

CITY OF STINNETT, TEXAS

AUDIT REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2015

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JAMES R. ALLEN, C.P.A.

INDEPENDENT AUDITOR'S REPORT

The Honorable Colin Locke
The Honorable City Council
City of Stinnett, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, component units and each major fund of the City of Stinnett, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, component units and each major fund of the City of Stinnett, Texas, as of September 30, 2015, 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 [pages i - vii], budgetary comparison information [pages 26 - 33], and schedule of funding progress [page 34] 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 an opinion on the financial statements that collectively comprise the City of Stinnett, Texas's basic financial statements. The utility funds comparative balance sheets and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The utility funds comparative balance sheets and budgetary comparison information are the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "James R. Allen".

James R Allen, CPA
February 9, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The City of Stinnett's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, its ability to address the next and subsequent year challenges, (d) identify any material deviations from the financial plan, the approved budget, and (e) identify individual fund issues or concerns for the fiscal year ended September 30, 2015.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements beginning on page 2.

Financial Highlights

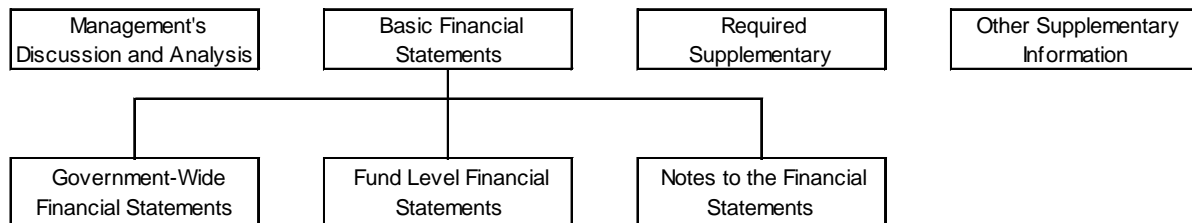
- The City's total net position decreased over the course of this year's operations. The net position of our business-type activities decreased \$46.7 thousand due primarily to transfers to the governmental funds. There was also a decrease of \$131.1 thousand in the net position of our governmental activities due primarily to increased expenditures in the police and street departments. Due to an accounting change, the net pension asset increased the primary government net position by \$440.4 thousand.
- During the year, the City's expenses were \$163.5 more than the \$2,036.7 thousand generated in taxes and other revenues for governmental programs (before transfers). This is less than last year, when expenses exceeded revenues by \$272.7 thousand.
- In the City's business-type activities, revenues decreased to \$941.4 thousand due primarily to the increase precipitation during the 2015 year.
- The General Fund (the primary operating fund) reflected on a current financial resource basis, shows a decrease in fund balance of \$118.2 thousand.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary funds statements offer short- and long-term financial information about the activities the government operates like businesses, such as the water, gas and sewer systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following figure shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds which are added together and presented in a single column in the financial statements.



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

Major Features of City of Stinnett’s Government-wide and Fund Level Financial Statements

	Government-wide Statements	Fund Level Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as public safety and economic development	Activities the City operates similar to private businesses: the water works system
Required Financial Statements	* Statement of Net Position * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures, and Changes in Fund Balances	* Statement of Net Position * Statement of Revenues, Expenses, and Changes in Fund Balances * Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting economic resources focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Financial Statements

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

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

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

The government-wide financial statements of the City are divided into three categories:

- Governmental activities – Most of the City’s basic services are included here, such as the police, fire, ambulance, parks and general administration. Property taxes and state grants primarily support these activities.
- Business-type activities – The City charges fees to customers to help it cover the costs of certain services provides. The City’s water, gas and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City has two kinds of funds:

- Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent reconciliation statement that explains the relationship (or differences) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

Government-wide Financial Analysis

Net Position. The net position may serve over time as a useful indicator of a government's financial position. The City's net position, the amount by which assets exceeded liabilities, was \$3.0 million at the close of the fiscal year.

The City's net position of the Governmental funds increased from \$1,167.3 thousand in 2014 to \$1,239.5 thousand in 2015. (See Table 1) The largest portion of the City's net position (\$2,058.3 thousand) reflects its investments in capital assets, e.g., land, buildings, improvements, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Subsequently, only \$929.4 thousand is due for spending in addition to future revenues.

At the end of the fiscal year, the City had positive balances in all categories of net position (1 – invested in capital assets net of related debt and 2– unrestricted), both for the government as a whole, as well as its separate Governmental and Business-type Activities

Table 1
Statement of Net Position
in thousands
as of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
ASSETS						
Current and other assets	\$ 799.6	\$ 697.6	\$ 350.7	\$ 132.2	\$ 1,150.3	\$ 829.8
Capital assets, net	969.0	1,030.6	1,523.6	1,588.6	2,492.6	2,619.2
TOTAL ASSETS	1,768.6	1,728.2	1,874.3	1,720.8	3,642.9	3,449.0
LIABILITIES						
Current and other liabilities	184.2	127.3	126.2	163.0	310.4	290.3
Long-term debt outstanding	348.5	432.6			348.5	432.6
TOTAL LIABILITIES	532.7	559.9	126.2	163.0	658.9	722.9
NET POSITION						
Invested in capital assets, net of debt	534.7	1,030.6	1,523.6	1,538.6	2,058.3	2,569.2
Unrestricted	704.8	136.7	224.6	19.2	929.4	155.9
TOTAL NET POSITION	\$ 1,239.5	\$ 1,167.3	\$ 1,748.2	\$ 1,557.8	\$ 2,987.7	\$ 2,725.1

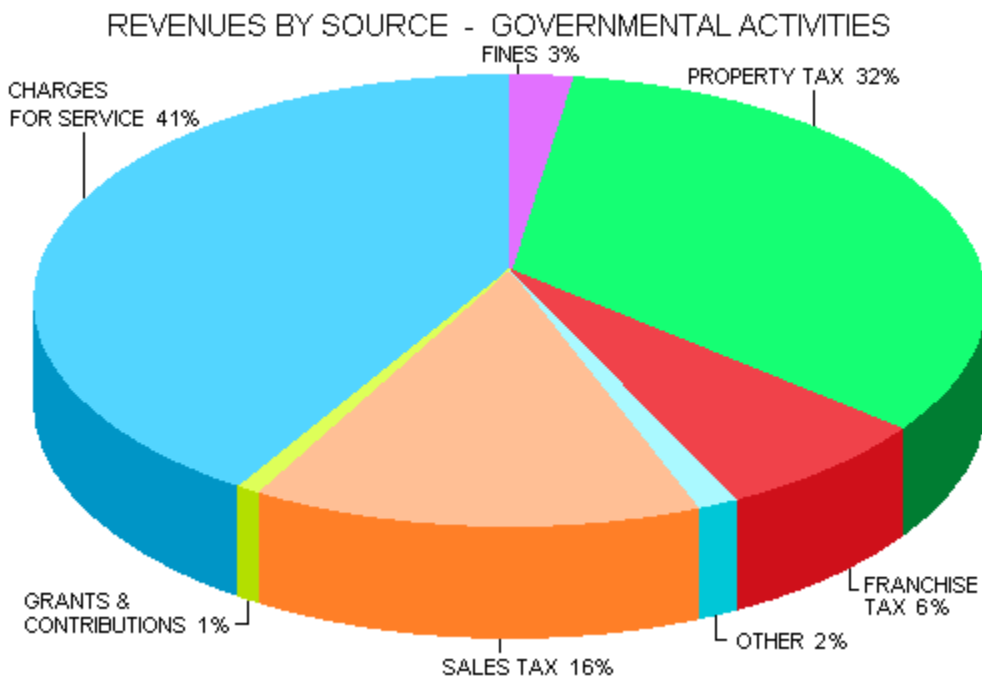
For more detailed information see the Statement of Net Position (page 3).

Change in Net Position. The City's total revenues decreased to \$2,036.7 thousand. (See Table 2) This decrease is due primarily to climate changes requiring less utility services.

