1111 Bayou
La Marque, Texas 77568
409.938.9202

Mayor Bobby Hocking | *Councilmember Chris Lane- District B*
Mayor Pro- Tem Keith Bell- District A | *Councilmember Robert Michetich- District C*
Councilmember Clent Brown- District D

****

OFFICIALLY POSTED ON THE WEB:

DATE: **7.23.2015** TIME: **5 pm**

CITY OF LA MARQUE
CITY COUNCIL
WORKSHOP
AGENDA

Notice is hereby given that the City Council of the City of La Marque, Texas will conduct a Workshop Meeting on Monday, July 27, 2015 at 2:00 p.m. at 1109-B Bayou Road for the purpose of considering the following agenda:

(1) CALL MEETING TO ORDER

(2) ROLL CALL

(3) NEW BUSINESS

a. Discuss FY 2013-2014 Comprehensive Annual Financial Report (CAFR) - Audit 101

b. Discuss and provide City Manager with direction on any potential changes to ordinances affecting high weeds / grass, mowing of various depth ditches

c. Discuss and provide City Manager with direction on requests of Omega Bay residents

(4) ADJOURNMENT

CERTIFICATION:
I hereby certify that the above notice of meeting was posted at 1109-B Bayou Road, La Marque, Texas on or before July 23, 2015 before 5:00 p.m.

____

Robin Eldridge, TRMC
City Clerk

This facility is wheelchair accessible and accessible parking spaces are available. Request for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Clerk's office at (409) 938-9259, or Fax (409) 935-0401, or e-mail cityclerk@cityoflamarque.org for further information.

ANNUAL FINANCIAL REPORT

of the

CITY OF LA MARQUE, TEXAS

For the Year Ended
September 30, 2014

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CITY OF LA MARQUE, TEXAS

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September 30, 2014

COMBINING STATEMENTS AND SCHEDULES

INTRODUCTORY SECTION

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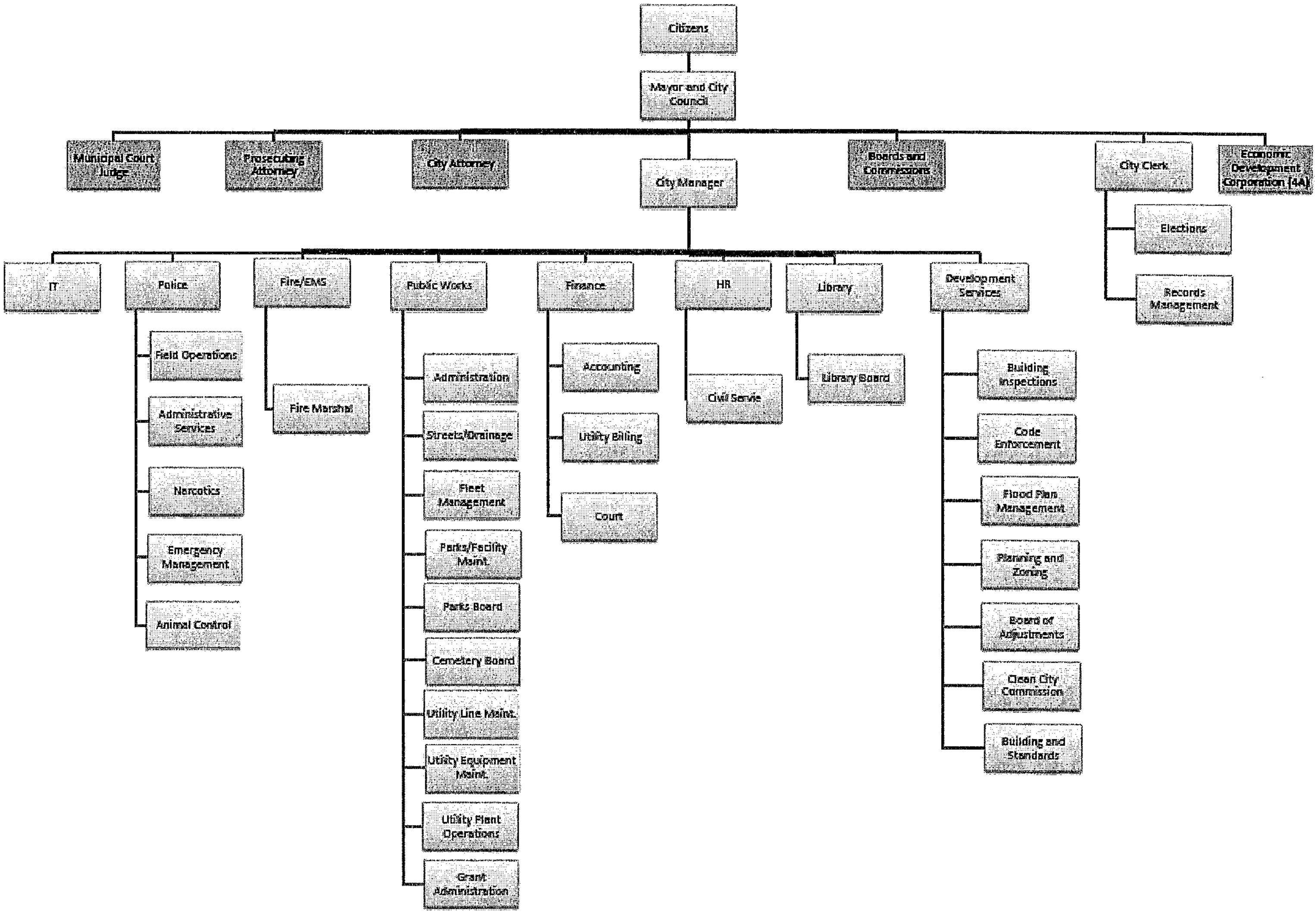
CITY OF LA MARQUE, TEXAS

