

CITY OF TOLAR

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITORS' REPORT**

YEAR ENDED SEPTEMBER 30, 2014

CITY OF TOLAR

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FINANCIAL SECTION

Merritt, McLane & Hamby

401 Cypress Street, Suite 303
Abilene, TX 79601

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Tolar, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate discretely presented component unit of City of Tolar, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, and the aggregate discretely presented component unit of the City of Tolar, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and pages 35 through 36 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. The schedule of funding progress – employee's retirement fund is presented for purposes of additional analysis as required by Texas Municipal Retirement System (TMRS), and is also not a required part of the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary information – proprietary fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary information – proprietary fund is 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary information – proprietary fund is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2015, on our consideration of the City of Tolar, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tolar, Texas' internal control over financial reporting and compliance.



MERRITT, MCLANE & HAMBY

Abilene, Texas
February 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Tolar's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total Net Position increased \$4,973 from prior year. Net Position of our business-type activities decreased \$23,709 (2.1%). Net Position of our governmental activities increased \$28,682 (or 2.9%).
- During the year, the City's expenses were \$28,682 less than the \$340,561 generated in taxes and other revenues for governmental programs.
- In the City's business-type activities, revenues were \$369,334, including transfers of \$44,058, while expenses were \$393,043.
- The total cost of the City's programs was \$660,864.
- The general fund reported fund balance of \$55,910.
-

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, and public service. Business-type activities include water and sewer activities.

The City's financial reporting entity also includes the Economic Development Corporation in this report. Although legally separate, the 'component unit' is important because the City is financially accountable for it.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provides a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison schedules for the general fund can be found in required supplementary information. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are required in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water and sewer. Internal service funds provide services and charge fees to customers within the city organization such as equipment services (repair and maintenance of City vehicles) and the print shop (mail and printing services for City departments). The City has no internal service funds.

Proprietary fund statements and statements for discretely presented component units (reporting is similar to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements, both with more detail for major enterprise funds.

A budgetary comparison schedule for the proprietary fund can be found in the other supplementary information. This statement demonstrates compliance with the city's adopted and final revised budget.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Financial Analysis of the City as a Whole

Net Position. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$2,112,083. This is a \$4,973 increase over last year's net position of \$2,107,110. The following Table A-1 provides a summary of the City's net position at September 30, 2014 and 2013.

Table A-1
City of Tolar's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	67,090	214,860	78,944	80,717	146,034	295,577
Capital and Non-Current Assets	1,083,799	969,065	1,242,138	1,332,875	2,325,937	2,301,940
Total Assets	1,150,889	1,183,925	1,321,082	1,413,592	2,471,971	2,597,517
Current Liabilities	45,435	70,269	56,582	66,083	102,017	136,352
Long Term Liabilities	101,894	138,778	155,977	215,277	257,871	354,055
Total Liabilities	147,329	209,047	212,559	281,360	359,888	490,407
Net Position						
Net investment in capital assets	943,000	783,944	1,063,237	1,076,866	2,006,237	1,860,810
Restricted		155,248				155,248
Unrestricted	60,560	35,686	45,286	55,366	105,846	91,052
Total Net Position	1,003,560	974,878	1,108,523	1,132,232	2,112,083	2,107,110

Net Position in the City's governmental activities increased 2.9% to \$1,003,560. Net Position decreased 2.1% to \$1,108,523 in business-type activities of the government. \$2,006,237 of total net position is invested in capital assets (distribution and collection system, equipment, etc). Consequently, unrestricted net position showed a \$105,846 balance at the end of this year.

Changes in Net Position. The City's total revenues were \$665,837. Almost two-thirds (63%) of the City's revenue comes from fees charged for services, and 34 cents of every dollar raised comes from some type of tax. (See Figure A-1)

The total cost of all programs and services was \$660,864. The City's expenses cover a range of services, with approximately fifty-nine percent related to business-type activities. (See Figure A-2).

Figure A-1
City Sources of Revenue for Fiscal Year 2014

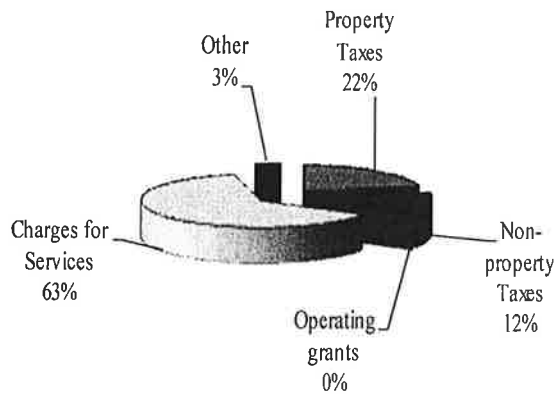
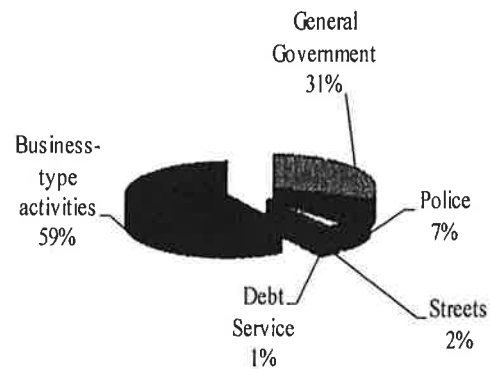


Figure A-2
City Functional Expenses for Fiscal Year 2014



Governmental Activities

Revenues for the City's governmental activities were \$340,561, while total expenses were \$311,879, including transfers of \$44,058. The City is increasing its tax base by bringing in new businesses and homes, and the increasing property tax rate should increase property tax revenue. The increase of new business adds revenue through two avenues; 1) property tax, and 2) sales tax.