**Table 2
Changes of Net Position
in thousands
as of September 30**

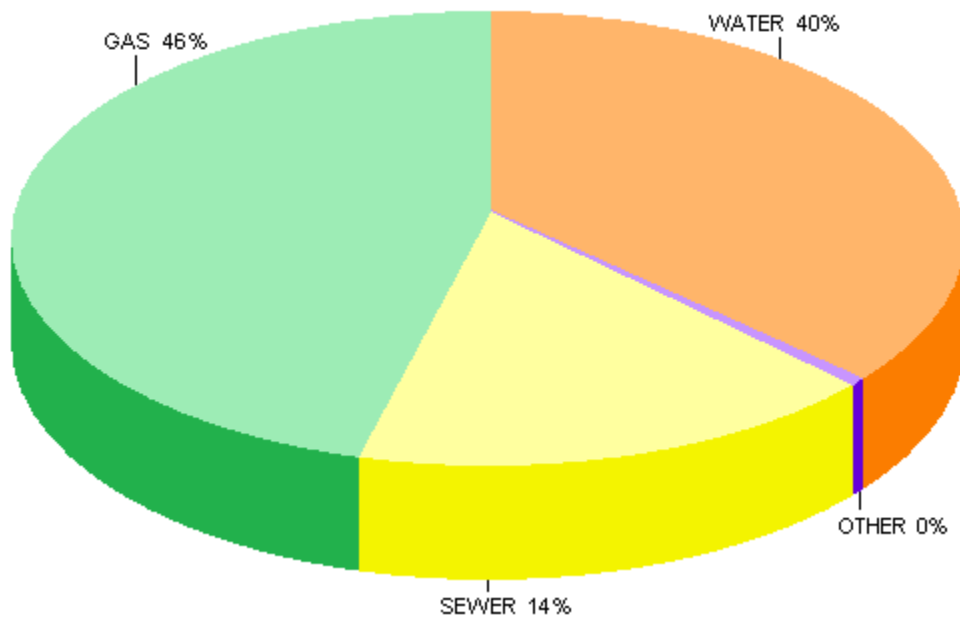
	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 447.1	\$ 456.0	\$ 941.4	\$ 1,102.4	\$ 1,388.5	\$ 1,558.4
Grants & contributions	7.6	5.7			7.6	5.7
General revenues						
Property taxes	348.9	305.6			348.9	305.6
Other taxes	242.1	225.1			242.1	225.1
Fines and forfeitures	29.1	14.7			29.1	14.7
Investment earnings	0.4	0.3			0.4	0.3
Sale of assets	0.2				0.2	
Other	18.9	23.1	1.0	0.5	19.9	23.6
Total revenues	1,094.3	1,030.5	942.4	1,102.9	2,036.7	2,133.4
Expenses						
General administration	204.4	219.0			204.4	219.0
Fire	63.2	88.7			63.2	88.7
Streets	280.6	264.5			280.6	264.5
Police	303.9	259.4			303.9	259.4
Sanitation	198.7	183.8			198.7	183.8
Public service	176.1	213.1			176.1	213.1
Ambulance	95.1	105.1			95.1	105.1
Cemetery	14.8	16.2			14.8	16.2
Interest on long-term debt	7.7	32.9			7.7	32.9
Utilities			855.7	1,023.4	855.7	1,023.4
Total expenses	1,344.5	1,382.7	855.7	1,023.4	2,200.2	2,406.1
Increase in net position before transfers	(250.2)	(352.2)	86.7	79.5	(163.5)	(272.7)
Transfers	119.1	145.8	(133.4)	(146.8)	(14.3)	(10)
Increase in net position	(131.1)	(206.4)	(46.7)	(67.3)	(177.8)	(273.7)
Net position - October 1	1,167.3	1,373.7	1,557.8	1,625.1	2,725.1	2,998.8
Adjustment for accounting change	203.3		237.1		440.4	
Net position - September 30	\$ 1,239.5	\$ 1,167.3	\$ 1,748.2	\$ 1,557.8	\$ 2,987.7	\$ 2,725.1

Charges for services remain the largest portion of governmental activity revenues in 2015.

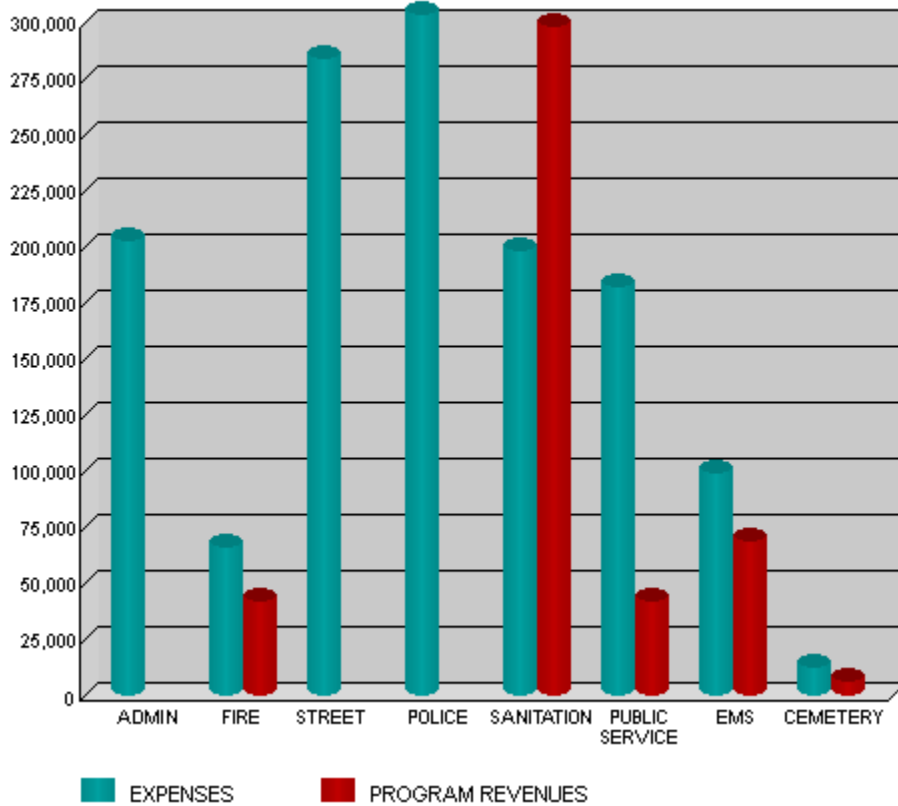


Revenues generated and expenses used in business-type activities remained consistent with previous years, with the exception of capital grants received.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



The business-type activities generated revenues in excess of the cost of supplying the utility service to our residents including administrative costs in the aggregate.

Budgetary Highlights

The City budgets for general fund expenditures and operating expenses of the water, sewer, and sanitation departments. The City did not amend the budget in 2015. The general fund actual expenditures were less than the total budgeted by approximately 4%. The City's expense budget for the water and sewer fund was exceeded by actual expenses again in 2015 because depreciation expenses are not budgeted. The City's expenses for the gas fund were less than budgeted due almost entirely to the actual cost of gas being less than expected.

Capital Asset

At the end of 2015, the City had invested \$2,492.6 thousand in a broad range of capital assets, including public service equipment, buildings, facilities, and water, gas and sewer lines. (See Table 3) This amount represents a net decrease (including additions, deductions, and depreciation) of \$126.7 thousand over last year.

**Table 3
Capital Assets
net of depreciation, in thousands
as of September 30**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 56.6	\$ 37.5	\$ 105.4	\$ 105.4	\$ 162.0	\$ 142.9
Construction in Progress						
Buildings and Improvements	622.5	622.3	10.1	12.6	632.6	634.9
Infrastructure	43.3	47.9	1,247.4	1,333.5	1,290.7	1,381.4
Machinery and Equipment	96.2	126.1	68.3	74.3	164.5	200.4
Office Furniture and Equipment	4.2	5.8			4.2	5.8
Transportation Equipment	146.0	190.8	92.4	62.9	238.4	253.7
	<u>\$ 969.0</u>	<u>\$ 1,030.6</u>	<u>\$ 1,523.6</u>	<u>\$ 1,588.7</u>	<u>\$ 2,492.6</u>	<u>\$ 2,619.3</u>

This year's major capital asset additions included:

- 3.465 AC Cemetery addition, \$19.1 thousand
- 2015 Chevy pickup, \$23.2 thousand
- 2002 Dodge pickup, \$6.5 thousand
- 2015 Chevy pickup, \$22.1 thousand
- Pool resurfacing, \$48.9 thousand
- Scada system, \$14.3 thousand

Long-term Debt

At year-end the City had \$434.3 thousand in certificates of obligation and finance contract outstanding – a decrease of \$133.0 thousand over last year – as shown in Table 4. More detailed information about the City's long-term liabilities is presented in the Notes to the financial statements.

**Table 4
Outstanding Debt
in thousands
as of September 30**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General obligation bond (backed by the City)	\$ 340.0	\$ 392.0	\$	\$	\$ 340.0	\$ 392.0
Finance contract (collateral 3 2013 Ford Interceptors)	94.3	125.3			94.3	125.3
Proprietary obligation bond (backed by the City)				50.0		50.0
	<u>\$ 434.3</u>	<u>\$ 517.3</u>	<u>\$</u>	<u>\$ 50.0</u>	<u>\$ 434.3</u>	<u>\$ 567.3</u>

Future Plans

The city made a significant increase in utility and tax rates. Having access to grant programs through the services provided by ECIVIS, the city intends to apply for grant funds to continue replacing the existing gas lines with polyline. We expect that these changes will begin to reflect positively through increased revenue and improved ability to provide quality service to the residents of Stinnett. In an attempt to jump start community pride, the city plans to make improvements to city buildings and properties. We anticipate that the citizens will be encouraged to make improvements to their private property and in turn more individuals will be attracted to our community. In addition to physical improvements, the city is

working to improve our police presence and emergency services during the upcoming year. This will keep crime in check and provide better medical services. The city plans to purchase a motor grader, excavator, and other smaller equipment to improve the efficiency and effectiveness of the utility services provided.

Requests for Information

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City's Manager, P O Box 909, Stinnett, Texas 79083.

