

ANNUAL FINANCIAL REPORT

of the

CITY OF RAYMONDVILLE, TEXAS

For the Fiscal Year

OCTOBER 1, 2014 THROUGH SEPTEMBER 30, 2015

ISSUED BY

THE OFFICE OF THE FINANCE DIRECTOR

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City of Raymondville, Texas
COMMISSIONERS AND OFFICIALS
September 30, 2015

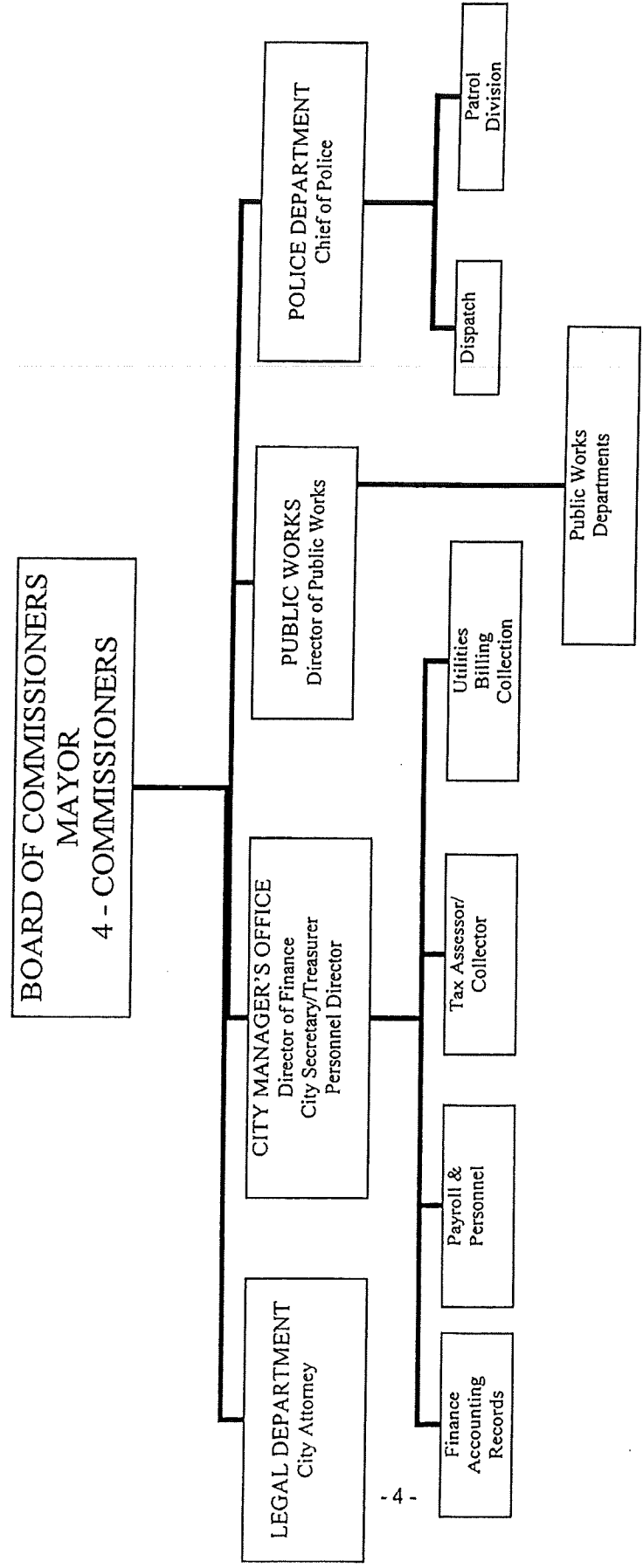
BOARD OF COMMISSIONERS

Honorable Gilbert Gonzales	Mayor
Honorable Clifton Smith	Mayor Pro-Tem
Honorable Chris Tamez	Commissioner
Honorable Yolanda Alexandre	Commissioner
Honorable Ezequiel Cavazos	Commissioner

CITY OFFICIALS

Eleazar Garcia, Jr.	City Manager/Secretary
Joel Soto	Director of Public Works
William R. Wepfer	City Attorney
Felicita Gutierrez	Municipal Judge
Uvaldo Zamora	Police Chief
Olga Fadely	Tax Collector
Delma C. Garza	Assistant City Secretary

CITY OF RAYMONDVILLE ORGANIZATIONAL CHART



City of Raymondville, Texas

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Financial Section

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**Unmodified Opinions on Basic Financial Statements Accompanied by
Required Supplementary Information and Other Information
State or Local Governmental Entity**

Independent Auditor's Report

The Honorable Gilbert Gonzales, Mayor
Members of the Board of Commissioners
City of Raymondville, Texas

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raymondville 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

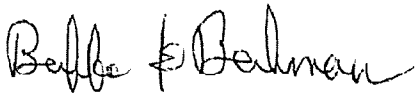
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Raymondville 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, pension information and budgetary comparison for the general fund on pages 13 through 17 and pages 61 through 64 and 65 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.



Buffo & Berkman
Certified Public Accountants
Raymondville, TX 78580
July 6, 2016

Management's Discussion and Analysis

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City of Raymondville

GILBERT GONZALES, Mayor
CLIFTON SMITH, Commissioner
CHRIS L. TAMEZ, Commissioner
YOLANDA ALEXANDRE, Commissioner
EZIQUIEL CAVAZOS, Commissioner

142 SOUTH 7TH STREET
RAYMONDVILLE, TEXAS 78580-2951
Phone: 956/689/2443

ELEAZAR GARCIA, JR., City Manager/Secretary
WILLIAM R. WEPFER, City Attorney
JOEL SOTO, Director of Public Works
UVALDO ZAMORA, Chief of Police

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2015

(UNAUDITED)

Our discussion and analysis of the City of Raymondville's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the City's basic financial statements which begin on page 21.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the City as a whole and represent a long-term view of the City's property, obligations, and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and the non-appropriated budget.

The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

FINANCIAL HIGHLIGHTS

Governmental type funds

- ! The governmental type assets of the City and deferred Outflows exceeded its liabilities and deferred Inflows at the close of the most recent fiscal year by \$12,926,352 (*net position*). Of this amount 4,808,196 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- ! The City's total net position increased by \$31,736.
- ! As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,839,366 a decrease of \$1,912,196 in comparison with the prior year. \$3,438,767 is *available for spending* at the City's discretion (*unreserved fund balance*).

Business type funds

- ! The business type assets and deferred outflows of the City exceeded its liabilities and deferred inflow at the close of the most recent fiscal year by \$7,135,585 (*net position*). Of this amount \$1,526,370 (*unrestricted net position*) may be used to meet the business type activities obligations.
- ! The net position decreased by \$320,299.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 21. Its primary objective is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities while the Statement of Activities includes all the income and expenses generated by the City's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's income and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current or future years. Liabilities are considered whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To assess fully the overall health of the City; however, you should consider nonfinancial factors as well, such as the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, the City has two kinds of activities.

Government Activities - The City's basic services are reported here, including operating, maintenance and general. Ad valorem taxes, sales and franchise taxes, and user fees finance these activities.

Business Type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here. User fees for water and sewer operations finance these activities.

Reporting the City's Governmental Funds

Governmental Fund - The City reports its basic services in a governmental fund. This fund uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash), and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the notes to the basic financial statements.