Table A-2
Changes in City of Tolar, Texas' Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 109,168	\$ 184,711	\$ 309,984	\$ 262,110	\$ 419,152	\$ 446,821
Operating Grants and Contributions	200	500	16,686		16,886	500
<u>General Revenues</u>						
Sales tax	53,766	76,444			53,766	76,444
Property tax	144,289	138,425			144,289	138,425
Franchise tax	24,743	18,454			24,743	18,454
Investment Earnings	74	2,736	21	518	95	3,254
Other income	8,321	17,441	(1,415)		6,906	17,441
Total Revenues	340,561	438,711	325,276	262,628	665,837	701,339
Expenses						
General government	202,910	157,912			202,910	157,912
Police	43,515	224,737			43,515	224,737
Streets	15,350	14,281			15,350	14,281
Debt service	6,046	7,377			6,046	7,377
Water utilities			393,043	350,670	393,043	350,670
Total Expenses	267,821	404,307	393,043	350,670	660,864	754,977

Excess (deficiency) before transfers	72,740	34,404	(67,767)	(88,042)	4,973	(53,638)
Transfers	(44,058)	(25,229)	44,058	25,229		
Increase (decrease) in net position	<u>\$ 28,682</u>	<u>\$ 9,175</u>	<u>\$ (23,709)</u>	<u>\$ (62,813)</u>	<u>\$ 4,973</u>	<u>\$ (53,638)</u>

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$55,910.

The total ending fund balances of governmental funds show a decrease of \$127,109 over the prior year. This decrease is primarily the result of the decrease in fines generated from the police department.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund decreased to \$55,910.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The City's major proprietary fund is the Water Fund. Total net position at the end of the year was \$1,108,523. The Water Fund had a decrease in net position of \$23,709.

General Fund Budgetary Highlights

The General Fund Budget for fiscal year 2014 was approximately \$435,000. This was a decrease of approximately \$280,000 from the previous year's actual expenditures. In the previous year, the City budgeted for construction on the new city hall.

The City amended the budget several times during the fiscal year. The City increased the budget for professional services for general services, and decreased payroll expenses and state court costs for the police department. Actual expenditures were \$8,437 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2014, was \$1,083,799 and \$1,242,138, respectively. The total change in net capital assets was an increase of 11.8% in the governmental and a decrease of 16.7% for business-type activities. The overall decrease was 5.5% for the City as a whole. Major capital asset additions during the current fiscal year included the completion of the construction on the new city hall and the construction on Well # 7. See Table A-3 for additional information about changes in capital assets during the fiscal year.

Well # 7 was approximately 5% complete as of September 30, 2014.

**City of Tolar
City's Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	58,837	58,837	41,605	41,605	100,442	100,442
Buildings and improvements	734,642	305,924			734,642	305,924
Distribution and collection system			2,372,828	2,375,126	2,372,828	2,375,126
Furniture and equipment	135,252	158,312	190,227	190,781	325,479	349,093
Infrastructure	478,498	478,498			478,498	478,498
Construction in progress		269,636	15,186		15,186	269,636
Total at historical cost	<u>1,407,229</u>	<u>1,271,207</u>	<u>2,619,846</u>	<u>2,607,512</u>	<u>4,027,075</u>	<u>3,878,719</u>
Total accumulated depreciation	<u>323,430</u>	<u>302,142</u>	<u>1,377,708</u>	<u>1,116,548</u>	<u>1,701,138</u>	<u>1,418,690</u>
Net capital assets	<u><u>1,083,799</u></u>	<u><u>969,065</u></u>	<u><u>1,242,138</u></u>	<u><u>1,490,964</u></u>	<u><u>2,325,937</u></u>	<u><u>2,460,029</u></u>

Long-term Debt

At year-end, the City had \$250,000 in bonds payable and \$69,700 in notes payable. See Table A-4.

**Table A-4
City's Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Note payable	\$ 40,299	\$ 62,561	\$ 29,401	\$ 48,569	\$ 69,700	\$ 111,130
Bonds payable	<u>100,500</u>	<u>122,560</u>	<u>149,500</u>	<u>207,440</u>	<u>250,000</u>	<u>330,000</u>
	<u><u>\$ 140,799</u></u>	<u><u>\$ 185,121</u></u>	<u><u>\$ 178,901</u></u>	<u><u>\$ 256,009</u></u>	<u><u>\$ 319,700</u></u>	<u><u>\$ 441,130</u></u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City is working on bringing residents into the City of Tolar by adding residential areas. By bringing in new residents, revenue of the City is increased through sales tax revenues and property tax revenues.

- Appraised property value used for the 2014-2015 budget preparation increased approximately \$1.5 million, or 4.7% from the previous year.
- Water rates are expected to remain the same for the fiscal year 2015; however, water sales are expected to increase with the increase of new residents and water usage. Sewer sales will increase as well, with the increase of new residents. This increase is expected to add \$20,000 to the City's budget for fiscal year 2015.