FINANCIAL STATEMENTS AND FOOTNOTES

CITY OF STINNETT, TEXAS
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	<i>PRIMARY GOVERNMENT</i>			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
<u>ASSETS</u>				
Cash and cash equivalents	\$ 25,839	\$ 50,849	\$ 76,688	\$ 221,725
Receivables, net	79,348	69,004	148,352	
Due from other governments	465		465	
Investments	496,091		496,091	
Net pension asset	197,889	230,870	428,759	
Capital assets				
Non-depreciable	56,627	105,400	162,027	
Depreciable, net	912,393	1,418,215	2,330,608	
TOTAL ASSETS	1,768,652	1,874,338	3,642,990	221,725
<u>LIABILITIES</u>				
Accounts payable	32,224	13,772	45,996	
Sales tax payable	1,926	1,070	2,996	
Accrued liabilities	11,752	15,587	27,339	
Due to CDC	43,691		43,691	
Due to other governments	8,094		8,094	
Deposits for meters	765	95,724	96,489	
Non-current liabilities				
Due within one year				
Finance contract	30,771		30,771	
Certificate of obligation	55,000		55,000	
Due in more than one year				
Finance contract	63,487		63,487	
Certificate of obligation	285,000		285,000	
TOTAL LIABILITIES	532,710	126,153	658,863	
<u>NET POSITION</u>				
Invested in capital assets, net of related debt	534,762	1,523,615	2,058,377	
Unrestricted	704,780	224,570	929,350	221,725
TOTAL NET POSITION	\$ 1,239,542	\$ 1,748,185	\$ 2,987,727	\$ 221,725

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

FUNCTION / PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES			PRIMARY GOVERNMENT			COMPONENT UNITS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
PRIMARY GOVERNMENT								
Governmental Activities								
General administration	\$ 204,375	\$	\$	\$	\$ (204,375)	\$	\$ (204,375)	\$
Fire	63,199	36,368		6,475	(20,356)		(20,356)	
Streets	280,594				(280,594)		(280,594)	
Police	303,918		5		(303,913)		(303,913)	
Sanitation	198,657	299,398			100,741		100,741	
Public service	176,081	38,511			(137,570)		(137,570)	
Ambulance	95,050	64,481	1,110		(29,459)		(29,459)	
Cemetery	14,799	8,379	12		(6,408)		(6,408)	
Interest on long-term debt	7,657				(7,657)		(7,657)	
Total governmental activities	1,344,330	447,137	1,127	6,475	(889,591)		(889,591)	
Business-Type Activities								
Water department	303,783	373,622				69,839	69,839	
Sewer department	100,949	132,081				31,132	31,132	
Gas department	450,942	435,628				(15,314)	(15,314)	
Total business-type activities	855,674	941,331				85,657	85,657	
TOTAL PRIMARY GOVERNMENT	\$ 2,200,004	\$ 1,388,468	\$ 1,127	\$ 6,475	(889,591)	85,657	(803,934)	
COMPONENT UNIT								
Community Development Corporation	\$ 9,300	\$	\$ 3,375	\$				(5,925)
Emergency Medical Services	6,979							(6,979)
TOTAL COMPONENT UNITS	\$ 16,279	\$	\$ 3,375	\$				(12,904)
GENERAL REVENUES								
Taxes								
Property tax					348,864		348,864	
Sales tax					176,601		176,601	58,867
Other intergovernmental sources					65,458		65,458	
Fines and forfeitures					29,090		29,090	
Investment earnings					365	4	369	
Sales of assets					203		203	
Other					18,888	993	19,881	12
Transfers in (out)					119,102	(133,389)	(14,287)	14,287
Total general revenues and transfers					758,571	(132,392)	626,179	73,166
CHANGE IN NET POSITION					(131,020)	(46,735)	(177,755)	60,262
NET POSITION - OCTOBER 1					1,167,307	1,557,784	2,725,091	161,463
ADJUSTMENT FOR ACCOUNTING CHANGE					203,255	237,136	440,391	
NET POSITION - SEPTEMBER 30					\$ 1,239,542	\$ 1,748,185	\$ 2,987,727	\$ 221,725

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	<u>GENERAL</u>
<u>ASSETS</u>	
Current cash and cash equivalents	\$ 16,058
Investments	301,111
Receivables, net	
Tax	40,778
Charges for service	1,879
Utilities	27,515
Due from other governments	3,553
TOTAL ASSETS	<u>\$ 390,894</u>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>	
Liabilities	
Accounts payable	\$ 32,224
Sales tax payable	1,926
Accrued liabilities	10,847
Due to CDC	43,691
Due to other governments	8,094
Deposits for meters	765
TOTAL LIABILITIES	<u>97,547</u>
Deferred inflows of resources	
Deferred property tax	21,842
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>21,842</u>
Fund Balances	
Committed	43,691
Unassigned	227,814
TOTAL FUND BALANCES	<u>271,505</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 390,894</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 RECONCILIATION OF THE TOTAL FUND BALANCE OF GOVERNMENT FUNDS
 TO GOVERNMENT-WIDE NET POSITION
AS OF SEPTEMBER 30, 2015

FUND BALANCES - GOVERNMENTAL FUNDS \$ 271,505

Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets	\$ 3,021,181	
Less accumulated depreciation	(2,052,161)	969,020

Net pension assets are not financial resources and therefore are not reported in the governmental funds.

Net pension asset		197,889
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Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds.

236,290

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

Bonds payable		(340,000)
Finance contract		(94,257)

Some liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(905)

GOVERNMENT-WIDE NET POSITION		<u>\$ 1,239,542</u>
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CITY OF STINNETT, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	<u>GENERAL</u>
<u>REVENUES</u>	
Charges for services	\$ 447,137
Grants and contributions	7,602
Property tax	257,279
Sales tax	176,601
Other intergovernmental sources	65,458
Fines and forfeitures	29,090
Income on investments	229
Sale of assets	203
Other	18,888
	<u>1,002,487</u>
TOTAL REVENUES	<u>1,002,487</u>
<u>EXPENDITURES</u>	
Current Operating	
Administration	198,481
Fire	33,377
Streets	265,911
Police	271,070
Sanitation	179,599
Public service	129,770
Ambulance	81,748
Cemetery	14,799
Capital outlay	100,340
	<u>1,275,095</u>
TOTAL EXPENDITURES	<u>1,275,095</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(272,608)</u>
<u>OTHER FINANCING SOURCES</u>	
Transfers in	<u>154,402</u>
TOTAL OTHER FINANCING SOURCES	<u>154,402</u>
NET CHANGES IN FUND BALANCES	<u>(118,206)</u>
FUND BALANCES - OCTOBER 1	<u>389,711</u>
FUND BALANCES - SEPTEMBER 30	<u>\$ 271,505</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 RECONCILIATION OF THE NET CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE CHANGE IN GOVERNMENT-WIDE NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (118,206)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Current year depreciation	(136,088)
Capital asset additions	74,530

Other proceeds reported in the statement of activities are not required for use as current financial resources and therefore are not reported as revenues in the governmental funds.	56,421
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(7,677)
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NET CHANGE IN GOVERNMENT-WIDE NET POSITION \$ (131,020)