Business Type Funds (Proprietary) - When the City charges customers for the services it provides, these services are generally reported in the proprietary fund. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. The City reports its utility services in a business type fund. This fund uses the accrual basis of accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the City's governmental activities.

Net position of the City's governmental activities increased from \$12,062,661 to \$12,926,352. Unrestricted net position - the part of the net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was \$4,808,196 at September 30, 2015.

This change in net position was the net result of four factors. First, the City's expenditures exceeded the income by about \$1,912,196. Second, The City's recognition of depreciation and amortization decreased the net position by \$597,498. Third, the City's net position was increased by miscellaneous reclassifications of income \$19,455. Fourth, the City increased its net position as a result of long-term debt principal payments in the amount of \$283,000 and purchase of capital assets in the amount of \$2,238,975.

TABLE I
NET POSITION

	Governmental Activities	
	2015	2014
Current and other assets	\$ 5,869,235	\$ 6,877,139
Capital assets	10,927,026	9,293,116
Total assets	\$ 16,796,261	\$ 16,170,255
Deferred outflow of resources		
Pension contributions	\$ 11,026	\$ -0-
Investment experience pension	56,358	-0-
Total deferred outflows	\$ 67,384	\$ -0-
Other liabilities	\$ 565,467	\$ 540,594
Long-term liabilities	3,384,000	3,567,000
Total liabilities	\$ 3,849,467	\$ 4,107,594
Deferred inflows of resources		
Actual experience vs.		
Assumption- pension	\$ 87,826	\$ -0-
Total deferred inflows	\$ 87,826	\$ -0-
Net position:		
Invested in capital assets, net of related debt	\$ 7,643,026	\$ 5,718,549
Restricted	475,130	437,539
Unrestricted	4,808,196	5,906,573
Total net position	\$ 12,926,352	\$ 12,062,661

TABLE II
CHANGES IN NET POSITION

	Governmental Activities	
	2015	2014
Program income:		
Charges for services	\$ 669,877	\$ 646,260
General revenues		
Taxes and assessments	3,230,240	3,204,980
License and permits	51,730	91,502
Inter governmental	875,616	296,579
Miscellaneous	261,695	224,810
Transfers	-0-	(29,937)
Total income	\$ 5,089,158	\$ 4,434,194
Expenses:		
General government	\$ 1,565,701	\$ 1,323,616
Public safety	1,406,748	1,340,613
Highways and streets	634,463	617,877
Sanitation	564,248	557,015
Culture and recreation	244,702	220,447
Debt service-interest on long term debt	92,274	5,899
Pension	(48,212)	-0-
Depreciation and amortization	597,498	593,825
Total expenses	\$ 5,057,422	\$ 4,659,292
CHANGE IN NET POSITION	31,736	\$ (225,098)
NET POSITION, OCTOBER 1	12,062,661	12,287,759
PRIOR PERIOD ADJUSTMENT	831,955	-0-
NET POSITION, SEPTEMBER 30	\$ 12,926,352	\$ 12,062,661

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2015, the City had approximately \$21,861,807 (net of accumulated depreciation) invested in a broad range of capital assets, including land, structures and improvements and equipment.

This year's major additions included:

Building, improvements, machines and equipment \$ 2,288,310

Debt

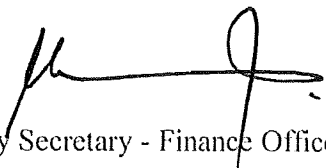
At September 30, 2015, the City had approximately \$8,702,547 in bonded debt and capital lease outstanding versus approximately \$9,308,370 last year. \$283,000 of bond principal of general government debt was repaid and \$260,100 of bond principal of business type debt was repaid.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 budget. The City expects revenues to equal the expenditures in the government type activities and in the business type activities for fiscal year 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers and investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have a question about this report or need additional financial information, contact the City Administration Office at 142 South 7th Street, Raymondville, Texas 78580.



City Secretary - Finance Officer

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Basic Financial Statements

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City of Raymondville, Texas
STATEMENT OF NET POSITION
September 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Assets:			
Cash and cash equivalents	\$ 3,354,725	\$ 1,270,698	\$ 4,625,423
Accounts receivable (net)			
Utilities	53,355	214,858	268,213
Sales tax	173,520		173,520
Property taxes	545,254		545,254
Loans	398,112		398,112
Due from other funds	422,157	1,362	423,519
Restricted assets:			
Cash and cash equivalents			
Interest and sinking funds	2,964	5,542	8,506
Customer deposits		414,668	414,668
Net pension asset	919,148	550,313	1,469,461
Capital assets (net)	<u>10,927,026</u>	<u>10,934,781</u>	<u>21,861,807</u>
Total assets	<u>\$ 16,796,261</u>	<u>\$ 13,392,222</u>	<u>\$ 30,188,483</u>
Deferred outflows of resources			
Pension contributions	11,026	6,601	17,627
Investment experience- pension	<u>56,358</u>	<u>33,746</u>	<u>90,104</u>
Total inflows of resources	<u>67,384</u>	<u>40,347</u>	<u>107,731</u>
Liabilities			
Accounts payable	366,813	122,944	489,757
Unearned revenue	12,332		12,332
Accrued payroll	63,950		63,950
Due to other funds	47,840	375,680	423,520
Customer deposits payable	74,532	327,230	401,762
Noncurrent liabilities			
Due within one year	250,000	280,932	530,932
Due in more than one year	<u>3,034,000</u>	<u>5,137,615</u>	<u>8,171,615</u>
Total liabilities	<u>3,849,467</u>	<u>6,244,401</u>	<u>10,093,868</u>
Deferred inflows of resources			
Actual experience vs. assumption-pension	<u>87,826</u>	<u>52,583</u>	<u>140,409</u>
Total deferred inflows of resources	<u>87,826</u>	<u>52,583</u>	<u>140,409</u>
Net position			
Invested in capital assets, net of related debt	7,643,026	5,516,234	13,159,260
Restricted for:			
Debt service	2,963	5,543	8,506
Perpetual care	397,635		397,635
Customer deposits	74,532	87,438	161,970
Unrestricted	<u>4,808,196</u>	<u>1,526,370</u>	<u>6,334,566</u>
Total net position	<u>\$ 12,926,352</u>	<u>\$ 7,135,585</u>	<u>\$ 20,061,937</u>

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

City of Raymondville, Texas
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

Primary Government	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 1,565,701	\$	\$	\$	\$(1,565,701)
Public safety	1,406,748	52,922			(1,353,826)
Highways and streets	634,463				(634,463)
Sanitation	564,248	616,955			52,707
Culture and recreation	244,702				(244,702)
Interest expense	92,274				(92,274)
Pension	(48,212)				48,212
Depreciation	597,498				(597,498)
Total governmental activities	\$ 5,057,422	\$ 669,877	\$ -0-	\$ -0-	\$(4,387,545)
Business-type activities:					
Water	\$ 1,442,578	\$ 1,915,960			\$ 473,382
Sewer	1,188,657	1,068,319			(120,338)
Administration	214,079				(214,079)
Interest expense	186,208				(186,208)
Pension	(28,866)				28,866
Depreciation	458,588				(458,588)
Total business-type activities	\$ 3,461,244	\$ 2,984,279	\$ -0-	\$ -0-	\$(476,965)
Total Primary Governmen	\$ 8,518,666	\$ 3,654,156	\$ -0-	\$ -0-	\$(4,864,510)
Changes in net position:					
			<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net (expense)/revenue			\$(4,387,545)	\$(476,965)	\$(4,864,510)
General revenues:					
Taxes:			\$ 3,230,240		\$ 3,230,240
License and permits			51,730		51,730
Intergovernmental			875,616	143,005	1,018,621
Miscellaneous			261,695	\$ 13,661	275,356
Total general revenues			\$ 4,419,281	\$ 156,666	\$ 4,575,947
Changes in net position			\$ 31,736	\$(320,299)	\$(288,563)
Net position - beginning			12,062,661	6,895,050	18,957,711
Prior period adjustment			831,955	560,834	1,392,789
Net position - ending			<u>\$ 12,926,352</u>	<u>\$ 7,135,585</u>	<u>\$ 20,061,937</u>