ORGANIZATIONAL CHART

September 30, 2014



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CITY OF LA MARQUE, TEXAS
PRINCIPAL OFFICIALS
September 30, 2014

City Officials	Elective Position
Bobby Hocking	Mayor
Keith Bell	Mayor Pro-Tem, Council Member - District A
Chris Lane	Council Member - District B
Connie Trube	Council Member - District C
Clent Brown	Council Member - District D

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

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713.263.1550 fax

Governmental Audit Quality Center
AICPA

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 21, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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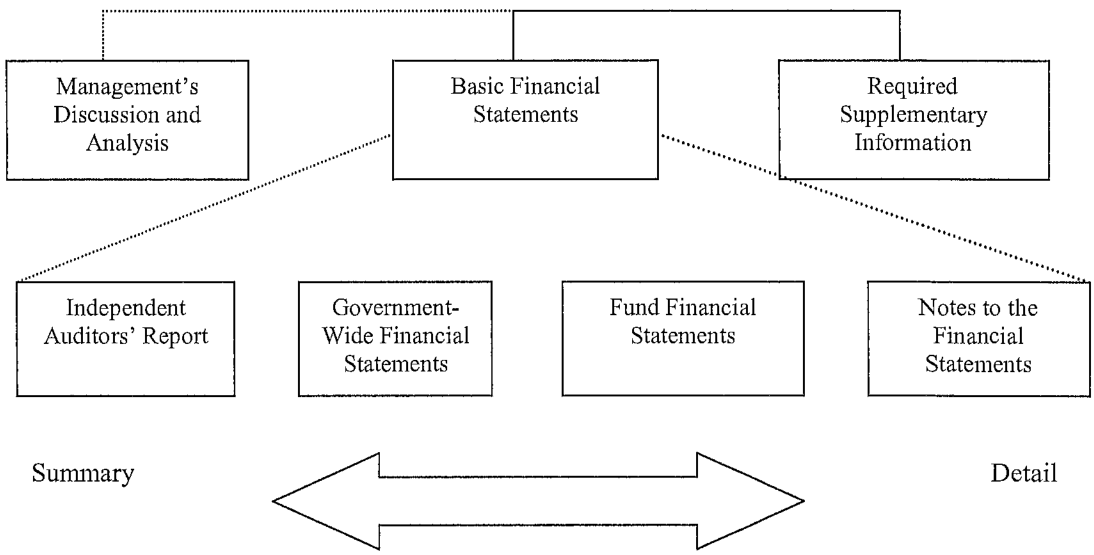
The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of La Marque, Texas (the "City") for the year ending September 30, 2014. The analysis is based on currently known facts, decisions, or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

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

Government-Wide Statements

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

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

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

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

1. *Governmental Activities* – Most of the City's basic services are reported here including general government, public safety, public works, and urban and housing rehabilitation. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.