CITY OF STINNETT, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	WATER AND SEWER FUND	GAS FUND	TOTAL UTILITY FUNDS
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 47,183	\$ 3,666	\$ 50,849
Accounts receivable, net	53,440	15,564	69,004
TOTAL CURRENT ASSETS	<u>100,623</u>	<u>19,230</u>	<u>119,853</u>
Non-Current Assets			
Net pension asset	98,944	131,926	230,870
Capital Assets			
Land	105,400		105,400
Buildings and improvements	28,988	26,222	55,210
Infrastructure	2,960,901	295,804	3,256,705
Machinery and equipment	329,516	55,908	385,424
Office furniture and equipment	2,055	2,055	4,110
Transportation equipment	75,124	97,095	172,219
Less accumulated depreciation	(2,086,907)	(368,546)	(2,455,453)
TOTAL NON-CURRENT ASSETS	<u>1,514,021</u>	<u>240,464</u>	<u>1,754,485</u>
TOTAL ASSETS	<u>1,614,644</u>	<u>259,694</u>	<u>1,874,338</u>
<u>LIABILITIES</u>			
Accounts payable	6,944	6,828	13,772
Sales tax payable		1,070	1,070
Accrued liabilities	12,923	2,664	15,587
Deposits for meters	41,113	54,611	95,724
TOTAL LIABILITIES	<u>60,980</u>	<u>65,173</u>	<u>126,153</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	1,415,077	108,538	1,523,615
Unrestricted	138,587	85,983	224,570
TOTAL NET POSITION	<u>\$ 1,553,664</u>	<u>\$ 194,521</u>	<u>\$ 1,748,185</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	WATER AND SEWER FUND	GAS FUND	TOTAL UTILITY FUNDS
<u>OPERATING REVENUES</u>			
Charges for services	\$ 505,784	\$ 436,540	\$ 942,324
Less bad debts	(1,864)	(448)	(2,312)
TOTAL OPERATING REVENUES	<u>503,920</u>	<u>436,092</u>	<u>940,012</u>
<u>OPERATING EXPENSES</u>			
Salaries, wages and employee benefits	170,865	145,667	316,532
Contractual services, materials and supplies	84,424	39,192	123,616
Natural gas purchases		228,069	228,069
Repairs and maintenance	20,925	14,765	35,690
Building insurance	5,118	723	5,841
State fees	3,901	4,314	8,215
Collection fees	4,568		4,568
Depreciation expense	108,032	16,526	124,558
Capital improvements	2,713		2,713
Legal notice	70	69	139
Other expenses	1,315	1,169	2,484
TOTAL OPERATING EXPENSES	<u>401,931</u>	<u>450,494</u>	<u>852,425</u>
OPERATING INCOME (LOSS)	<u>101,989</u>	<u>(14,402)</u>	<u>87,587</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Income on investments	4		4
Interest expense	(937)		(937)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(933)</u>		<u>(933)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>101,056</u>	<u>(14,402)</u>	<u>86,654</u>
Transfers out	(128,438)	(4,951)	(133,389)
CHANGE IN NET POSITION	(27,382)	(19,353)	(46,735)
NET POSITION - OCTOBER 1	1,479,417	78,367	1,557,784
ADJUSTMENT FOR ACCOUNTING CHANGE	101,629	135,507	237,136
NET POSITION - SEPTEMBER 30	<u>\$ 1,553,664</u>	<u>\$ 194,521</u>	<u>\$ 1,748,185</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	WATER AND SEWER FUND	GAS FUND	TOTAL UTILITY FUNDS
CASH FLOWS FROM OPERATIONS			
Receipts from customers	\$ 497,038	\$ 433,370	\$ 930,408
Payments to suppliers	(118,265)	(282,827)	(401,092)
Payments to employees	(166,386)	(140,958)	(307,344)
Net Cash Provided By Operating Activities	<u>212,387</u>	<u>9,585</u>	<u>221,972</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to governmental funds	(128,438)	(4,951)	(133,389)
Net Cash Used By Noncapital Financing Activities	<u>(128,438)</u>	<u>(4,951)</u>	<u>(133,389)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(37,436)	(22,125)	(59,561)
Payment of certificate of obligation	(50,000)		(50,000)
Net Cash Used By Capital and Related Financing Activities	<u>(87,436)</u>	<u>(22,125)</u>	<u>(109,561)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from interest	4		4
Change in investments	3,500		3,500
Payments of interest	(937)		(937)
Net Cash Provided By Investing Activities	<u>2,567</u>	<u></u>	<u>2,567</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(920)	(17,491)	(18,411)
CASH AND CASH EQUIVALENTS - OCTOBER 1	<u>48,103</u>	<u>21,157</u>	<u>69,260</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30	<u>\$ 47,183</u>	<u>\$ 3,666</u>	<u>\$ 50,849</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
<u>OPERATING INCOME</u>	\$ 101,989	\$ (14,402)	\$ 87,587
Adjustments			
Depreciation	108,032	16,526	124,558
Assets (increase) decrease			
Accounts receivable, net	(6,882)	(2,722)	(9,604)
Net pension asset	2,685	3,581	6,266
Liabilities increase (decrease)			
Accounts payable	3,557	5,148	8,705
Sales tax payable		292	292
Accrued liabilities	1,794	1,128	2,922
Deposits for meters	1,212	34	1,246
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 212,387</u>	<u>\$ 9,585</u>	<u>\$ 221,972</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
SEPTEMBER 30, 2015

	<u>COMMUNITY DEVELOPMENT CORPORATION</u>	<u>EMERGENCY MEDICAL SERVICES</u>	<u>TOTAL COMPONENT UNITS</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 157,755	\$ 20,279	\$ 178,034
Due from general fund	43,691		43,691
TOTAL ASSETS	<u>201,446</u>	<u>20,279</u>	<u>221,725</u>
<u>NET POSITION</u>			
Unrestricted	<u>201,446</u>	<u>20,279</u>	<u>221,725</u>
TOTAL NET POSITION	<u>\$ 201,446</u>	<u>\$ 20,279</u>	<u>\$ 221,725</u>

CITY OF STINNETT, TEXAS
 COMBINING STATEMENT OF ACTIVITIES
 COMPONENT UNITS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	COMMUNITY DEVELOPMENT CORPORATION	EMERGENCY MEDICAL SERVICES	TOTAL COMPONENT UNITS
EXPENSES			
Promotional activity	\$ 130	\$	\$ 130
Supplies		3,247	3,247
Training, travel and dues	181	3,733	3,914
Advertising	109		109
Community projects	8,420		8,420
Other expenses	459		459
TOTAL EXPENSES	9,299	6,980	16,279
PROGRAM REVENUES			
Operating grants and contributions	3,375		3,375
NET (EXPENSE) REVENUE	(5,924)	(6,980)	(12,904)
GENERAL REVENUES			
Sales tax	58,867		58,867
Transfer In	14,287		14,287
Investment earnings		12	12
TOTAL GENERAL REVENUES	73,154	12	73,166
CHANGE IN NET POSITION	67,230	(6,968)	60,262
NET POSITION - OCTOBER 1	134,216	27,247	161,463
NET POSITION - SEPTEMBER 30	\$ 201,446	\$ 20,279	\$ 221,725

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stinnett, Texas complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. The Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to insure that the financial statements of the City of Stinnett, Texas are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization, if the City appoints a voting majority of the organizations governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes.

Based on the application of these criteria, the City has two component units, Community Development Corporation of Stinnett and Stinnett Emergency Medical Service. Additional information about the Economic Development Corporation of Stinnett and Stinnett Emergency Medical Service can be obtained from their administrative office.

Community Development Corporation of Stinnett
609 Mackenzie
Stinnett, Texas 79083-0909

Stinnett Emergency Medical Service
609 Mackenzie
Stinnett, Texas 79083-0909

B. Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Fund Accounting

The accounts of the City are organized on the basis of funds which are considered a separate accounting entity. The operations of each fund is summarized by providing a separate set of self-balancing accounts which include it's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into two generic fund types and two broad fund categories as follows:

Governmental Fund

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Governmental Fund Types - Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

Proprietary Fund

The Proprietary Fund is used to account for the City's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the City's proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for providing water and sewer services to the residents of the City and some residents outside the City, financed through user charges.

Gas Fund - The Gas Fund accounts for providing gas services to the residents of the City and some residents outside the City, financed through user charges.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Basis of Accounting - continued

Revenues which are susceptible to accrual under the modified accrual basis of accounting are ad valorem taxes and interest on investments. Revenues such as certain license fees, fees of officials, and fines are not susceptible to accrual because they are neither measurable nor available until they are actually received, and therefore are not recorded until such time.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities and incurred.

E. Budgetary Data

The budgetary data in the financial statements reflects the budget passed and approved by the City Council. The City Council approves total budget appropriations only for each fund. Any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. The budget is prepared principally on the modified accrual basis of accounting for governmental funds and on the accrual basis for the proprietary fund. Annual budgets are employed as a management control device during the year. All annual appropriations lapse at fiscal year end. The budgets were not amended during the year.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Proprietary Fund Accounts Receivable

Within the Water, Sewer and Gas Funds, services rendered and billed but not collected as of the close of the fiscal year are accrued and this amount is reflected in the accounts receivable balance. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts. The City has determined the provision for uncollectible accounts to be 90% of account balances more than four months old.

H. Property Taxes Receivable

The delinquent taxes due the City represent all delinquent taxes on real property and the prior year on personal property. No provision for uncollectible taxes has been recorded. In accordance with generally accepted accounting principles applicable to government entities, the portion of taxes receivable that is deemed collectible, but not expected to be available within 60 days after the end of the year has been recorded as deferred revenue.

I. Capital Assets

The City's property, plant, equipment and infrastructure which meet the established value criteria and having useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets, drainage systems, and lighting systems, are not capitalized if obtained prior to October 1, 2003. After that date, all infrastructure records are maintained in a consistent manner to all other capital asset records. Donated fixed assets, if any, are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by the government is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	30	years
Infrastructure	10 - 20	years
Equipment	5 - 10	years

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Capital Assets - continued

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or proved service. Common indicators of impairment include -- evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppages due to lack of funding. Based on these criteria, there are no impairment charges during fiscal year 2015.

J. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

K. Sales Tax Revenue

The tax is collected by vendors from their consumers and submitted to the Comptroller of the State of Texas by the 20th of the month following collection. The State then remits the allocated amount of sales tax to the City by the 10th of the month following vendor submission. These amounts are included in the gross receipts tax revenue and are recorded as revenue when the City receives the funds. The current rate is 8.25%.

L. Vacation

Regular full-time employees are entitled to vacations of two to five weeks per year depending on longevity. Vacation time earned, but not taken, is paid at termination, but cannot be accumulated beyond one calendar year. The City has recorded a liability for accrued vacation \$15,588 in the Proprietary Funds and \$10,288 in the Governmental Fund.

M. Risk Management

The City is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City purchases insurance coverage to mitigate the effects of any losses. There were no significant reductions in insurance coverage from coverage in the prior year. Any settlement amounts have not exceeded coverage for the current year or the past three fiscal years.