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

City of Raymondville, Texas
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2015

Assets	General Fund	Economic Development	Special Revenue	Capital Projects	Interest & Sinking	Total Governments Funds
Cash and cash equivalents	\$ 434,768	\$ 1,224,079	\$	\$	\$	\$ 1,658,847
Receivables, net						
Utility accounts	53,355					53,355
Sales tax	145,616	27,904				173,520
Property taxes	545,254					545,254
Loans			398,112			398,112
Due from other funds	414,963	7,194				422,157
Restricted assets:						
Cash and cash equivalents	397,635		56,151	1,242,092	2,964	1,698,842
Reserve accounts						
Total assets	<u>\$1,991,591</u>	<u>\$ 1,259,177</u>	<u>\$ 454,263</u>	<u>\$ 1,242,092</u>	<u>\$ 2,964</u>	<u>\$ 4,950,087</u>
Liabilities						
Accounts payable	\$ 245,594	\$ 8,124	\$ 9,827	\$ 103,268	\$	\$ 366,813
Accrued payroll	63,950					63,950
Due to other funds	8,656		32,894	6,290		47,840
Partial payments from customers	74,532					74,532
Unearned revenue	0		12,332			12,332
Total liabilities	<u>\$ 392,732</u>	<u>\$ 8,124</u>	<u>\$ 55,053</u>	<u>\$ 109,558</u>	<u>\$ -0-</u>	<u>\$ 565,467</u>
Deferred inflows of Resources:						
Unavailable advalorem taxes	\$ 545,254	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 545,254
Total deferred inflows of resources	<u>\$ 545,254</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 545,254</u>
Fund balances						
Restricted fund balances						
Cemetery care	\$ 397,635	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 397,635
Debt service					2,964	2,964
Unassigned fund balances	<u>655,970</u>	<u>1,251,053</u>	<u>399,210</u>	<u>1,132,534</u>	<u>-0-</u>	<u>3,438,767</u>
Total fund balances	<u>\$1,053,605</u>	<u>\$ 1,251,053</u>	<u>\$ 399,210</u>	<u>\$ 1,132,534</u>	<u>\$ 2,964</u>	<u>\$ 3,839,366</u>
Total liabilities, deferred inflows & fund balances	<u>\$1,991,591</u>	<u>\$ 1,259,177</u>	<u>\$ 454,263</u>	<u>\$ 1,242,092</u>	<u>\$ 2,964</u>	

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

Pension plan net asset, deferred outflows and deferred inflows are not financial resources and therefore not reported in the funds. \$ 898,706

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation and amortization of \$11,799,205. \$ 10,927,026

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:
Taxes receivable \$ 545,254

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

Bonds payable \$(3,284,000)

Net position of governmental activities \$ 12,926,352

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

City of Raymondville, Texas
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2015

Revenues	General Fund	Economic Development	Special Revenue	Capital Projects	Interest & Sinking	Total Governments Funds
Taxes	\$ 2,916,553	\$ 360,983	\$	\$	\$	\$ 3,277,536
Licenses & permits	51,730					51,730
Intergovernmental			626,016	249,600		875,616
Charges for services	616,955					616,955
Fines & forfeits	43,752		9,170			52,922
Other revenues	219,858	14,481	21,235	6,099	22	261,695
Total revenues	<u>\$ 3,848,848</u>	<u>\$ 375,464</u>	<u>\$ 656,421</u>	<u>\$ 255,699</u>	<u>\$ 22</u>	<u>\$ 5,136,454</u>
Expenditures						
Current:						
General government	\$ 1,018,940	\$ 352,022	\$ 194,739	\$	\$	\$ 1,565,701
Public safety	1,406,748					1,406,748
Highways & streets	634,463					634,463
Sanitation	564,248					564,248
Culture & recreation	244,702					244,702
Pension	15,650	954	1,935			18,539
Debt service:						
Principal					283,000	283,000
Interest					92,274	92,274
Capital outlay	17,732		206,757	2,014,486		2,238,975
Total expenditures	<u>\$ 3,902,483</u>	<u>\$ 352,976</u>	<u>\$ 403,431</u>	<u>\$ 2,014,486</u>	<u>\$ 375,274</u>	<u>\$ 7,048,650</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (53,635)</u>	<u>\$ 22,488</u>	<u>\$ 252,990</u>	<u>\$ 1,758,787</u>	<u>\$ (375,252)</u>	<u>\$ (1,912,196)</u>
Other financing sources (uses)						
Transfers in					370,649	370,649
Transfers out	(113,000)	(257,649)				(370,649)
Total other financing sources (uses)	<u>\$ (113,000)</u>	<u>\$ (257,649)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 370,649</u>	<u>\$</u>
Net change in fund balances	\$ (166,635)	\$ (235,161)	\$ 252,990	\$ (1,758,787)	\$ (4,603)	\$ (1,912,196)
Fund balances - beginning	1,220,240	1,486,214	146,220	2,891,321	7,567	5,751,562
Fund balances - ending	<u>\$ 1,053,605</u>	<u>\$ 1,251,053</u>	<u>\$ 399,210</u>	<u>\$ 1,132,534</u>	<u>\$ 2,964</u>	<u>\$ 3,839,366</u>

(Continued)

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

City of Raymondville, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

Net change in fund balances - total governmental funds \$(1,912,196)

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

Governmental funds report capital outlays as expenditures while
 governmental activities report depreciation expense to allocated those
 expenditures over the life of the assets:

Capital assets purchased capitalized	\$ 2,238,975
Depreciation expense and amortization	<u>(597,498)</u>
	<u>\$ 1,641,477</u>

Revenues in the Statement of Activities that do not provide current
 financial resources are not reported as revenues in the funds:

Unearned taxes	<u>\$ 19,455</u>
	<u>\$ 19,455</u>

Repayment of debt principal are revenues and expenditure in the governmental
 funds, but the repayment reduces long-term liabilities in the
 Statement of Net Position:

Bond principal payments	<u>283,000</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 31,736</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Raymondville, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2015

Assets	
Cash and cash equivalents	1,270,698
Customers' accounts receivable (net)	214,858
Due from other funds	1,362
Restricted assets:	
Interest and sinking funds:	
Cash and cash equivalents:	
2012	4,286
2014	<u>1,256</u>
	5,542
Customer deposits	414,668
Net pension asset	550,313
Property, plant and equipment:	
Land and reservoir	89,861
Depreciable plant, improvements and equipment	18,730,404
Less: accumulated depreciation	<u>(7,885,484)</u>
Net property plant and equipment	<u>10,934,781</u>
Total assets	<u>13,392,222</u>
Deferred outflows of resources	
Pension contributions	6,601
Investment experience-pension	<u>33,746</u>
Total deferred outflow of resources	<u>40,347</u>