These indicators were taken into account when adopting the general fund and water fund budgets for 2015.

The General Funds expenditures are budgeted at \$304,212, which is a decrease of approximately \$122,000 from prior year expenditures. The City has added no major new programs or initiative to the 2015 budget. If these estimates are realized, the City's budgetary general fund fund balance is expected to remain the same.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This 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 demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Tolar's Mayor, 105 Pine Lane, Tolar, Texas 76476.

BASIC FINANCIAL STATEMENTS

CITY OF TOLAR, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 48,132	\$ 26,720	\$ 74,852	48,369
Receivables:				
Property tax	5,777		5,777	
Allowance for uncollectible tax	(1,127)		(1,127)	
Accounts receivables		40,540	40,540	
Franchise tax	4,458		4,458	
Sales tax	9,850		9,850	4,925
Inventory		11,684	11,684	
Total current assets	67,090	78,944	146,034	53,294
Non-current Assets				
Capital assets:				
Land	58,837	41,605	100,442	
Construction in progress		15,186	15,186	
Buildings and improvements	669,060		669,060	
Distribution and collection system		1,137,847	1,137,847	
Furniture and equipment	40,361	47,500	87,861	
Infrastructure	315,541		315,541	
Total non-current assets	1,083,799	1,242,138	2,325,937	-
Total Assets	1,150,889	1,321,082	2,471,971	53,294
LIABILITIES				
Current Liabilities				
Accounts payable	4,042	6,112	10,154	
Sales tax payable	653		653	
Accrued wages payable	1,835	6,144	7,979	
Note payable - current	19,855	18,376	38,231	
Bonds payable - current	19,050	25,950	45,000	
Total current liabilities	45,435	56,582	102,017	-
Non-current Liabilities				
Utility deposits		21,402	21,402	
Note payable - non current	20,444	11,025	31,469	
Bonds payable - non current	81,450	123,550	205,000	
Total non-current liabilities	101,894	155,977	257,871	-
Total Liabilities	147,329	212,559	359,888	-
NET POSITION				
Net investment in capital assets	943,000	1,063,237	2,006,237	
Unrestricted	60,560	45,286	105,846	53,294
Total Net Position	\$ 1,003,560	\$ 1,108,523	\$ 2,112,083	\$ 53,294

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (123,337)	\$	(123,337)	
(13,720)		(13,720)	
(15,350)		(15,350)	
(6,046)		(6,046)	
<u>(158,453)</u>		<u>(158,453)</u>	
	(66,373)	(66,373)	
	<u>(66,373)</u>	<u>(66,373)</u>	
<u>(158,453)</u>	<u>(66,373)</u>	<u>(224,826)</u>	
53,766		53,766	26,610
144,289		144,289	
24,743		24,743	
74	21	95	
	(1,415)	(1,415)	
8,321		8,321	
<u>(44,058)</u>	<u>44,058</u>		
<u>187,135</u>	<u>42,664</u>	<u>229,799</u>	<u>26,610</u>
<u>28,682</u>	<u>(23,709)</u>	<u>4,973</u>	<u>26,610</u>
1,001,562	1,132,232	2,133,794	
<u>(26,684)</u>		<u>(26,684)</u>	<u>26,684</u>
<u>974,878</u>	<u>1,132,232</u>	<u>2,107,110</u>	<u>26,684</u>
\$ <u>1,003,560</u>	\$ <u>1,108,523</u>	\$ <u>2,112,083</u>	\$ <u>53,294</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF TOLAR, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS:		
Current:		
Cash and cash equivalents	\$ 48,132	\$ 48,132
Receivables:		
Property tax	5,777	5,777
Allowance for uncollectible tax	(1,127)	(1,127)
Franchise tax	4,458	4,458
Sales tax	9,850	9,850
Total Assets	\$ <u>67,090</u>	\$ <u>67,090</u>
LIABILITIES:		
Current Liabilities		
Accounts payable	\$ 4,042	\$ 4,042
Sales tax payable	653	653
Accrued liabilities	1,835	1,835
Total Liabilities	<u>6,530</u>	<u>6,530</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue - property tax	<u>4,650</u>	<u>4,650</u>
Total Deferred Inflows of Resources	<u>4,650</u>	<u>4,650</u>
FUND BALANCE:		
Unassigned	<u>55,910</u>	<u>55,910</u>
Total Fund Balance	<u>55,910</u>	<u>55,910</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>67,090</u>	\$ <u>67,090</u>

The accompanying notes are an integral part of this statement.

CITY OF TOLAR, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Total fund balances - governmental funds balance sheet	\$ 55,910
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,271,207 and the accumulated depreciation was \$302,142.	969,065
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in the statement of net position.	159,082
Long-term liabilities at the beginning of the year of \$185,121, including bonds of \$122,560 are not due and payable in the current period, and therefore are not reported as liabilities in the funds.	(185,121)
Long-term debt principal payments are expenditures in the fund financial statements but they should be shown as reductions in long-term debt in the government-wide financial statements.	44,322
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.	4,650
Depreciation expense decreases net position in SNP.	(44,348)
Net position of governmental activities - statement of net position	\$ 1,003,560

The accompanying notes are an integral part of this statement.