N. Commitments and Contingencies

The City participates in some state and/or federally assisted programs. In connection with grants under these programs, the City is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

O. Subsequent Events

Management has evaluated subsequent events and transactions which occurred after the balance sheet date through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued. The accompanying financial statements include all Type 1 events and transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management and those charged with governance have also determined that there are no non-recognized Type 2 subsequent events which require additional disclosure.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

P. New Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, improves accounting and financial reporting for pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2014. The City implemented this Statement in fiscal year 2015.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*, amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. The requirements for this Statement are effective for financial reporting periods beginning after June 15, 2014 and must be applied simultaneously with the requirements of Statement 68. The City implemented this Statement in fiscal year 2015.

GASB Statement No. 72, Fair Value Measurement and Application, provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The City will implement this Statement in fiscal year 2016.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities by reducing the GAAP hierarchy to two categories of authoritative GAAP. This statement supersedes Statement No. 55 and is effective for financial statement periods beginning after June 15, 2015. The City will implement this Statement in fiscal year 2016.

GASB Statement No. 77, Tax Abatement Disclosures, requires governments that enter into tax abatement agreements to disclose specific information about the transaction. This Statement is effective for financial statement periods beginning after December 15, 2015. The City will implement this Statement in fiscal year 2016.

The City has not fully determined the effects that implementation of Statements No. 72, No. 76, and No. 77 will have on the City's financial statements.

BUDGETARY CONTROL AND PROCEDURES

The City Council appropriates a total expenditures budget based on projected revenues on an annual basis. The budget allocations among the various departments are included in the Required Supplemental Information section following the Notes to Financial Statements. The City's annual operating budgets include estimated revenues and expenditures for all funds. In accordance with the provisions of the general Texas municipality statutes, budget compliance and monitoring is on a department / fund level. The City Council's budgetary process is described below: 1) prior to the beginning of each fiscal year, the City Secretary submits proposed operating budgets for each fund to the Mayor and City Council for the fiscal year beginning October 1; 2) required public hearings are conducted to review and consider the proposed budget line items; 3) prior to October 1, the budgets are legally enacted through the passage of an ordinance; 4) the Mayor and City Council have the authority to transfer budgeted amounts between accounts within any fund; however, any changes to the budget fund totals for revenues and/or expenditures must be approved by ordinance.

CASH AND INVESTMENTS

The City's investment policies are governed by State statutes and City ordinances. The Public Funds Investment Act ("PFIA", Chapter 2256) requires the City to adopt, implement and publicize an investment policy which covers specific provisions in the Act regarding investment practices, management reporting and policy establishment. The investment policy in effect is available for public inspection at the City Hall. The PFIA establishes authorized investment vehicles for the City. The City is in substantial compliance with the PFIA at the end of the 2015 fiscal year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City minimizes interest rate risk by limiting investments to having a maturity date of one year or less.

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

CASH AND INVESTMENTS - CONTINUED

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City manages its custodial credit risk by depositing its funds with institutions participating in the FDIC insurance programs and is able to collateralize the deposits in accordance to state statutes.

In accordance with FDIC, public deposits are funds owned by the City. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits. As of September 30, 2015, the City's funds on deposit were adequately covered by either FDIC insurance or collateralized securities held by the financial institutions pledged to cover the City's deposits. The City had not time or demand deposits subject to custodial credit risk during the 2015 fiscal year.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of Texas.

At September 30, 2015, the City had insured bank balances as follows:

The Borger Interbank	
Carrying amounts in demand accounts	\$ 257,683
Less FDIC coverage	<u>250,000</u>
Collateralized	<u>\$ 7,683</u>

The cash previously shown as the City's deposits with financial institutions is reconciled with cash and cash equivalents shown on the Statement of Net Position as follows:

City's deposits with Borger Interbank	\$ 76,288
Petty cash on hand	<u>400</u>
Cash and Cash Equivalents - Statement of Net Position	<u>\$ 76,688</u>

For the Proprietary Fund's Statement of Cash Flows, the City has defined cash and cash equivalents as all cash on hand and all demand deposits. Under this definition, the cash caption on the Statement of Cash Flows consists of the following items on the Statement of Net Position:

Cash and cash equivalents	\$ 50,849
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PROPERTY TAX

Real and personal property values are assessed by Hutchinson County for the period January 1st, to December 31st, as of January 1st. Taxes are levied prior to October 1st of the current year. The tax statements are mailed on October 1st. Taxes are collected from October 31st to June 30th of the following year. Penalty and interest are added on collections after January 31st. Taxes become delinquent on July 1st. The County remits tax collections to the City in the month following collection.

SALES TAX

Sales tax is collected by vendors from their consumers and submitted to the Comptroller of the State of Texas by the 20th of the month following collection. The State then remits the allocated amount of sales tax to the City by the 10th of the month following vendor submission. These amounts are included in the gross receipts tax revenue and are recorded as revenue when the City receives the funds. The current rate is 8.25%.

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

INTERFUND TRANSFERS

Net transfers of \$133,389 from governmental activities to business-type activities on the government-wide statement of activities is the result of payroll coding errors. The following interfund transfers are reflected in the fund level financial statements for the year ended September 30, 2015:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General Fund	\$	\$ 154,402
Debt Service Fund	35,300	
Total Governmental Funds	<u>35,300</u>	<u>154,402</u>
Proprietary Funds		
Water and Sewer Fund	124,958	
Gas Fund	4,951	
Debt Service Fund	3,480	
Total Proprietary Funds	<u>133,389</u>	
Component Units		
Community Development Corp		14,287
Total Component Units		<u>14,287</u>
Total Transfers	<u>\$ 168,689</u>	<u>\$ 168,689</u>

CITY OF STINNETT, TEXAS
NOTES TO FINANCIAL STATEMENTS

CAPITAL ASSETS

CHANGES IN CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	BEGINNING BALANCE 10/01/2014	ADDITIONS	DELETIONS AND DISPOSALS	ENDING BALANCE 09/30/2015
PRIMARY GOVERNMENT				
<i>Governmental Activities</i>				
Assets not Depreciated				
Land	\$ 37,539	\$ 19,088	\$	\$ 56,627
Construction in Progress				
Depreciable Assets				
Buildings and Improvements	1,296,228	48,942		1,345,170
Infrastructure	257,347			257,347
Machinery and Equipment	508,698			508,698
Office Furniture and Equipment	25,082			25,082
Transportation Equipment	834,490	6,500	12,733	828,257
Total Depreciable Assets	2,921,845	55,442	12,733	2,964,554
Accumulated Depreciation				
Buildings and Improvements	673,891	48,763		722,654
Infrastructure	209,400	4,618		214,018
Machinery and Equipment	382,605	29,846		412,451
Office Furniture and Equipment	19,269	1,586		20,855
Transportation Equipment	643,641	51,275	12,733	682,183
Total Accumulated Depreciation	1,928,806	136,088	12,733	2,052,161
Net Depreciable Assets	993,039	(80,646)		912,393
<i>Net Governmental Activities Capital Assets</i>	<u>\$ 1,030,578</u>	<u>\$ (61,558)</u>	<u>\$</u>	<u>\$ 969,020</u>
<i>Business-Type Activities</i>				
Assets not Depreciated				
Land	\$ 105,400	\$	\$	\$ 105,400
Depreciable Assets				
Buildings and Improvements	55,210			55,210
Infrastructure	3,256,706			3,256,706
Machinery and Equipment	371,123	14,300		385,423
Office Furniture and Equipment	4,111			4,111
Transportation Equipment	145,403	45,262	18,445	172,220
Total Depreciable Assets	3,832,553	59,562	18,445	3,873,670
Accumulated Depreciation				
Buildings and Improvements	42,653	2,436		45,089
Infrastructure	1,923,249	86,087		2,009,336
Machinery and Equipment	296,842	20,234		317,076
Office Furniture and Equipment	4,111			4,111
Transportation Equipment	82,485	15,802	18,445	79,842
Total Accumulated Depreciation	2,349,340	124,559	18,445	2,455,454
Net Depreciable Assets	1,483,213	(64,997)		1,418,216
<i>Net Business-Type Activities Capital Assets</i>	<u>\$ 1,588,613</u>	<u>\$ (64,997)</u>	<u>\$</u>	<u>\$ 1,523,616</u>
NET PRIMARY GOVERNMENT CAPITAL ASSETS	<u>\$ 2,619,191</u>	<u>\$ (126,555)</u>	<u>\$</u>	<u>\$ 2,492,636</u>

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

GOVERNMENTAL FUND SPECIAL ASSESSMENT DEBT

Certificates of obligation series 2003 due in annual installments on February 15 backed by the full faith and credit of the City.

	\$ 340,000
Less: certificate due within one year	<u>55,000</u>
Long-Term Debt	<u><u>\$ 285,000</u></u>

The annual requirements to amortize the certificates of obligation as of September 30 are as follows:

<u>SEPTEMBER</u> <u>30</u>	<u>PRINCIPLE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	55,000	6,656	61,656
2017	54,000	5,495	59,495
2018	57,000	4,313	61,313
2019	55,000	3,120	58,120
2020-2021	119,000	2,567	121,567
	<u>\$ 340,000</u>	<u>\$ 22,151</u>	<u>\$ 362,151</u>

GOVERNMENTAL FUND CAPITAL LEASE

The City entered into a finance contract with Government Capital Corporation on July 31, 2013, original balance of \$154,400, payable annually including 3.514% interest. This agreement is for the purchase of three 2013 Ford Interceptors each outfitted to the specific needs of the police department.