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

City of Raymondville, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2015

LIABILITIES	
Accounts payable	122,944
Due to other funds	375,680
Current portion capital lease payable	
Customers' deposits	327,230
Noncurrent liabilities	
Due within one year	280,932
Due in more than one year	<u>5,137,615</u>
Total liabilities	<u>6,244,401</u>
DEFERRED INFLOWS OF RESOURCES	
Actual experience vs. assumption-pension	<u>52,583</u>
Total deferred inflows of resources	<u>52,583</u>
Net position	
Invested in capital assets, net of related debt	5,516,234
Restricted for debt service	5,542
Restricted for customer deposits	87,438
Unrestricted	<u>1,526,371</u>
Total net position	<u>\$ 7,135,585</u>

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

City of Raymondville, Texas
STATEMENT OF INCOME, EXPENSES AND CHANGES
IN NET POSITION PROPRIETARY FUNDS
For the Fiscal Year Ended September 30, 2015

	<u>Proprietary</u> <u>Fund Type</u> <u>Enterprise</u>
Operating revenues:	
Water revenue	\$ 1,915,960
Sewer revenue	1,068,319
Intergovernmental	<u>143,005</u>
Total operating revenues	<u>\$ 3,127,284</u>
Operating expenses:	
Water treatment	\$ 1,005,546
Water distribution	437,032
Sewage collection and disposal	1,188,657
Administrative expense	214,079
Pensions	(28,866)
Depreciation expense	<u>458,588</u>
Total operating expenses	<u>\$ 3,275,036</u>
Operating income (loss)	<u>\$(147,752)</u>
Non-operating revenues (expenses):	
Operating transfer in (out)	
Miscellaneous	13,661
Interest	<u>(186,208)</u>
Total non-operating revenues (expenses)	<u>\$(172,547)</u>
Change in net position	\$(320,299)
Net position at beginning of year	6,895,050
Prior period adjustment	<u>560,834</u>
Total net position	<u>\$ 7,135,585</u>

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

City of Raymondville, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended September 30, 2015

Cash flows from operating activities	
Cash received from user charges	\$ 3,002,664
Cash payments for goods and services	(1,910,617)
Cash payments to employees for services	(908,569)
Grants	143,005
Other operating revenue	<u>13,461</u>
Net cash provided by operating activities	<u>\$ 339,944</u>
Cash flows from noncapital financing activities	
Operating transfers	<u>\$ -0-</u>
Net cash used for non capital financing activities	<u>\$ -0-</u>
Cash flows from capital and related financing activities	
Acquisition of capital assets	\$(192,340)
Change in other payables	(184,219)
Principal payment of debt	(260,100)
Interest payment on debt	<u>(186,208)</u>
Net cash provided by capital and related financing activities	<u>\$(822,864)</u>
Cash flows from investing activities	
Interest on investments	<u>\$ 5,444</u>
Net cash provided by investing activities	<u>\$ 5,444</u>
Net increase (decrease) in cash	\$(477,479)
Cash at beginning of year	<u>2,168,387</u>
Cash at end of year	<u><u>\$ 1,690,908</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$(320,299)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	458,588
Change in pension	(40,266)
Change in accounts receivable	23,609
Change in payables	43,578
Change in due to other funds	<u>(190,249)</u>
Net cash provided (used) by operating activities	<u><u>\$(25,039)</u></u>

Accounting policy: For the purpose of the statement of cash flows, cash on hand and cash in bank (restricted and unrestricted) comprise cash.

Non-cash transactions - None.

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

Statement 7 (Continued)

Cash at end of year	
Cash and cash equivalent (unrestricted)	\$ 1,270,698
Cash and cash equivalent (restricted)	<u>420,210</u>
Total cash	<u>\$ 1,690,908</u>

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

Notes to the Financial Statements

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City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Raymondville, Texas was incorporated March 3, 1921. The City operates under a Commission-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative service.

All funds of the City of Raymondville over which the city has oversight responsibility are included in the annual financial report.

Reporting Entity – The Board of Commissioners (the “Board”) is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its statement 14, “The Financial Reporting Entity.” The Economic Development Corporation of Raymondville is included as a blended component unit within the reporting entity. It is reported as a major fund.

GASB concluded that the basic criteria for including an agency, institution, authority, or other organization in a governmental unit reporting entity is the exercise of oversight responsibility over such agencies by the governmental unit’s elected officials. Oversight responsibility is defined to include, but is not limited to:

Financial interdependency - When a separate agency produces a financial benefit for or imposes a financial burden on a unit of government, that agency is part of the reporting entity.

Manifestations of financial interdependency include responsibility for financing deficits, entitlements to surpluses, and guarantees of, or "moral responsibility" for, debt.

Selection of governing authority - An authoritative appointment is one where the entity's chief elected official maintains a significant continuing relationship with the appointed officials with respect to carrying out important public functions.

Designation of management - When management is appointed by and held accountable to a governing authority that is included in the entity, the activity being managed falls within the entity.

Ability significantly to influence operations - This ability includes, but is not limited to, the authority to review and approve budgetary requests, adjustments, and amendments.

Accountability for fiscal matters - Fiscal authority normally includes the authority for final approval over budgetary appropriations, responsibility for funding deficits and operating deficiencies, disposal of surplus funds, control over the collection and disbursement of funds, and maintenance of title to assets.

There may be, however, factors other than oversight that are so significant that exclusion of a particular agency from a reporting entity's financial statements would be misleading. These other factors include:

(a) Scope of Public Service - Aspects to be considered include who the activity benefits and whether it is conducted within the entity's geographic boundaries and generally available to its citizens.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Special Financing Relationship - Such a relationship may have been created to benefit the entity by providing for the issuance of debt on behalf of the entity.

The following local agencies are not part of the city's reporting entity because the city takes no financial responsibility for them, elected officials of the city do not select their governing authority, the management of the agency is designated independently of the city, the city is not in a position to influence operations and there is no accountability for fiscal matters.

Raymondville Independent School District
Willacy County Drainage District #2
Willacy County Hospital District
Willacy County Emergency Services District
Willacy County Navigation District

Based on these criteria, the various funds and account groups (being all the fund types and account groups of the City) shown in the Table of Contents are included in this report.

The accounting policies of the City of Raymondville, Texas conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City's activities. *Governmental activities* include operations supported primarily by ad valorem taxes, sales and franchise taxes, and charges for services. *Business-type activities* include operations supported primarily by charges for services.

Charges for services in the governmental activities include charges for garbage collection. Charges for services in the business-type activities include water and sewer charges.

The fund financial statements provide reports of the financial condition and results of operations of the general fund and other governmental funds.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Ad valorem taxes are recognized as revenue in the year for which they are levied.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increase and decrease in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principle on long-term debt, which is recognized when due. The City does not consider ad valorem taxes as available if they are collectible within 60 days after year end.

The City's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equities, revenues and expenditures. The City reports the following major funds:

General Fund - The General Fund is used to account for financial resources used for general operations. It is the basic fund of the City and covers all activities. Any fund balances are considered resources available for current operations.

Economic Development Fund - The Economic Development Fund is use to account for financial purposes used for economic development. Any fund balances are available for use in economic development for the City.