CITY OF TOLAR, TEXAS

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
REVENUES		
Sales tax	\$ 53,766	\$ 53,766
Property tax	147,554	147,554
Franchise tax	24,743	24,743
License and permits	41,192	41,192
Garbage collection income	38,181	38,181
Fines and forfeitures	29,795	29,795
Investment income	74	74
Contributions	200	200
Miscellaneous income	8,321	8,321
Total Revenues	<u>343,826</u>	<u>343,826</u>
EXPENDITURES		
Current:		
General government	340,150	340,150
Public safety		
Police	32,646	32,646
Public service		
Streets	3,713	3,713
Debt service	50,368	50,368
Total Expenditures	<u>426,877</u>	<u>426,877</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	<u>(83,051)</u>	<u>(83,051)</u>
Other Financing Sources and (Uses):		
Operating transfers out	<u>(44,058)</u>	<u>(44,058)</u>
Total Other Financing Sources and (Uses)	<u>(44,058)</u>	<u>(44,058)</u>
Net Change in Fund Balances	(127,109)	(127,109)
Fund Balance - Beginning	<u>183,019</u>	<u>183,019</u>
Fund Balance - Ending	\$ <u>55,910</u>	\$ <u>55,910</u>

The accompanying notes are an integral part of this statement.

CITY OF TOLAR, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2014

Total change in fund balances - total governmental funds	\$ (127,109)
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Depreciation expense decreases net position in SNP.	(44,348)
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in the statement of net position.	159,082
Long-term debt principal payments are expenditures in the fund financial statements but they should be shown as reductions in long-term debt in the government-wide financial statements.	44,322
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.	<u>(3,265)</u>
Total change in net position of governmental activities - statement of activities	\$ <u><u>28,682</u></u>

The accompanying notes are an integral part of this statement.

CITY OF TOLAR, TEXAS

STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

SEPTEMBER 30, 2014

	<u>Water</u>	<u>Total Proprietary Funds</u>
ASSETS		
Current:		
Cash and cash equivalents	\$ 26,720	\$ 26,720
Receivables, net	40,540	40,540
Inventory	11,684	11,684
Total current	<u>78,944</u>	<u>78,944</u>
Non current:		
Land	41,605	41,605
Construction in progress	15,186	15,186
Distribution and collection system, net of depreciation	1,137,847	1,137,847
Equipment, net of depreciation	47,500	47,500
Total non current	<u>1,242,138</u>	<u>1,242,138</u>
TOTAL ASSETS	<u>1,321,082</u>	<u>1,321,082</u>
LIABILITIES		
Current		
Accounts payable	6,112	6,112
Accrued expenses	6,144	6,144
Current portion - notes payable	18,376	18,376
Current portion - bonds payable	25,950	25,950
Total current	<u>56,582</u>	<u>56,582</u>
Non current:		
Utility deposits	21,402	21,402
Notes payable	11,025	11,025
Bonds payable	123,550	123,550
Total non current	<u>155,977</u>	<u>155,977</u>
TOTAL LIABILITIES	<u>212,559</u>	<u>212,559</u>
NET POSITION		
Net investment in capital assets	1,063,237	1,063,237
Unrestricted	45,286	45,286
TOTAL NET POSITION	<u>\$ 1,108,523</u>	<u>\$ 1,108,523</u>

The accompanying notes are an integral part of this statement.

CITY OF TOLAR, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014**

	<u>Water</u>	<u>Total Proprietary Funds</u>
Operating Revenues:		
Charges for services		
Water sales and fees	\$ 309,984	\$ 309,984
Total operating revenues	<u>309,984</u>	<u>309,984</u>
Operating Expenses:		
Water department	<u>379,329</u>	<u>379,329</u>
Total operating expenses	<u>379,329</u>	<u>379,329</u>
Net operating loss	<u>(69,345)</u>	<u>(69,345)</u>
Nonoperating revenues (expenses):		
Interest income	21	21
Grant income	16,686	16,686
Sale of assets	(1,415)	(1,415)
Interest expense	(13,714)	(13,714)
Transfers in	<u>44,058</u>	<u>44,058</u>
Total nonoperating revenues (expenses)	<u>45,636</u>	<u>45,636</u>
Change in Net Position	(23,709)	(23,709)
Net Position - Beginning of Year	<u>1,132,232</u>	<u>1,132,232</u>
Net Position - End of Year	\$ <u>1,108,523</u>	\$ <u>1,108,523</u>

The accompanying notes are an integral part of this statement.