The annual requirements to amortize the finance contract as of September 30 are as follows:

<u>SEPTEMBER</u> <u>30</u>	<u>PRINCIPLE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	30,771	3,344	34,115
2017	31,848	2,267	34,115
2018	31,639	1,153	32,792
	<u>\$ 94,258</u>	<u>\$ 6,764</u>	<u>\$ 101,022</u>

RETIREMENT PLAN

Plan Description

The City provides pension benefits for all of its eligible 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 (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

RETIREMENT PLAN - CONTINUED

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

	<u>2014</u>	<u>2015</u>
Employee deposit rate	5%	5%
Matching Ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60 / 5, 0 / 25	60 / 5, 0 / 25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

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

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

Schedule of Actuarial Liabilities and Funding Progress
 For the Year Ended September 2015

Actuarial Valuation Date	<u>12/31/2014</u>
Actuarial Value of Assets	\$ 1,959,266
Actuarial Accrued Liability	\$ 1,619,361
Percentage Funded	121.00%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ (339,905)
Annual Covered Payroll	\$ 525,243
UAAL as a Percentage of Covered Payroll	<u>(64.70%)</u>
NPO at the end of the period	<u>\$ -0-</u>

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

RETIREMENT PLAN - CONTINUED

The required contributions rates for fiscal year 2015 were determined as part of the December 31, 2013 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2014, also follows:

Valuation Date	12/31/2012	12/31/2013	12/31/2014
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	44.9 years; closed period	25.0 years; closed period	25.0 years; closed period
Amortization Period for new Gains / Losses	25 years	25 years	25 years
Asset Valuation Method	10-yr Smoothed Market	10-yr Smoothed Market	10-yr Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0% 0.0%	3.0% 0.0%	3.0% 0.0%

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

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

The following schedule of funding progress 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.

Schedule of Funding Progress (unaudited)

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL	ANNUAL REQUIRED CONTRIBUTION
12/31/2005	\$ 974,992	\$ 956,225	102.0%	\$ (18,767)	\$ 469,262	(4.0) %	\$ 49,642
12/31/2006	1,070,835	1,049,936	102.0%	(20,899)	399,406	(5.2) %	25,820
12/31/2007	1,154,586	1,063,403	108.6%	(91,183)	387,161	(23.6) %	22,893
12/31/2008	1,231,188	1,139,270	108.1%	(91,918)	451,214	(20.4) %	15,137
12/31/2009	1,334,647	1,245,035	107.2%	(89,612)	436,396	(20.5) %	13,151
12/31/2010	1,503,337	1,214,526	123.8%	(288,811)	430,876	(67.0) %	13,406
12/31/2011	1,525,823	1,316,336	123.5%	(309,487)	395,689	(78.2) %	13,097
12/31/2012	1,743,852	1,407,804	123.9%	(336,048)	356,463	(94.3) %	694
12/31/2013	1,855,073	1,530,533	121.2%	(324,540)	344,500	(94.2) %	-0-
12/31/2014	1,959,266	1,619,361	121.0%	(339,905)	525,243	(64.7) %	-0-

SUPPLEMENTAL DEATH BENEFITS FUND

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 benefits 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.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>REVENUES FROM CHARGES FOR SERVICES</u>				
Fire department	\$ 36,368	\$ 30,000	\$ 6,368	\$ 33,000
Sanitation department	299,398	300,300	(902)	298,672
Public service department	38,511	34,700	3,811	35,763
Cemetery	8,379	10,000	(1,621)	11,420
Ambulance department	64,481	71,500	(7,019)	77,104
TOTAL REVENUES FROM CHARGES FOR SERVICES	447,137	446,500	637	455,959
<u>REVENUES FROM OPERATING GRANTS AND CONTRIBUTIONS</u>				
Fire department	6,475	2,000	4,475	1,955
Police department	5	1,500	(1,495)	
Ambulance department	1,110	2,000	(890)	3,781
Cemetery	12	100	(88)	12
TOTAL REVENUES FROM OPERATING GRANTS AND CONTRIBUTIONS	7,602	5,600	2,002	5,748
<u>REVENUES FROM PROPERTY TAXES</u>				
Property tax	257,279	260,505	(3,226)	235,548
<u>REVENUES FROM INTERGOVERNMENTAL SOURCES</u>				
Sales tax	176,601	160,000	16,601	157,738
<u>REVENUES FROM OTHER INTERGOVERNMENTAL SOURCES</u>				
Franchise tax	63,610	65,000	(1,390)	65,845
Hotel occupancy tax	1,848	1,200	648	1,475
TOTAL REVENUES FROM OTHER INTERGOVERNMENTAL SOURCES	65,458	66,200	(742)	67,320
<u>REVENUES FROM FINES AND FORFEITURES</u>				
Police department	29,090	19,500	9,590	14,743

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>REVENUES FROM INCOME ON INVESTMENTS</u>				
Investment earnings	\$ 229	\$ 500	\$ (271)	\$ 202
<u>REVENUES FROM SALE OF ASSETS</u>				
Sale of assets	203	1,000	(797)	
<u>REVENUES FROM OTHER SOURCES</u>				
Miscellaneous	18,792	6,600	12,192	23,067
TRRA	96		96	
TOTAL REVENUES FROM OTHER SOURCES	<u>18,888</u>	<u>6,600</u>	<u>12,288</u>	<u>23,067</u>
<u>CONTRIBUTIONS AND TRANSFERS</u>				
Transfers in	<u>154,402</u>		<u>154,402</u>	<u>148,829</u>
TOTAL REVENUES	<u>\$ 1,156,889</u>	<u>\$ 966,405</u>	<u>\$ 190,484</u>	<u>\$ 1,109,154</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>GENERAL ADMINISTRATION EXPENDITURES</u>				
Salaries	\$ 114,795	\$ 84,500	\$ (30,295)	\$ 106,069
Social security	8,810	8,000	(810)	7,834
Retirement	2,095	500	(1,595)	167
Workers comp	1,571	1,700	129	5,419
General liability insurance	26,209	36,900	10,691	17,561
Insurance and bonds		200	200	1,297
Utilities and telephone	4,138	4,500	362	4,703
Janitorial expenditure	1,385	3,000	1,615	2,316
Office supplies	5,492	5,250	(242)	6,098
Training, travel and dues	7,495	7,500	5	6,796
Professional fees	11,001	15,300	4,299	36,144
Computer service		500	500	324
Auto expense	834	1,300	466	91
Supplies	114	500	386	1,116
Election expense	1,593	5,000	3,407	117
Assessing and collecting	4,711	5,000	289	4,808
Repairs and maintenance	2,192	4,500	2,308	9,303
Building insurance	552	600	48	
Miscellaneous	5,494	2,800	(2,694)	2,885
TOTAL GENERAL ADMINISTRATION EXPENDITURES	<u>198,481</u>	<u>187,550</u>	<u>(10,931)</u>	<u>213,048</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>FIRE DEPARTMENT EXPENDITURES</u>				
Allowance expenditures	\$ 3,030	\$ 15,000	\$ 11,970	\$
Social Security [not budgeted]	2,630		(2,630)	
Firemen's fees [not budgeted]				13,545
Workers comp	702	900	198	
Utilities	4,478	5,500	1,022	6,416
Dispatch fees	1,415	2,000	585	4,000
Office supplies	2,056	2,000	(56)	2,219
Training, travel and dues	2,098	5,000	2,902	1,320
Professional fees	1,483	900	(583)	658
Auto expense	6,002	9,300	3,298	4,078
Supplies		4,500	4,500	4,125
Repairs and maintenance	7,325	10,000	2,675	3,825
Building insurance	344	600	256	1,142
Miscellaneous	1,814	5,000	3,186	
TOTAL FIRE DEPARTMENT EXPENDITURES	<u>33,377</u>	<u>60,700</u>	<u>27,323</u>	<u>41,328</u>
<u>STREET DEPARTMENT EXPENDITURES</u>				
Salaries	37,021	29,400	(7,621)	3,271
Social security	3,559	2,100	(1,459)	599
Retirement	92	500	408	8
Workers comp	858	1,000	142	
General liability insurance	5,129	7,650	2,521	
Utilities and telephone	29,294	25,150	(4,144)	27,187
Contract services	10,874	25,000	14,126	6,698
Supplies	856	1,000	144	451
Training, travel and dues [not budgeted]	28		(28)	
Professional fees	1,323	900	(423)	400
Auto expense	6,100	4,750	(1,350)	2,191
Repairs and maintenance	169,493	153,000	(16,493)	184,109
Building Insurance	776	850	74	
Miscellaneous	508	750	242	7
TOTAL STREET DEPARTMENT EXPENDITURES	<u>265,911</u>	<u>252,050</u>	<u>(13,861)</u>	<u>224,921</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>POLICE DEPARTMENT EXPENDITURES</u>				
Salaries	\$ 143,312	\$ 137,580	\$ (5,732)	\$ 139,107
Social security	10,061	8,000	(2,061)	9,793
Retirement	3,017	500	(2,517)	264
Workers comp	2,603	2,800	197	4,142
General liability insurance	44,044	54,250	10,206	38,597
Utilities and telephone	4,200	4,600	400	4,557
Contract services	16,969	13,600	(3,369)	4,560
Office supplies	2,641	2,000	(641)	2,925
Training, travel and dues	5,217	4,500	(717)	8,180
Professional fees	7,583	4,400	(3,183)	7,603
Court state fees	10,558	7,500	(3,058)	5,485
Auto expense	9,943	12,900	2,957	12,022
Supplies	1,349	3,000	1,651	4,429
Uniforms	2,452	3,000	548	4,811
Repairs and maintenance	3,301	3,000	(301)	2,712
Building insurance	215	250	35	
Interest expenditure [not budgeted]	2,887		(2,887)	5,675
Miscellaneous [not budgeted]	718		(718)	2,211
TOTAL POLICE DEPARTMENT EXPENDITURES	<u>271,070</u>	<u>261,880</u>	<u>(9,190)</u>	<u>257,073</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>SANITATION DEPARTMENT EXPENDITURES</u>				
Salaries	\$ 39,743	\$ 30,500	\$ (9,243)	\$ 30,646
Social security	3,334	2,000	(1,334)	2,314
Retirement	100	400	300	70
Workers comp	858	900	42	1,381
General liability insurance	13,361	18,500	5,139	10,888
Utilities and telephone	2,117	1,550	(567)	3,825
Contract services	93,214	90,000	(3,214)	82,368
Office supplies [not budgeted]	182		(182)	
Training, travel and dues	1,065	500	(565)	929
Professional fees	1,362	900	(462)	400
Auto expense	14,600	17,200	2,600	17,145
Supplies	416	500	84	776
Repairs and maintenance	8,225	10,000	1,775	4,059
Miscellaneous	1,022	800	(222)	632
TOTAL SANITATION DEPARTMENT EXPENDITURES	179,599	173,750	(5,849)	155,433
<u>PUBLIC SERVICE DEPARTMENT EXPENDITURES</u>				
Salaries	49,690	84,000	34,310	94,510
Social security	3,464	6,000	2,536	6,979
Retirement	50	150	100	62
Workers comp	858	900	42	1,381
General liability insurance	3,354	13,800	10,446	3,861
Utilities and telephone	31,682	19,600	(12,082)	31,125
Training, travel and dues	3,745	2,000	(1,745)	2,132
Professional fees	1,731	650	(1,081)	1,144
Auto expense	1,529	2,850	1,321	1,560
Supplies	7,185	7,000	(185)	6,249
Repairs and maintenance	8,801	41,000	32,199	4,009
Building insurance	4,007	4,000	(7)	1,142
Park special [not budgeted]	7,235		(7,235)	
Concessions	5,252	5,000	(252)	4,742
Miscellaneous	1,187	3,500	2,313	2,554
TOTAL PUBLIC SERVICE DEPARTMENT EXPENDITURES	129,770	190,450	60,680	161,450