Special Revenue Fund - The Special Revenue Fund is used to account for revenues received and disbursements received from grants, seizures and contributions received for the downtown pocket park. Fund balances are only available for the purpose of the grants received.

Capital Project Fund - The Capital Project Fund is used to account for bond proceeds issued for the police department and park improvements and the expenditures of those projects. Fund balances are available for capital improvements.

Interest and Sinking Fund - The Interest and Sinking Fund is used to account to make bond payments. Fund balances are available for bond interest and principle payments.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION

Total Fund Balances - Governmental Fund	\$	3,839,366
Capital assets and long-term debt used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances of capital assets (net of depreciation), and long-term debt is to increase net position.		5,718,549
Current year capital outlays, long-term debt payments are revenues and expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the statement of net position. The net effect of including the 2015 capital outlay, and debt payments is to increase net position.		2,521,975
The 2015 depreciation and amortization expense increase accumulated depreciation and amortization. The net effect of the current year's depreciation is to decrease net position.	(597,498)
Other reclassifications are necessary to convert from modified accrual basis of accounting to accrual basis of accounting. These include recognizing unearned revenues as revenue for the current ad valorem tax, adjusting prior year's delinquent ad valorem taxes from unearned revenues to beginning net position. The net effect of these reclassifications is to increase net position.		545,254
The net position asset and the deferred outflows and the deferred inflows concerning the pension plan are not financial resources and therefore are not reported in governmental funds. The net effect is to increase net position		898,706
Net Position of Governmental Activities	\$	<u>12,926,352</u>

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(Continued)

**B. RECONCILIATION OF THE GOVERNMENTAL STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF
ACTIVITIES**

Total Net Changes in Fund Balances - Governmental Funds	\$(1,912,196)
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Current year capital outlays, and long-term debt payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the governmental-wide financial statements. The net effect of removing the 2015 capital outlays, debt payments is to increase net position.	2,521,975
--	-----------

Depreciation and amortization are not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease net position.	(597,498)
--	------------

Other reclassifications are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. This includes adjusting current year revenue to show the revenue earned from the current year's ad valorem tax collections. The net effect of these reclassification is to increase net position.	<u>19,455</u>
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Change in Net Position of Governmental Activities	<u>\$ 31,736</u>
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A. FUND ACCOUNTING

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its 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 statements in this report, into four generic fund types used by the City and two broad fund categories as follows:

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds and expenditures of the Economic Development Sales Tax Program. The Special Revenue Fund - Grant is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by a Proprietary fund) and to account for grants received by the City.

PROPRIETARY FUND

Enterprise Fund - The Enterprise Fund is used to account for the operations of the water and sewer fund that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. FIXED ASSETS AND LONG TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included in their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than building, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FIXED ASSETS AND LONG TERM LIABILITIES (Continued)

Because of their spending measurement focus, expenditures recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus.

This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	30 - 40 years
Plant and improvements	30 - 40 years
Equipment	7 - 10 years

C. BASIS OF ACCOUNTING

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 measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. The balance of the receivables are shown as deferred revenues. All other receivables will be collected within 60 days of year end. Gross receipts tax, sales tax and charges for services are all measurable and available within 60 days. Sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. See Note 2 on property taxes. The unavailable advalorem taxes was \$545,254 for property taxes.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation and sick pay which are not accrued; and (2) principal and interest on long-term debt which is recognized when due. Vacation and sick payments are flexible and accrual would be immaterial.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. BASIS OF ACCOUNTING (Continued)

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Unbilled water and sewer fund utility service receivables are billed near or at year end and any additional accrual would be immaterial.

D. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Secretary-Treasurer submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Secretary-Director of Finance is authorized to change spending of budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund except for the enterprise fund must be approved by the City Commission.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Fund. Formal budgetary integration is not employed for the Capital Project Funds because effective budget control is alternatively achieved through contracts.
6. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for the General Fund and Enterprise Fund lapse at year end.
7. Budgeted amounts are as originally adopted, or as amended by the City Commission. The City is bound by total appropriations for Revenue Funds and not by individual line or department expenditure. The City is not legally bound by the enterprise budget, it is used as a management tool.

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, unperformed contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration to facilitate planning and control. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

There were no encumbrances at September 30, 2014, or September 30, 2015.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. INVESTMENTS

Investments are authorized in governmental securities, in financial institutions with governmental securities pledged, or in investments in mutual fund pools investing in governmental securities. Investments are stated at cost. Investments are all short term certificates of deposit with a FDIC Insured Bank or with TexPool, an investment service for public funds. Demand deposits and certificates of deposit are either covered adequately by FDIC insurance or by securities pledged by the First Community Bank at year end. The City holds safekeeping certificates which list securities that are pledged to the City. Funds invested at TexPool are not covered by FDIC insurance and there is no collateral pledged to the City.

G. INVENTORY

There are no inventories on hand.

H. ACCUMULATED PAID VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFIT AMOUNTS

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are not accrued. Vacations are taken annually and sick pay is allowed for 1 day per month of service up to 60 days. Sick leave is paid only for days actually sick. This requires a doctor's excuse and approval of the department head. Unused sick leave expires upon termination. Total potential vacation and sick leave as of September 30, 2015, was approximately \$11,557. The City feels accrual of employee benefits is not material.

I. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in the bank checking and savings accounts, and in bank certificates of deposit maturing within 90 after September 30.

J. COMPARATIVE DATA

Comparative (i.e. presentation of prior year totals by fund type) data have not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

K. TOTAL COLUMNS ON COMBINED STATEMENTS OVERVIEW

Total columns on the Combined Statements - Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. FUND BALANCE POLICIES

The District has classified its fund balances in the following classifications:

Nonspendable	
Restricted – Interest and sinking	\$2,863
Committed	
Unassigned	

The Board of Commissioners is the City's decision making authority for both committing and restricting fund balances.

The Board of Commissioners must by formal board action establish, modify or rescind a fund balance commitment.

When the City incurs an expense for which it may use either restricted or unassigned assets, it uses the restricted assets first unless unassigned assets will have to be returned because they were not used.

NOTE 2 - PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due February 1, penalties are assessed after that date. The City bills and collects its own property taxes.

Estimated uncollectible taxes - The provision of 1 1/2% of current levy for uncollectible taxes is established on a basis of a responsible estimate of uncollectibility arrived at by a study of taxes receivable, classified and analyzed.

The taxes are for the year January 1, 2014, through December 31, 2014, but the taxes are not levied until October, 2014. The City does not consider property taxes as available if they are collected within 60 days after year-end because the amount is not significant. Total unavailable advalorem taxes for property tax was \$545,234 and \$592,551 for fiscal year September 30, 2015, and fiscal year September 30, 2014, respectively.