CITY OF TOLAR, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2014

	Water	Total Enterprise Funds
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$ 302,273	\$ 302,273
Cash payments for salary and related expenses	(130,303)	(130,303)
Cash payments to suppliers for goods and services	(137,515)	(137,515)
Net cash provided by operating activities	<u>34,455</u>	<u>34,455</u>
<u>Cash flows from noncapital financing activities:</u>		
Transfers from/to other funds	<u>44,058</u>	<u>44,058</u>
Net cash provided by noncapital financing activities	<u>44,058</u>	<u>44,058</u>
<u>Cash flows from capital and related financing activities:</u>		
Acquisition of property and equipment	(15,186)	(15,186)
Grant income	16,686	16,686
Interest paid on long term debt	(13,714)	(13,714)
Principal paid on capital leases	(19,168)	(19,168)
Principal paid on bonds and notes payable	(57,940)	(57,940)
Net cash used by capital and related financing activities	<u>(89,322)</u>	<u>(89,322)</u>
<u>Cash flows from investing activities</u>		
Interest income	<u>21</u>	<u>21</u>
Net cash provided from investing activities	<u>21</u>	<u>21</u>
Net Decrease in Cash	(10,788)	(10,788)
Cash at Beginning of Year	37,508	37,508
Cash at End of Year:	<u>\$ 26,720</u>	<u>\$ 26,720</u>
 Supplementary Information		
Interest paid	<u>\$ 13,714</u>	<u>\$ 13,714</u>
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (69,345)	\$ (69,345)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	104,508	104,508
(Increase) decrease in operating assets		
Receivables	(7,711)	(7,711)
Inventory	(1,304)	(1,304)
Increase (decrease) in operating liabilities		
Accounts payable	3,321	3,321
Utility deposits	1,841	1,841
Accrued expenses	3,145	3,145
Net cash provided by operating activities	<u>\$ 34,455</u>	<u>\$ 34,455</u>

The accompanying notes are an integral part of this statement.

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns. The City has one governmental fund and one proprietary fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

Governmental funds

The City reports the following major governmental fund:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Proprietary funds

The City reports the following major enterprise fund:

Water Fund – reports for revenues and expenses associated with water services for the citizens of the City.

Assets, Liabilities, and Net Position or Equity

Cash and cash investments

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

Inventory

Inventory is valued at cost which approximates market, using the first-in-first-out (FIFO) method. The cost of inventory is recorded as expenditures when used (consumption method).

Capital assets, depreciation, and amortization

The City's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund's financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$5,000 or more, as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Water and sewer lines	40 years
Buildings	30 years
Equipment	10 years
Vehicles	5 years

Long-term debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds for debt as other financing sources of the current period. Issuance costs and debt payments are reported as expenditures.

Estimates

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

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) are legally or contractually required to be maintained intact. The City had no amounts classified as nonspendable at September 30, 2014.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or b) imposed by law through constitutional provisions or enabling legislation. The City had no amounts classified as restricted at September 30, 2014.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City had no amounts classified as committed funds at September 30, 2014.

Assigned – This classification includes amounts that are constrained by the Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to the City Secretary through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The City has no amounts classified as assigned at September 30, 2014.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City would typically use Restricted fund balances first, followed by Committed fund balances, and then Assigned fund balances, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balances first to defer the use of these other classified funds.

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budget policy and practice

The City Secretary submits an annual budget to the City Council in accordance with the City Charter. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In September, the City Council adopts

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of budgeting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: general governmental services, public safety – court administration and police, personnel and capital outlay. Budget revisions at this level are subject to final review by the City Council.

Budgets for the governmental funds are budgeted on the modified accrual basis of accounting. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the expenditure is incurred. The budget and actual financial statements are reported on this basis. Budgets for the proprietary fund are prepared on the accrual basis of accounting with the exception of depreciation expense and capital outlay. The budget and actual financial statements are reported on this basis.

NOTE 4: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complies with this law, it has no custodial credit risk for deposits.

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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 date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity 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, (10) and common trust funds. The Act also requires the entity to have independent auditors perform tests

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 4: DEPOSITS AND INVESTMENTS – continued

procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing deposits and investments for the City are as follows:

Credit Risk – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the City only has certificates of deposits.

Custodial Credit Risk for Investments – To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the City requires counterparties to register the securities in the name of the City and hand them over to the City or its designated agent. This includes securities in securities lending transactions. All of the securities are in the City's name and held by the City or its agent.

Concentration of Credit Risk – The City has investments in certificate of deposits at the City's depository bank and is fully collateralized at the time of deposit. Therefore, the City's credit risk due to concentration is not considered a material risk.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the City monitors the interest rate of the certificate of deposits.

NOTE 5: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The City estimates an allowance for uncollectible accounts which represent the City's estimate of the amount of accounts receivable that are uncollectible based on collection history and individual specific circumstances. As of September 30, 2014, the City had recorded an allowance for uncollectible accounts of \$2,700. Receivables at September 30, 2014 are shown as follows:

Primary government:	
Water fund	\$ 40,540
Total primary government	\$ 40,540

Property Taxes Receivable, Unavailable Revenue and Property Tax Calendar

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowance for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority for the Texas Legislature.

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 5: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE - continued

In the governmental fund financial statements, property taxes receivables are recorded in the General Fund. At fiscal year-end, the receivables represent delinquent taxes receivables. If the receivables are not paid within 60 days of year-end, they are recorded as unavailable revenue.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTE 6: CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 58,837	\$	\$	\$ 58,837
Construction in progress	269,636	159,082	428,718	
Total capital assets not being depreciated	328,473	159,082	428,718	58,837
Capital assets being depreciated				
Buildings	305,924	428,718		734,642
Equipment	158,312		23,060	135,252
Infrastructure	478,498			478,498
Total capital assets being depreciated	942,734	428,718	23,060	1,348,392
Less accumulated depreciation for:				
Buildings	(46,768)	(18,814)		(65,582)
Equipment	(104,053)	(13,898)	(23,060)	(94,891)
Infrastructure	(151,321)	(11,636)		(162,957)
Total accumulated depreciation	(302,142)	(44,348)	(23,060)	(323,430)
Total capital assets being depreciated, net	640,592	384,370	46,120	1,024,962
Governmental activities capital assets, net	969,065	543,452	474,838	1,083,799