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>AMBULANCE EXPENDITURES</u>				
Ambulance fees	\$	\$	\$	\$ 705
Salaries	27,031	31,800	4,769	32,596
Social security	2,882	2,400	(482)	2,447
Retirement	965	150	(815)	73
Workers comp	156	900	744	1,381
General liability insurance	7,035	12,000	4,965	7,432
Utilities and telephone	3,397	4,100	703	3,342
Contract services	7,625	4,000	(3,625)	6,823
Office supplies	666	700	34	1,548
Training, travel and dues	6,059	3,000	(3,059)	3,961
Professional fees	6,427	7,900	1,473	10,274
Auto expense	2,581	4,250	1,669	2,939
Supplies	3,223	3,500	277	2,132
Medical supplies	1,067	5,000	3,933	5,891
Volunteer expenditures	1,350	3,500	2,150	3,855
Repairs and maintenance	5,132	6,500	1,368	5,883
Building Insurance	388	800	412	
Miscellaneous	5,764	500	(5,264)	556
TOTAL AMBULANCE EXPENDITURES	<u>81,748</u>	<u>91,000</u>	<u>9,252</u>	<u>91,838</u>
<u>COMMUNITY PROMOTION</u>				
Cemetery expenditure	14,799	10,000	(4,799)	16,247
TOTAL COMMUNITY PROMOTION	<u>14,799</u>	<u>10,000</u>	<u>(4,799)</u>	<u>16,247</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
 GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>CAPITAL IMPROVEMENT EXPENDITURES</u>				
General administration	\$ 22,975	\$ 2,000	\$ (20,975)	\$ 200
Fire department	18,881	15,000	(3,881)	23,500
Street department		5,000	5,000	26,673
Police department	3,042	40,000	36,958	1,910
Sanitation department	6,500	8,000	1,500	9,644
Public service department	48,942	25,000	(23,942)	6,854
Ambulance department		4,000	4,000	
TOTAL CAPITAL IMPROVEMENT EXPENDITURES	<u>100,340</u>	<u>99,000</u>	<u>(1,340)</u>	<u>68,781</u>
TOTAL EXPENDITURES	<u>\$ 1,275,095</u>	<u>\$ 1,326,380</u>	<u>\$ 51,285</u>	<u>\$ 1,230,119</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 [UNAUDITED] SCHEDULE OF FUNDING PROGRESS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO	UNFUNDED ACTUARIAL ACCRUED	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED	ANNUAL REQUIRED CONTRIBUTION
12/31/2014	\$ 1,959,266	\$ 1,619,361	121.0 %	\$ (339,905)	\$ 525,243	(64.7) %	\$ -0-
12/31/2013	1,855,073	1,530,533	121.2	(324,540)	344,500	(94.2)	-0-
12/31/2012	1,743,852	1,407,804	123.9	(336,048)	356,463	(94.3)	694
12/31/2011	1,525,823	1,316,336	120.0	(309,487)	395,689	(78.2)	13,097
12/31/2010	1,503,337	1,214,526	120.0	(288,811)	430,876	(67.0)	13,406
12/31/2009	1,334,647	1,245,035	110.0	(89,612)	436,396	(20.5)	13,151
12/31/2008	1,231,188	1,139,270	110.0	(91,918)	451,214	(20.4)	15,137
12/31/2007	1,154,586	1,063,403	110.0	(91,183)	387,161	(23.6)	22,893
12/31/2006	1,070,835	1,049,936	100.0	(20,899)	399,406	(5.2)	25,820
12/31/2005	974,992	956,225	100.0	(18,767)	469,262	(4.0)	49,642

See Notes to Financial Statements and Independent Auditor's Report

OTHER SUPPLEMENTAL INFORMATION

CITY OF STINNETT, TEXAS
STATEMENT OF ACTUAL REVENUES, EXPENSES, AND CHANGES IN NET POSITION (BUDGET BASIS) COMPARED TO BUDGET
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL	ADJUSTMENT TO BUDGETARY BASIS	ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<u>OPERATING REVENUES</u>					
Water and sewer department	\$ 505,784		\$ 505,784	\$ 503,000	\$ 2,784
Gas department	436,540		436,540	577,000	(140,460)
Less bad debts	(2,312)		(2,312)		(2,312)
TOTAL OPERATING REVENUES	940,012		940,012	1,080,000	(139,988)
<u>OPERATING EXPENSES</u>					
Salaries, wages and employee benefits	316,532		316,532	255,900	(60,632)
Contractual services, materials and supplies	123,616		123,616	191,150	67,534
Natural gas purchases	228,069		228,069	300,000	71,931
Repairs and maintenance	35,690		35,690	76,000	40,310
Building insurance	5,841		5,841	11,400	5,559
State fees	3,901		3,901	3,500	(401)
Depreciation expense	124,558	\$ (124,558) ⁽¹⁾			
Capital improvements	2,713		2,713	44,500	41,787
Collection fees	8,882		8,882		(8,882)
Other expenses	2,623		2,623	5,400	2,777
TOTAL OPERATING EXPENSES	852,425	(124,558)	727,867	887,850	159,983
OPERATING INCOME	87,587	(124,558)	212,145	192,150	19,995
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Income on investments	4		4		4
Interest expense	(937)		(937)		(937)
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ (933)	\$	\$ (933)	\$	\$ (933)

CITY OF STINNETT, TEXAS
STATEMENT OF ACTUAL REVENUES, EXPENSES, AND CHANGES IN NET POSITION (BUDGET BASIS) COMPARED TO BUDGET
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	<u>ACTUAL</u>	<u>ADJUSTMENT TO BUDGETARY BASIS</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
INCOME BEFORE TRANSFERS	\$ 86,654	\$ 124,558	\$ 211,212	\$ 192,150	\$ 19,062
Transfers out [not budgeted]	(133,389)	133,389	(2)		
CHANGE IN NET POSITION	(46,735)	257,947	211,212	192,150	19,062
NET POSITION - OCTOBER 1	1,557,784				
ADJUSTMENT FOR ACCOUNTING CHANGE	<u>237,136</u>				
NET POSITION - SEPTEMBER 30	<u>\$ 1,748,185</u>				

NOTES

(1) The City of Stinnett does not budget depreciation expense.