NOTE 3 - DUE FROM OTHER GOVERNMENTS

None

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 4 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance October 1, 2014	Additions	Deletions	Balance September 30, 2015
Land	\$ 1,483,426			\$ 1,483,426
Buildings	3,463,516	\$ 1,215,267		4,678,783
Improvements other than buildings	11,045,577	905,446		11,951,023
Equipment	<u>5,027,235</u>	<u>118,262</u>	\$ -0-	<u>5,145,497</u>
	<u>\$21,019,754</u>	<u>\$ 2,238,975</u>	<u>\$ -0-</u>	23,258,729
Less accumulated depreciation				(12,331,703)
Net				<u>\$ 10,927,026</u>

A summary of proprietary fund type property, plant and equipment at September 30, 2015 follows:

Land and reservoir	\$ 89,861
Buildings	75,631
Improvements other than buildings and equipment	<u>18,654,773</u>
Total	\$ 18,820,265
Less accumulated depreciation	(7,895,484)
Net	<u>\$ 10,934,781</u>

NOTE 5 - CHANGES IN LONG-TERM DEBT

The following is a summary of debt service requirements and bond transactions of the City for fiscal year ended September 30, 2015.

	Bonds and Notes Payable October 1 2014	Prior Period Adjustment	Less Bonds and Other Long-Term Debt Retired	Bonds and Notes Payable September 30 2015	Amounts Due Within One Year
General fund					
None					
Utility fund					
1995 Bond	\$ 35,000	\$	\$ 35,000	\$	\$
2010 Wastewater	1,205,012		40,000	1,165,012	40,000
Capital Lease	147,762		30,100	117,662	30,932
2012 Series	4,150,000		125,000	4,025,000	165,000
2014 Series	203,596	(62,725)	30,000	110,871	45,000
General long-term debt					
2003 Certificates of Obligation	467,000		113,000	354,000	115,000
2014 Series	<u>3,100,000</u>		<u>170,000</u>	<u>2,930,000</u>	<u>135,000</u>
	<u>\$ 9,308,370</u>	<u>\$(62,725)</u>	<u>\$ 543,100</u>	<u>\$ 8,702,545</u>	<u>\$ 530,932</u>

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - CHANGES IN LONG-TERM DEBT (Continued)

**\$1,500,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation
2003**

The City of Raymondville issued \$1,500,000 Certificates of Obligation during the year ended September 30, 2003. The Certificates of Obligation carry interest rates from 1.770% to 3.710%.

Proceeds of the Certificates of Obligation were used for park improvements and street improvement

Debt service requirements for the term of the issue follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	115,000	8,673	123,673
2017	118,000	5,856	123,856
2018	121,000	2,964	123,964
	<u>\$ 354,000</u>	<u>\$ 17,493</u>	<u>\$ 371,493</u>

\$1,365,000
City of Raymondville, Texas
Combination Tax and Subordinate Lien Revenue
Certificates of Obligation, Series 2010

The City of Raymondville issued certificates of obligation called \$1,365,000 City of Raymondville, Texas, Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2010, for water system improvement construction. The certificates of obligation bear no interest and are payable over a thirty year period. Payments begin April 1, 2011, and end April 1, 2040. The certificates are callable on April 1, 2020, or any date thereafter.

The certificates are payable to the Texas Water Development Board.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - CHANGES IN LONG-TERM DEBT (Continued)

Debt service requirements for the term of the issue follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	40,000	-0-	40,000
2017	40,000	-0-	40,000
2018	40,000	-0-	40,000
2019	45,000	-0-	45,000
2020	45,000	-0-	45,000
2021	45,000	-0-	45,000
2022	45,000	-0-	45,000
2023	45,000	-0-	45,000
2024	45,000	-0-	45,000
2025	45,000	-0-	45,000
2026	45,000	-0-	45,000
2027	45,000	-0-	45,000
2028	45,000	-0-	45,000
2029	45,000	-0-	45,000
2030	50,000	-0-	50,000
2031	50,000	-0-	50,000
2032	50,000	-0-	50,000
2033	50,000	-0-	50,000
2034	50,000	-0-	50,000
2035	50,000	-0-	50,000
2036	50,000	-0-	50,000
2037	50,000	-0-	50,000
2038	50,000	-0-	50,000
2039	50,000	-0-	50,000
2040	<u>50,012</u>	<u>-0-</u>	<u>50,012</u>
	<u>\$1,165,012</u>	<u>\$ -0-</u>	<u>\$ 1,165,012</u>

Capital Lease Purchase of 2012 Vector Truck

The City of Raymondville entered into a capital lease transaction with Frost Leasing to purchase a 2012 International Chassis Vector 2013 truck. The total purchase price was \$214,883.00. The lease calls for 84 monthly payments of \$2,813.24 including interest at 2.730%.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - CHANGES IN LONG-TERM DEBT (Continued)

Debt service requirements for the term of the issue follow:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	30,932	2,827	33,759
2017	31,787	1,972	33,759
2018	32,666	1,093	33,759
2019	<u>22,277</u>	<u>229</u>	<u>22,506</u>
	<u>\$117,662</u>	<u>\$ 6,121</u>	<u>\$ 123,783</u>

The lease does not require any final payout for purchase.

**\$4,525,000 General Obligation Refunding Bonds
Series 2012**

During the year ended September 30, 2013, the City issued \$4,525,000 General Obligation Refunding Bonds. These bonds carry 2.9% interest. The first payment of \$255,000 plus interest was made on April 1, 2013. At September 30, 2013, the balance outstanding was \$4,270,000. The proceeds of these bonds were used to retire the balance due on the Series 1998 bonds in the amount of \$2,391,000 and the balance due on the Series 2002 bonds in the amount of \$1,995,000. Interest is payable semi-annually on April 1 and October 1. Ad valorem taxes are pledged as security for this bond issue.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	165,000	116,725	281,725
2017	175,000	111,940	286,940
2018	175,000	106,865	281,865
2019	305,000	101,790	406,790
2020	310,000	92,945	402,945
2021	320,000	83,955	403,955
2022	330,000	74,675	404,675
2023	345,000	65,105	410,105
2024	350,000	55,100	405,100
2025	360,000	44,950	404,950
2026	385,000	34,510	419,510
2027	395,000	23,345	418,345
2028	<u>410,000</u>	<u>11,890</u>	<u>421,890</u>
	<u>\$4,025,000</u>	<u>\$ 923,795</u>	<u>\$ 4,948,795</u>

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - CHANGES IN LONG-TERM DEBT (Continued)

\$2,145,000.00
Combination Tax and Subordinate Lien Certificates of Obligation
Series 2014

During the year ended September 30, 2014, the City issued \$2,145,000 Combination Tax and Subordinate Lien Certificates of Obligation. These certificates of obligation bear varying interest rates beginning with 0% and increasing to 4.05% interest. The first payment of \$15,000 plus interest was made on March 25, 2014. At September 30, 2015, the balance outstanding was \$110,871. Interest is payable semi-annually on April 1 and October 1. Principal payments are due on April 1 annually. Advalorem taxes are pledged as security for this issue. Funds from this debt issue are being used for a reverse osmosis water system and water well.