Depreciation was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$ 21,842
Police	10,869
Streets	11,637
Total depreciation expense - governmental activities	\$ 44,348

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS - continued

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	41,605			41,605
Construction in progress		15,186		15,186
Total capital assets not being depreciated	41,605	15,186		56,791
Capital assets being depreciated				
Distribution and collection system	2,375,126		2,298	2,372,828
Equipment	190,781		554	190,227
Total capital assets being depreciated	2,565,907		2,852	2,563,055
Less accumulated depreciation for:				
Distribution and collection system	(1,146,416)	(89,448)	(883)	(1,234,981)
Equipment	(128,221)	(15,060)	(554)	(142,727)
Total accumulated depreciation	(1,274,637)	(104,508)	(1,437)	(1,377,708)
Total capital assets being depreciated, net	1,291,270	(104,508)	1,415	1,185,347
Business-type activities, net	1,332,875	(89,322)	1,415	1,242,138
 Total Primary Government	 \$ 2,301,940	 \$ 454,130	 \$ 476,253	 \$ 2,325,937

Construction in progress consists of work on Well # 7, which is approximately 5% complete. A contract was awarded to Bennett Water Well Drilling in July 2014 for the completing of the well.

NOTE 7: LONG-TERM DEBT

Combination Tax and Revenue Certificate of Obligation, Series 2005

A series of bonds dated January 13, 2005, for \$425,000, was issued for the construction of public works and the purchase of materials, supplies, equipment, machinery, buildings, land and rights-of-way for authorized needs and purposes and for the payment of contractual obligations for professional services. The bonds were issued with interest rates ranging from 3.00% to 5.15% and mature annually through September 15, 2019, with interest due semiannually. The balance of these bonds at September 30, 2014 is as follows:

Governmental activities	\$ 36,750
Business-type activities	138,250
	<u>\$ 175,000</u>

General Obligation Refunding Bonds, Series 2005

A series of bonds dated January 13, 2005, for \$415,000, was issued for the purpose of refunding the Series 2001 bonds in the amounts of \$285,000 and \$215,000, for a total of \$500,000. The bonds were issued with interest rates ranging from 3.00% to 5.15% and mature annually through September 15, 2019, with interest due semiannually. The balance of these bonds at September 30, 2014 is as follows:

Governmental activities	\$ 63,750
Business-type activities	11,250
	<u>\$ 75,000</u>

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT - continued

Note Payable to Heritage National Bank

On August 14, 1999, the City took out a note payable to purchase the City Hall Building. The principal amount of the note was \$36,000 with an interest rate of 6%, secured by the property. Payments are due monthly with the final payment being August 10, 2014. Payments are \$304 per month. The note was paid in full during the year ended September 30, 2014.

Note Payable to Heritage National Bank

On September 8, 2004, the City took out a note payable to purchase the property at 409 Tolar Cemetery Road, Tolar, Texas. The principal amount of the note was \$33,000 with an interest rate of 4.5%, secured by the property. Payments are due monthly with the final payment being October 1, 2019. Payments are \$252 per month. The balance of this note payable is \$13,486 at September 30, 2014.

Note Payable to Canon Financial Services

On October 12, 2009, the City entered into a note agreement with Canon Financial Services for the purchase of a copier. The principal amount of the note was \$10,800, with an interest rate of 0.0%, secured by the copier. Payments are due monthly with the final payment on July 2014. Payments are \$180 monthly. The balance on this note was paid in full during the year ended September 30, 2014.

Note Payable to Government Capital

On October 1, 2012, the City entered into a note agreement with Government Capital for the purchase of a copysync system. The principal amount of the note was \$44,927, with an interest rate of 4.1%, secured by hardware and software. Annual payments of \$12,394 are due with the final payment on April 1, 2016. The balance on this note payable on September 30, 2014 is \$23,340.

Note Payable to First National Bank

On June 3, 2013, the city entered into a note agreement with First National Bank for the costs of furnishing the city hall. The principal amount of the note was \$25,000, with an interest rate of 4.0%. This note is unsecured. Quarterly payments of \$2,223 are due with the final payment on June 1, 2016. The balance on this note payable on September 30, 2014 is \$16,959.

Note Payable to John Deere Financial

On October 8, 2012, the City entered into a note agreement with John Deere Financial for the purchase of a wheel loader backhoe. The principal amount of the note was \$65,021, with an interest rate of 4.8%. This note is secured by the equipment. Annual payments of \$17,441 are due with the final payment on October 8, 2015. The balance on this note payable on September 30, 2014 is \$15,915.