(2) The City of Stinnett does not budget transfers.

CITY OF STINNETT, TEXAS
 COMPARATIVE BALANCE SHEET
 WATER AND SEWER FUND
SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 47,183	\$ 48,103
Accounts receivable, net	<u>53,440</u>	<u>46,558</u>
TOTAL CURRENT ASSETS	<u>100,623</u>	<u>94,661</u>
Non-Current Assets		
Net pension asset	98,944	101,629
Investments		3,500
Capital Assets		
Land	105,400	105,400
Construction in progress		
Buildings and improvements	28,988	28,988
Infrastructure	2,960,901	2,960,901
Machinery and equipment	329,516	315,216
Office furniture and equipment	2,055	2,055
Transportation equipment	75,124	70,433
Less accumulated depreciation	<u>(2,086,907)</u>	<u>(1,997,320)</u>
TOTAL NON-CURRENT ASSETS	<u>1,514,021</u>	<u>1,590,802</u>
TOTAL ASSETS	<u>\$ 1,614,644</u>	<u>\$ 1,685,463</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Current Liabilities		
Accounts payable	\$ 6,944	\$ 3,388
Accrued liabilities	12,923	11,129
Deposits for meters	41,113	39,901
Non-Current Liabilities		
Due within one year		
Certificate of obligation		50,000
TOTAL LIABILITIES	<u>60,980</u>	<u>104,418</u>
<u>FUND BALANCE</u>		
Invested in capital assets, net of related debt	1,415,077	1,435,694
Unrestricted	<u>138,587</u>	<u>145,352</u>
TOTAL FUND BALANCE	<u>1,553,664</u>	<u>1,581,045</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,614,644</u>	<u>\$ 1,685,463</u>

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>OPERATING REVENUES</u>				
Water sales	\$ 365,130	\$ 370,000	\$ (4,870)	\$ 388,724
Water taps	700	1,000	(300)	3,525
Service charges	15,583	17,000	(1,417)	17,187
Sewer service	124,290	123,000	1,290	121,632
Sewer taps				225
Miscellaneous [not budgeted]	81		81	(53)
	505,784	511,000	(5,216)	531,240
Less Bad Debts [not budgeted]	(1,864)		(1,864)	(4,397)
TOTAL OPERATING REVENUES	503,920	511,000	(7,080)	526,843
<u>NON-OPERATING REVENUES</u>				
Investment earnings [not budgeted]	4		4	4
TOTAL NON-OPERATING REVENUES	4		4	4
<u>CONTRIBUTIONS AND TRANSFERS</u>				
Transfers out [not budgeted]	(128,438)		(128,438)	(150,887)
	<u>\$ 375,486</u>	<u>\$ 511,000</u>	<u>\$ (135,514)</u>	<u>\$ 375,960</u>

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENSES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENSES
WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>OPERATING EXPENSES</u>				
SALARIES, WAGES AND EMPLOYEE BENEFITS				
Salaries	\$ 131,129	\$ 123,100	\$ (8,029)	\$ 108,715
Social security	9,870	8,000	(1,870)	7,674
Retirement	3,014	500	(2,514)	231
Workers comp insurance	2,652	2,800	148	2,839
General liability insurance	24,200	27,900	3,700	16,330
TOTAL SALARIES, WAGES AND EMPLOYEE BENEFITS	170,865	162,300	(8,565)	135,789
CONTRACTUAL SERVICES, MATERIAL AND SUPPLIES				
Utilities and telephone	43,004	45,500	2,496	47,056
Office supplies	4,805	2,500	(2,305)	4,140
Travel, training and dues	8,613	5,000	(3,613)	6,270
Professional fees	16,417	29,000	12,583	59,978
Auto expense	4,879	7,700	2,821	4,011
Supplies	6,706	7,500	794	5,307
TOTAL CONTRACTUAL SERVICES, MATERIALS AND SUPPLIES	84,424	97,200	12,776	126,762
Repairs and maintenance	20,925	41,500	20,575	35,229
Building insurance	5,118	5,100	(18)	5,712
State fees	3,901	3,500	(401)	3,405
Collection fees [not budgeted]	4,568		(4,568)	
Depreciation expense [not budgeted]	108,032		(108,032)	114,937
Capital outlay		55,000	55,000	
Capital improvements	2,713	5,000	2,287	2,500
Legal notice [not budgeted]	70		(70)	
Miscellaneous	1,315	2,500	1,185	3,286
TOTAL OPERATING EXPENSES	401,931	372,100	(29,831)	427,620
<u>NON-OPERATING EXPENSES</u>				
Interest expense [not budgeted]	937		(937)	3,327
TOTAL OPERATING AND NON-OPERATING EXPENSES	<u>\$ 402,868</u>	<u>\$ 372,100</u>	<u>\$ (30,768)</u>	<u>\$ 430,947</u>

CITY OF STINNETT, TEXAS
 COMPARATIVE BALANCE SHEET
 GAS FUND
SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 3,666	\$ 21,157
Accounts receivable, net	<u>15,564</u>	<u>12,842</u>
TOTAL CURRENT ASSETS	<u>19,230</u>	<u>33,999</u>
Non-Current Assets		
Net pension asset	131,926	135,507
Capital Assets		
Buildings and improvements	26,222	26,222
Infrastructure	295,804	295,805
Machinery and equipment	55,908	55,908
Office furniture and equipment	2,055	2,055
Transportation equipment	97,095	74,969
Less accumulated depreciation	<u>(368,546)</u>	<u>(352,020)</u>
TOTAL NON-CURRENT ASSETS	<u>240,464</u>	<u>238,446</u>
TOTAL ASSETS	<u>\$ 259,694</u>	<u>\$ 272,445</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Accounts payable	\$ 6,828	\$ 1,680
Sales tax payable	1,070	778
Accrued liabilities	2,664	1,536
Deposits for meters	<u>54,611</u>	<u>54,577</u>
TOTAL LIABILITIES	<u>65,173</u>	<u>58,571</u>
<u>FUND BALANCE</u>		
Invested in capital assets, net of related debt	108,539	102,939
Unrestricted	<u>85,982</u>	<u>110,935</u>
TOTAL FUND BALANCE	<u>194,521</u>	<u>213,874</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 259,694</u>	<u>\$ 272,445</u>

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 GAS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
<u>OPERATING REVENUES</u>				
Gas sales	\$ 429,442	\$ 620,000	\$ (190,558)	\$ 563,074
Service charges	6,186	9,000	(2,814)	8,046
Miscellaneous [not budgeted]	912		912	500
	<u>436,540</u>	<u>629,000</u>	<u>(192,460)</u>	<u>571,620</u>
Less Bad Debts [not budgeted]	(448)		(448)	(4,395)
TOTAL OPERATING REVENUES	436,092	629,000	(192,908)	567,225
<u>CONTRIBUTIONS AND TRANSFERS</u>				
Transfers out [not budgeted]	(4,951)		(4,951)	4,113
	<u>\$ 431,141</u>	<u>\$ 629,000</u>	<u>\$ (197,859)</u>	<u>\$ 571,338</u>

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENSES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENSES
GAS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

	ACTUAL 2015	ORIGINAL & FINAL BUDGET 2015	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2014
OPERATING EXPENSES				
SALARIES, WAGES AND EMPLOYEE BENEFITS				
Salaries	\$ 108,346	\$ 133,000	\$ 24,654	\$ 99,438
Social security	8,202	7,000	(1,202)	7,673
Retirement	3,857	500	(3,357)	230
Workers comp insurance	1,785	1,900	115	3,336
General liability insurance	23,477	33,750	10,273	16,237
	<u>145,667</u>	<u>176,150</u>	<u>30,483</u>	<u>126,914</u>
TOTAL SALARIES, WAGES AND EMPLOYEE BENEFITS				
CONTRACTUAL SERVICES, MATERIAL AND SUPPLIES				
Utilities and telephone	5,510	7,500	1,990	7,129
Office supplies	5,045	2,500	(2,545)	4,194
Training, travel and dues	5,992	4,000	(1,992)	6,510
Professional fees	12,344	24,500	12,156	42,312
Contract labor	4,239	4,500	261	1,365
Auto expense	3,178	5,050	1,872	3,591
Supplies	2,884	5,000	2,116	1,621
	<u>39,192</u>	<u>53,050</u>	<u>13,858</u>	<u>66,722</u>
TOTAL CONTRACTUAL SERVICES, MATERIALS AND SUPPLIES				
Natural gas purchases	228,069	321,500	93,431	330,365
Repairs and maintenance	14,765	80,500	65,735	38,027
Building insurance	723	800	77	5,712
Collection fees [not budgeted]	4,314		(4,314)	
Depreciation expense [not budgeted]	16,526		(16,526)	13,943
Capital outlay		45,000	45,000	
Legal notice [not budgeted]	69		(69)	
Miscellaneous	1,169	1,500	331	1,978
	<u>1,169</u>	<u>1,500</u>	<u>331</u>	<u>1,978</u>
TOTAL OPERATING EXPENSES				
	<u>\$ 450,494</u>	<u>\$ 678,500</u>	<u>\$ 228,006</u>	<u>\$ 583,661</u>