

(This page intentionally left blank.)

**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
For the Year Ended September 30, 2013

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.

<b>Fiscal Year</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Actuarial valuation date	12/31/2012	12/31/2011	12/31/2010
Actuarial value of assets	\$ 4,749,252	\$ 4,127,897	\$ 3,509,330
Actuarial accrued liability	\$ 5,944,130	\$ 5,395,242	\$ 4,769,987
Percentage funded	79.9%	76.5%	73.6%
Unfunded actuarial			
accrued liability(UAAL)	\$ 1,194,878	\$ 1,267,345	\$ 1,260,657
Annual covered payroll	\$ 2,156,848	\$ 2,094,377	\$ 2,099,911
UAAL % of covered payroll	55.4%	60.5%	60.0%
Net pension obligation (NPO)			
at the beginning of period	\$ -	\$ -	\$ -
Annual req. contrib. (ARC)	266,896	264,617	275,175
Contributions made	266,896	264,617	275,175
<b>NPO at the End of Period</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

(This page intentionally left blank.)

***OTHER SUPPLEMENTARY INFORMATION***

(This page intentionally left blank.)



**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND (Modified Accrual)**  
For the Year Ended September 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Ad valorem taxes	\$ 523,376	\$ 523,376	\$ 582,169	\$ 58,793
Investment earnings	526	526	3,100	2,574
<b>Total Revenues</b>	<u>523,902</u>	<u>523,902</u>	<u>585,269</u>	<u>61,367</u>
<b>Expenditures</b>				
Debt service:				
Principal	330,000	330,000	990,000	(660,000)
Interest and fiscal agent fees	321,776	321,776	215,037	106,739
<b>Total Expenditures</b>	<u>651,776</u>	<u>651,776</u>	<u>1,205,037</u>	<u>(553,261)</u>
<b>Excess of Revenues (Under) Expenditures</b>	<u>(127,874)</u>	<u>(127,874)</u>	<u>(619,768)</u>	<u>(491,894)</u>
<b>Other Financing Sources</b>				
Transfers in from capital improvements fund	-	927,000	905,000	(22,000)
<b>Total Other Financing Sources</b>	<u>927,000</u>	<u>927,000</u>	<u>905,000</u>	<u>(22,000)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 799,126</u>	<u>\$ 799,126</u>	<u>285,232</u>	<u>\$ (513,894)</u>
Beginning fund balance			<u>209,433</u>	
<b>Ending Fund Balance</b>			<u>\$ 494,665</u>	

**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND (Modified Accrual)**

For the Year Ended September 30, 2013

	Original Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>			
Investment earnings	\$ 1,350	\$ 430	\$ (920)
<b>Total Revenues</b>	<u>1,350</u>	<u>430</u>	<u>(920)</u>
<b><u>Expenditures</u></b>			
Current:			
Capital outlay	179,793	725,479	(545,686)
<b>Total Expenditures</b>	<u>179,793</u>	<u>725,479</u>	<u>(545,686)</u>
<b>Revenues Over/ (Under) Expenditures</b>	<u>(178,443)</u>	<u>(725,049)</u>	<u>(546,606)</u>
<b><u>Other Financing Sources (Uses)</u></b>			
Transfers (out)	-	(8)	(8)
<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>(8)</u>	<u>(8)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (178,443)</u>	<u>(725,057)</u>	<u>\$ (546,614)</u>
Beginning fund balance		<u>1,347,630</u>	
<b>Ending Fund Balance</b>		<u>\$ 622,573</u>	

**CITY OF OAK RIDGE NORTH, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL IMPROVEMENTS FUND (Modified Accrual)**  
For the Year Ended September 30, 2013

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b><u>Revenues</u></b>				
Intergovernmental revenue	\$ -	\$ -	\$ 70,000	\$ 70,000
Investment earnings	-	-	5,321	5,321
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>75,321</u>	<u>75,321</u>
<b><u>Expenditures</u></b>				
Capital outlay	5,030,000	6,106,605	1,520,107	4,586,498
Debt service:				
Bond issuance costs	-	41,400	87,260	(45,860)
<b>Total Expenditures</b>	<u>5,030,000</u>	<u>6,148,005</u>	<u>1,607,367</u>	<u>4,540,638</u>
<b>Revenues Over/ (Under) Expenditures</b>	<u>(5,030,000)</u>	<u>(6,148,005)</u>	<u>(1,532,046)</u>	<u>4,615,959</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Issuance of long term debt	-	3,111,239	4,225,000	1,113,761
Transfers (out) to debt service fund	-	(927,000)	(905,000)	22,000
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>2,184,239</u>	<u>3,320,000</u>	<u>1,135,761</u>
<b>Net Change in Fund Balance</b>	<u>\$ (5,030,000)</u>	<u>\$ (3,963,766)</u>	<u>1,787,954</u>	<u>\$ 5,751,720</u>
Beginning fund balance			<u>3,455,026</u>	
<b>Ending Fund Balance</b>			<u>\$ 5,242,980</u>	

(This page intentionally left blank.)