The following provides a summary of changes in long-term debt:

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT - continued

	Balance at 9/30/2013	Additions	Retirements	Balance at 9/30/2014	Due Within One Year
<i>Governmental Activities</i>					
Combination Tax & Revenue					
Cert of Obl, Series 2005	\$ 43,050	\$	\$ 6,300	\$ 36,750	\$ 6,300
General Obligation Refunding					
Bonds Series 2005	79,510		15,760	63,750	12,750
Heritage National Bank	3,246		3,246	-	-
Copsync	34,326		10,986	23,340	11,436
First National Bank	23,027		6,068	16,959	8,419
Canon Financial Services	1,962		1,962	-	-
	<u>\$ 185,121</u>	<u>\$ -</u>	<u>\$ 44,322</u>	<u>\$ 140,799</u>	<u>\$ 38,905</u>
<i>Business-type Activities</i>					
Combination Tax & Revenue					
Cert of Obl, Series 2005	\$ 161,950	\$	\$ 23,700	\$ 138,250	\$ 23,700
General Obligation Refunding					
Bonds Series 2005	45,490		34,240	11,250	2,250
John Deere Financial	32,474		16,559	15,915	15,915
Heritage National Bank	16,095		2,609	13,486	2,461
	<u>\$ 256,009</u>	<u>\$ -</u>	<u>\$ 77,108</u>	<u>\$ 178,901</u>	<u>\$ 44,326</u>

Annual requirements to amortize debt outstanding as of September 30, 2014 are as follows:

<i>Governmental Activities</i>			
	Interest	Principal	Total
2015 \$	6,458	\$ 38,905	\$ 45,363
2016	4,934	40,544	45,478
2017	3,109	20,100	23,209
2018	2,104	20,100	22,204
2019	1,090	21,150	22,240
	<u>\$ 17,695</u>	<u>\$ 140,799</u>	<u>\$ 158,494</u>
<i>Business-type Activities</i>			
2015 \$	8,053	\$ 44,326	\$ 52,379
2016	6,669	32,475	39,144
2017	5,085	32,593	37,678
2018	3,467	32,716	36,183
2019	1,827	36,791	38,618
	<u>\$ 25,101</u>	<u>\$ 178,901</u>	<u>\$ 204,002</u>

NOTE 8: DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in the governmental funds of unavailable revenues are as follows:

Net tax revenue	\$ 4,650
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CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 9: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and through the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of 2,175 individual governmental units located within the state. TML Intergovernmental Risk Pool (Pool) is considered a self-sustaining risk pool that provides coverage for its members. The City's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. The Pool's liability is limited to the coverage that the City elects as stated in the Pool's Declaration of Coverage for that fund year. Settled claims have not exceeded insurance coverage limits for the past three years.

NOTE 10: TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions.

The following schedule reports transfers and payments within the reporting entity:

Transfers	Transfers	
<u>Out</u>	<u>In</u>	
General fund	Water fund	44,058
Total		\$ <u>44,058</u>

NOTE 11: DEFINED BENEFIT 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.

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:

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 11: DEFINED BENEFIT PLAN – continued

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.0%	7.0%
Matching ration (city to employee)	2 to 1	2 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 Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method has been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all the benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period of the 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 (i.e., December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

The annual pension cost and net pension obligation/ (asset) are as follows:

Annual Required Contribution (ARC)	12,708
Interest on Net Pension Obligation	
Adjustment to the ARC	
Annual Pension Cost (APC)	12,708
Contributions Made	12,708
Increase (decrease) in net pension obligation	-
Net Pension Obligation/(Asset), beg of yr	
Net Pension Obligation/(Asset), end of yr	-

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

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 11: DEFINED BENEFIT PLAN - continued

Valuation Date	12/31/2011	12/31/2012	12/31/2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level of Percent of Payroll	Level of Percent of Payroll	Level of Percent of Payroll
GASB 25 Equivalent Single Gains/Losses	18.7 years; closed period	12.5 years; closed period	30.0 years; closed period
Amortization Period for new Gains/Losses	10 years	10 years	9 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year 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	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

Funded Status and Funding Progress:

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/2013	\$ 315,996	\$ 330,275	95.7%	\$ 14,279	\$ 216,489	6.6%

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.

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 11: DEFINED BENEFIT PLAN - continued

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, present 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.

NOTE 12: 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 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.

Contributions

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

Schedule of Contribution Rates:

(RETIREE - only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	0.00%	0.00%	100.0%
2012	0.00%	0.00%	100.0%
2013	0.00%	0.00%	100.0%

NOTE 13: HEALTH CARE COVERAGE

The City pays the employee's portion of health coverage. The city's annual cost was \$25,657. Employees are responsible for the cost of dependent coverage and any additional coverage over the basic amount. The City does not self-fund any of the risk.

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 14: GARBAGE COLLECTION SERVICE CONTRACT

The City has a sanitation contract with Progressive Waste Solutions of Texas wherein Progressive Waste Solutions of Texas picks up all garbage of the City and disposes of it. The rates charged flow through to the residents and are included in the water billings they receive. Revenue collected for garbage service is recorded in the General Fund. Total collected during the year ended September 30, 2014 was \$38,181.

NOTE 15: UNFAVORABLE BUDGET VARIANCES

During the year ended September 30, 2014, the City had the following unfavorable budget variances:

General Fund	
General services	\$ 1,130
Water Fund	100,615

The following are explanations to material unfavorable budget variances:

The City did not budget for depreciation expense; however the City is not required to budget for depreciation expense. The City has adequate funds to cover over expended budgets.

NOTE 16: PRIOR PERIOD ADJUSTMENT

During the year, the Economic Development Corporation was incorporated in the State of Texas. The Economic Development Corporation is a component unit of the City instead of a special revenue fund as reported in the previous year. The net effect of the prior period adjustment is a decrease of \$26,684 in the government-wide statements.

NOTE 17: NEW GASB STATEMENTS

In June 2012, the GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2013, the GASB issued Statement No. 69 *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In April 2013, the GASB issued Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement will improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. There is no impact to the financial statements of the City in the current year.