Fiscal <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	45,000	66,531	111,531
2017	60,000	66,378	126,378
2018	75,000	65,964	140,964
2019	105,000	65,124	170,124
2020	105,000	63,392	168,392
2021	110,000	61,166	171,166
2022	110,000	58,328	168,328
2023	115,000	55,193	170,193
2024	115,000	51,685	166,685
2025	120,000	47,971	167,971
2026	125,000	43,915	168,915
2027	130,000	39,540	169,540
2028	135,000	34,834	169,834
2029	140,000	29,785	169,785
2030	145,000	24,395	169,395
2031	150,000	18,696	168,696
2032	155,000	12,711	167,711
	<u>\$2,100,000</u>	<u>\$812,088</u>	<u>\$2,912,088</u>

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - CHANGES IN LONG-TERM DEBT (Continued)

\$3,100,000.00
Certificates of Obligation (General Obligation Debt)
Series 2014

During the year ended September 30, 2014, the City issued \$3,100,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014. These certificates of obligation bear an initial interest rate of \$2.75% until April 1, 2019. Interest rate change dates are April 1, 2019, April 1, 2024 and April 1, 2029. The amortization schedule assumes an interest rate of 4.150% to maturity. This is a General Obligation Debt of the City. At September 30, 2014, the balance outstanding was \$3,100,000. Interest is payable semi-annually on April 1 and October 1. Principal payments are due on April 1 annually Advalorem taxes and Economic Development Corporation sales taxes are pledged as security for issue. Funds from this debt issue are being used to fund construction of a police department building and park improvements.

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	135,000	80,575	215,575
2017	140,000	76,862	216,862
2018	145,000	73,013	218,013
2019	145,000	69,025	214,025
2020	115,000	98,147	213,147
2021	120,000	93,375	213,375
2022	125,000	88,395	213,395
2023	130,000	83,208	213,208
2024	140,000	77,812	217,812
2025	145,000	72,003	217,003
2026	150,000	65,985	215,985
2027	155,000	59,760	214,760
2028	160,000	53,327	213,327
2029	170,000	46,688	216,688
2030	175,000	39,632	214,632
2031	185,000	32,370	217,370
2032	190,000	24,693	214,693
2033	200,000	16,807	216,807
2034	<u>205,000</u>	<u>8,508</u>	<u>213,508</u>
	<u>\$2,930,000</u>	<u>\$1,160,185</u>	<u>\$4,090,185</u>

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 5 - CHANGES IN LONG-TERM DEBT (Continued)

Pursuant to sound fiscal policy and complying with bond covenants, the City of Raymondville has established and maintained a Debt Service account.

The balance at September 30, 2015: \$ 8,506.

Debt Service Requirements
For the Next Five Fiscal Years
And Through Final Payments

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	\$ 530,932	\$ 275,331	\$ 806,263
2017	564,787	263,008	827,795
2018	588,666	249,899	838,565
2019	617,277	236,168	853,445
2020	575,000	254,484	829,484
2021 - 2025	3,160,000	1,012,821	4,172,821
2026 - 2030	2,905,000	507,606	3,412,606
2031 - 2035	1,495,000	120,365	1,615,365
2036 - 2038	<u>250,012</u>	<u>-0-</u>	<u>250,012</u>
	<u>\$10,686,674</u>	<u>\$ 2,919,682</u>	<u>\$ 13,606,356</u>

SHORT TERM LOANS

The City accounts for short term loans through the appropriate fund.

At September 30, 2015, there were no short term loans payable.

NOTE 6 - INTERFUND RECEIVABLE AND PAYABLE BALANCES

Individual fund interfund receivable and payable balance were as follows at September 30, 2015:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 414,963	\$ 8,656
Economic development	7,194	
Capital project		6,290
Special revenue		32,894
Enterprise fund:		
Water and sewer fund	<u>1,362</u>	<u>375,680</u>
	<u>\$ 423,519</u>	<u>\$ 423,520</u>

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 7 – SUPPLEMENTAL DEATH BENEFIT FUND

The City 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 benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

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

Schedule of Contribution Rates
(Retiree-Only Portion of the rate for OPEB)

Plan Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
13	0.12%	0.12%	100.0%
14	0.15%	0.15%	100.0%
15	0.16%	0.16%	100.0%

NOTE 8 - PENSION BENEFIT PLAN

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 8 - PENSION BENEFIT PLAN (continued)

Defined Benefit Pension Plans

A. Plan Description

The City of Raymondville participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas, TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	22
Active employees	<u>73</u>
	144

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8-PENSION BENEFIT PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8-PENSION BENEFIT PLAN (continued)

Changes in the Net Pension Liability	Total Pension Liability (a)	Increase(Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance at 12/31/2013	\$ 7,493,686	\$ 8,793,332	\$1,299,646)
Changes for the year:			
Service cost	196,455		196,455
Interest	510,522		510,522
Change of benefit terms			
Difference between expected and actual experience	(190,821)		(190,821)
Changes of assumptions			
Contributions-employer		42,432	(42,432)
Contributions-employee		146,320	(146,320)
Net investment income		502,903	(502,903)
Benefit payments, including refunds of employee contributions	(597,498)	(597,498)	
Administrative expense		(5,252)	5,252
Other changes		(432)	432
Net changes	\$(81,342)	\$ 88,473	\$(169,815)
Balance at 12/31/2014	\$ 7,412,344	\$ 8,881,805	\$(1,469,461)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$(495,401)	\$(1,469,461)	\$(2,268,372)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 8-PENSION BENEFIT PLAN (continued)

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the ended September 30, 2015, the city recognized pension expense of \$(77,078).

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience		\$140,409
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	\$ 90,104	
Contributions subsequent to the Measurement date	\$ 17,627	
Total	\$107,731	\$140,409

\$17,627 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 8-PENSION BENEFIT PLAN (continued)

Year ended Dec 31:

2015	\$(27,886)
2016	\$(27,886)
2017	\$(17,059)
2018	\$ 22,526

NOTE 9 – LEASE COMMITMENTS

There are no material leases in effect.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 10 - SCOPE OF REPORTING

All funds and agencies of the City of Raymondville, Texas as defined by GASB, have been included in the Annual Financial Report. (See Note 1).

NOTE 11 - DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investments Act (Government Code Chapter 2256) contains specific provisions in the area of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity data for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to the investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Deposits were with the contracted depository bank in interest bearing accounts. Deposits consisted of cash and cash equivalents in the various governmental funds in the amount of \$3,122,561 and cash and cash equivalents in the proprietary fund of \$1,270,698. The City has deposited \$232,164 with TexPool, an investment service for public funds. Funds invested with TexPool are not covered by FDIC insurance and there is no collateral pledged to the City.

This City is not exposed to Custodial Risk for its deposits held in its depository bank as all were either insured or collateralized with securities held by the City's agent in the City's name at September 30, 2015. These deposits were secured by \$250,000 in FDIC coverage on the demand accounts, and in securities held by the First Community Bank, the market value of these securities was \$7,209,192. The City is not exposed to Custodial Credit Risk for its deposits as all were either insured or collateralized with securities held by the City's agent in the City's name at September 30, 2015.

City of Raymondville, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE 11 - DEPOSITS AND INVESTMENTS (Continued)

Policies Governing Deposits and Investments (Continued)

- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City had no investments at September 30, 2015, exposed to Custodial Credit Risk.
- c. Interest Rate Risk - Investment strategies have as the primary objective of investment liquidity. As a means of minimizing risk of loss due to interest rate fluctuations, certificates of deposit do not have a stated final maturity date which exceed 180 days.