CITY OF TOLAR

NOTES TO FINANCIAL STATEMENTS

NOTE 17: NEW GASB STATEMENTS - continued

In November 2013, the GASB issued Statement No. 71 *Pension Transition of contributions Made Subsequent to the Measurement Date.* This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF TOLAR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales tax	\$ 58,494	\$ 51,113	\$ 53,766	\$ 2,653
Property tax	139,531	144,061	147,554	3,493
Total taxes	<u>198,025</u>	<u>195,174</u>	<u>201,320</u>	<u>6,146</u>
License & permits				
Franchise tax	22,000	22,000	24,743	2,743
License and permits	6,680	41,247	41,192	(55)
Total license & permits	<u>28,680</u>	<u>63,247</u>	<u>65,935</u>	<u>2,688</u>
Fines and forfeitures	110,750	47,043	29,795	(17,248)
Investment income	1,100	110	74	(36)
Garbage collection income	37,200	37,200	38,181	981
Contributions		200	200	
Miscellaneous income	4,012	4,100	8,321	4,221
Total Revenues	<u>379,767</u>	<u>347,074</u>	<u>343,826</u>	<u>(3,248)</u>
EXPENDITURES				
General government				
General services:				
Insurance	2,806	3,176	2,771	405
Contract sanitation	40,300	40,300	41,459	(1,159)
Election expenses	2,500	2,500		2,500
Miscellaneous	1,150	950	1,117	(167)
Office supplies	2,500	5,000		5,000
Payroll	59,465	67,138	71,164	(4,026)
Payroll Tax	4,581	4,581	4,581	
Retirement	3,772	3,772	3,772	
Printing & copies	700	500	521	(21)
Professional services	15,900	22,485	22,286	199
Repair & maintenance	1,500	5,091	5,078	13
Postage and delivery	500	560	555	5
Reference books	500	500	353	147
Software	1,200	1,250	1,241	9
Technical support	885	135	150	(15)
Telephone	3,300	4,700	4,817	(117)
Travel	2,500	2,200	2,097	103
Utilities	12,000	19,000	19,106	(106)
Capital outlay	<u>155,182</u>	<u>155,182</u>	<u>159,082</u>	<u>(3,900)</u>
Total general government	<u>311,241</u>	<u>339,020</u>	<u>340,150</u>	<u>(1,130)</u>

CITY OF TOLAR, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND - CONTINUED
YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public safety:				
Police:				
Contract labor	1,110	445	468	(23)
Insurance	7,343	2,626	1,216	1,410
Memberships	200			
Payroll expense	72,742	10,053	9,066	987
Payroll tax			552	(552)
Postage	400	25	24	1
Retirement			454	(454)
Professional services	5,850	6,320	6,320	
State court costs	66,868	11,200	4,194	7,006
Supplies	7,256	5,904	8,472	(2,568)
Technical support	200			
Telephone	2,400	777	776	1
Travel	500	302	302	
Utilities	1,500	289	289	
Vehicle expense	7,500	513	513	
Total public safety	173,869	38,454	32,646	5,808
Public service:				
Streets				
Repair	5,000	5,000	3,713	1,287
	5,000	5,000	3,713	1,287
Debt service:				
Bond principal payments	22,060	22,060	22,060	
Note principal payments	26,693	26,693	22,262	4,431
Interest payments	4,087	4,087	6,046	(1,959)
Total debt service	52,840	52,840	50,368	2,472
Total expenditures	542,950	435,314	426,877	8,437
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(163,183)	(88,240)	(83,051)	5,189
OTHER FINANCING SOURCES (USES)				
Transfers out		(39,165)	(44,058)	(4,893)
Total Other Financing Sources (Uses)		(39,165)	(44,058)	(4,893)
Net change in fund balance	(163,183)	(127,405)	(127,109)	296
Fund Balance - Beginning	183,019	183,019	183,019	
Fund Balance - Ending	\$ 19,836	\$ 55,614	\$ 55,910	\$ 296

CITY OF TOLAR, TEXAS

SCHEDULE OF FUNDING PROGRESS: Unaudited

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/2011	227,565	252,487	90.1%	24,922	224,152	11.1%
12/31/2012	268,433	322,428	83.3%	53,995	224,293	24.1%
12/31/2013	315,996	330,275	95.7%	14,279	216,489	6.6%

Merritt, McLane & Hamby

401 Cypress Street, Suite 303
Abilene, TX 79601

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the City Council
City of Tolar, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate discretely presented component unit of the City of Tolar, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Tolar, Texas' basic financial statements and have issued our report thereon dated February 4, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tolar, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tolar, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tolar, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

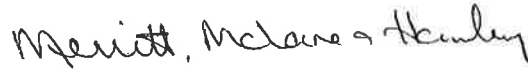
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tolar, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MERRITT, MCLANE & HAMBY

Abilene, Texas
February 4, 2015

CITY OF TOLAR, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED SEPTEMBER 30, 2014

I. Summary of Auditor's Results:

- a. The type of report issued on the financial statements of the City of Tolar, Texas was an unqualified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the City of Tolar, Texas were disclosed during the audit.

II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

- a. No findings required to be reported.

CITY OF TOLAR, TEXAS

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED SEPTEMBER 30, 2014

PRIOR YEAR

Findings/Noncompliance

None