NOTE 12 - RESERVED FUND BALANCE - GENERAL FUND

A City ordinance established a perpetual care fund known as Raymondville Memorial Park Cemetery Fund. It provides that ½ of all sums received from the sale of spaces in this cemetery shall be set aside in a permanent trust fund. Revenue from this fund can be used to provide for cemetery care. Balances set aside were \$352,856 at September 30, 2014 and \$397,635 at September 30, 2015.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 6, 2016, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

NOTE 14 – LOANS

The City received from The United States Department of Agriculture a RBEG Grant for \$247,000 and transferred \$153,000 from the Economic Development corporation to make commercial loans of \$400,000 approved by both the Economic Development Board of Directors and The City Board of Commissioners. The terms of the loans range from three to ten years. The loans are to be repaid in monthly installments including interest of 3% to 6%. The loans are collateralized by land, buildings, equipment, furniture and fixtures. Approved by both the Economic Development Board and City Commissioners.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS

The City applied GASB statement No. 68, Accounting and Financial Reporting for Pensions. The City recorded a prior period adjustment \$831,955 to the Governmental Activities and \$498,109 to the Business-Type activities Net Position to recognize the Net Pension asset, deferred outflows-investment experience, deferred outflows pension contributions, deferred inflows- actual experience vs. assumption and pension expense. The City recorded a prior period adjustment of \$62,725 to the business type activities Net Position to correct funds received September 30, 2014 that was reported as a loan and should have been reported as income.

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**Required Supplementary Information
(Unaudited)**

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**City of Raymondville, Texas
Texas Municipal Retirement System
Pension Information**

SCHEDULE OF PENSION EXPENSE

1. Total Service Cost	\$ 196,455
2. Interest on the Total Pension Liability	510,522
3. Current Period Benefit Changes	0
4. Employee Contributions (Reduction of Expense)	(146,320)
5. Projected Earnings on Plan Investments (Reduction of Expense)	(615,533)
6. Administrative Expense	5,252
7. Other changes in Fiduciary Net Position	432
8. Recognition of Current Year Outflow (Inflow) of Resources-Liabilities	(50,412)
9. Recognition of Current Year Outflow (Inflow) of Resources-Assets	22,526
10. Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities	0
11. Amortization of Prior Year Outflows(Inflows) of Resources-Assets	<u>0</u>
12. Total Pension Expense	\$(77,078)

**City of Raymondville, Texas
Texas Municipal Retirement System
Pension Information**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CURRENT PERIOD**

A. Total pension liability

1. Service Cost	\$ 196,455
2. Interest (on the Total Pension Liability)	510,522
3. Changes of benefit terms	0
4. Difference between expected and actual experience	(190,821)
5. Changes of assumptions	0
6. Benefit payments, including refunds of employee contributions	<u>\$(597,498)</u>
7. Net change in total pension liability	<u>\$(81,342)</u>
8. Total pension liability – beginning	<u>7,493,686</u>
9. Total pension liability – ending	<u><u>\$ 7,412,344</u></u>

B. Plan fiduciary net position

1. Contributions – employer	\$ 42,432
2. Contributions – employee	146,320
3. Net investment income	502,903
4. Benefit payments, including refunds of employee contributions	(597,498)
5. Administrative Expense	(5,252)
6. Other	<u>(432)</u>
7. Net change in plan fiduciary net position	<u>\$ 88,473</u>
8. Plan Fiduciary net position – beginning	<u>8,793,332</u>
9. Plan fiduciary net position – ending	<u><u>\$ 8,881,805</u></u>

C. Net pension liability (A.9 – B.9) \$(1,469,461)

**D. Plan fiduciary net position as a percentage
of the total pension liability (B.9 / A.9)** 119.82%

E. Covered-employee payroll \$ 2,090,285

**F. Net pension liability as a percentage
of covered employee payroll (C / E)** (70.30%)

**City of Raymondville, Texas
Texas Municipal Retirement System
Pension Information**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2014
Total pension liability	
Service Cost	\$ 196,455
Interest (on the Total Pension Liability)	510,522
Changes of benefit terms	0
Difference between expected and actual experience	(190,821)
Change of assumptions	0
Benefit payments, including refunds of employee contributions	(597,498)
Net Change in Total Pension Liability	(81,342)
Total Pension Liability – Beginning	<u>7,493,686</u>
Total Pension Liability – Ending (a)	<u>\$ 7,412,344</u>
Plan Fiduciary Net Position	
Contributions – Employer	\$ 42,432
Contributions – Employee	146,320
Net Investment Income	502,903
Benefit payments, including refunds of employee contributions	(597,498)
Administrative Expense	(5,252)
Other	(432)
Net change in Plan Fiduciary Net Position	88,473
Plan Fiduciary Net Position – Beginning	<u>\$ 8,793,332</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 8,881,805</u>
Net Pension Liability – Ending (a) – (b)	\$(1,469,461)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	119.82%
Covered Employee Payroll	\$ 2,090,285
Net Pension Liability as a Percentage of Covered Employee Payroll	(70.30%)

Notes to Schedule:

N/A

**City of Raymondville, Texas
Texas Municipal Retirement System
Pension Information**

SCHEDULE OF CONTRIBUTIONS

	2014
Actuarially Determined Contribution	\$ 42,432
Contributions in relation to the actuarially determined contribution	\$ 42,432
Contribution deficiency (excess)	\$ 0
Covered employee payroll	\$ 2,090,285
Contributions as a percentage of covered employee payroll	2.03%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31, and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005- 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information

Notes There were no benefit changes during the years.

City of Raymondville, Texas
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2015

	2014			Variance Favorable (Unfavorable)
	Budget		Actual	
	Original	Final		
Revenues:				
Taxes and special assessments	\$ 2,750,000	\$ 2,750,000	\$ 2,916,553	\$ 166,553
Licenses and permits	65,000	65,000	51,730	(13,270)
Intergovernmental	-0-	-0-	-0-	-0-
Charges for services	600,000	600,000	616,955	16,955
Fines and forfeits	47,000	47,000	43,752	(3,248)
Other revenues	630,000	630,000	219,858	(410,142)
Contribution	-0-	-0-	-0-	-0-
	<u>\$ 4,092,000</u>	<u>\$ 4,092,000</u>	<u>\$ 3,848,848</u>	<u>\$(243,152)</u>
Expenditures:				
Current:				
General government	\$ 1,006,528	\$ 1,006,528	\$ 1,018,940	\$(12,412)
Public safety	1,432,802	1,432,802	1,406,748	26,054
Highways and streets	659,523	659,523	634,463	25,060
Sanitation	575,000	575,000	564,248	10,752
Culture and recreation	306,504	306,504	244,702	61,802
Pension	26,224	26,224	15,650	10,574
Capital	50,081	50,081	17,732	32,349
Total expenditures	<u>\$ 4,056,662</u>	<u>\$ 4,056,662</u>	<u>\$ 3,902,483</u>	<u>\$ 154,179</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 35,338</u>	<u>\$ 35,338</u>	<u>\$(53,635)</u>	<u>\$(88,973)</u>
Other financing sources (uses):				
Operating transfers	\$(132,500)	\$(132,500)	\$(113,000)	\$ 19,500
Proceeds from long-term debt	-0-	-0-	-0-	-0-
Total other financing sources (uses)	<u>\$(132,500)</u>	<u>\$(132,500)</u>	<u>\$(113,000)</u>	<u>\$ 19,500</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$(97,162)</u>	<u>\$(97,162)</u>	<u>\$(166,635)</u>	<u>\$(69,473)</u>
Fund balances at beginning of year	<u>1,220,240</u>	<u>1,220,240</u>	<u>1,220,240</u>	<u>-0-</u>
Fund balances at end of year	<u>\$ 1,123,078</u>	<u>\$ 1,123,078</u>	<u>\$ 1,053,605</u>	<u>\$(69,473)</u>