2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include water distribution, wastewater collection/treatment, and solid waste collection.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund (considered a nonmajor fund for reporting purposes, but the City has elected to present as major due to its significance), and CDBG Disaster Recovery Round 2 fund, which are considered to be major funds. The City adopts an annual appropriated budget for its general fund, debt service fund, Comcast PEG fees fund, hotel/motel fund, public improvement district no. 1 fund, parks fund, court technology fund, court security fund, child safety fund, LEOSE training fund, and the clean city fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, and solid waste collection. The proprietary fund financial statements provide separate information for the utility and sanitation funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses internal service funds to account for its equipment replacement program and equipment maintenance insurance. These internal service funds have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City maintains two fiduciary funds, the library memorial fund and the seized property fund. The City's fiduciary activities are reported in a separate statement of fiduciary net position and changes in fiduciary net position.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of funding progress for the Texas Municipal Retirement System, supplemental annuity program, and other post employment benefits for healthcare. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities by $29,380,196 as of September 30, 2014. The largest portion of the City's net position, 70.53 percent, reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 9,680,393	$ 7,729,274	$ 5,569,275	$ 5,030,337	$ 15,249,668	$ 12,759,611
Capital assets, net	14,715,308	15,466,885	15,111,615	14,617,725	29,826,923	30,084,610
Total Assets	24,395,701	23,196,159	20,680,890	19,648,062	45,076,591	42,844,221
Deferred charge on refunding	-	-	103,496	127,615	103,496	127,615
Total Deferred Outflows of Resources	-	-	103,496	127,615	103,496	127,615
Long-term liabilities	7,770,369	7,843,097	4,721,991	5,697,167	12,492,360	13,540,264
Other liabilities	2,186,497	1,563,444	1,121,034	691,975	3,307,531	2,255,419
Total Liabilities	9,956,866	9,406,541	5,843,025	6,389,142	15,799,891	15,795,683
Net Position:						
Net investment in capital assets	10,102,108	10,864,405	10,619,380	9,220,573	20,721,488	20,084,978
Restricted	3,500,310	3,674,809	940,117	911,915	4,440,427	4,586,724
Unrestricted	836,417	(749,596)	3,381,864	3,254,047	4,218,281	2,504,451
Total Net Position	$ 14,438,835	$ 13,789,618	$ 14,941,361	$ 13,386,535	$ 29,380,196	$ 27,176,153

A portion of the City's net position, $4,440,427 or 15.11 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, $4,218,281 or 14.36 percent, may be used to meet the City's ongoing obligation to citizens and creditors.

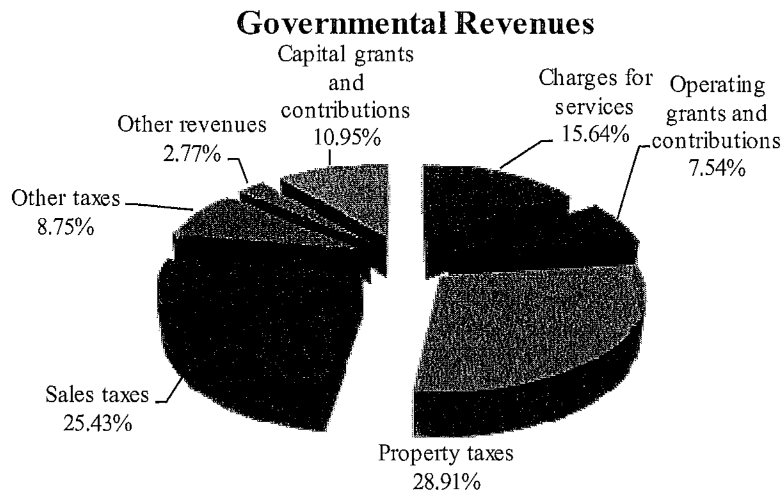
The City's total net position increased by $2,204,043, as compared to the prior year. Reasons for the increase include an increase in property tax revenues from an increase in the assessed values of properties within the City, an increase in sales tax revenues from improved economic conditions within the City, and an increase in grant revenues related to CDBG projects. Expenses were comparable to the prior year increasing less than one percent.

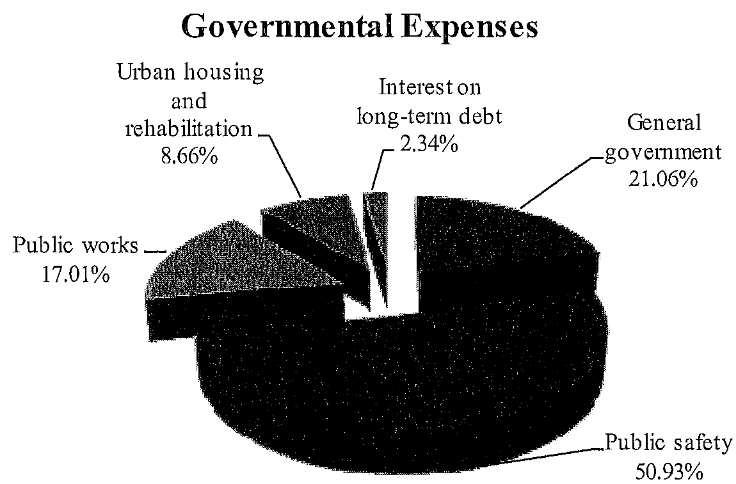
Statement of Activities:

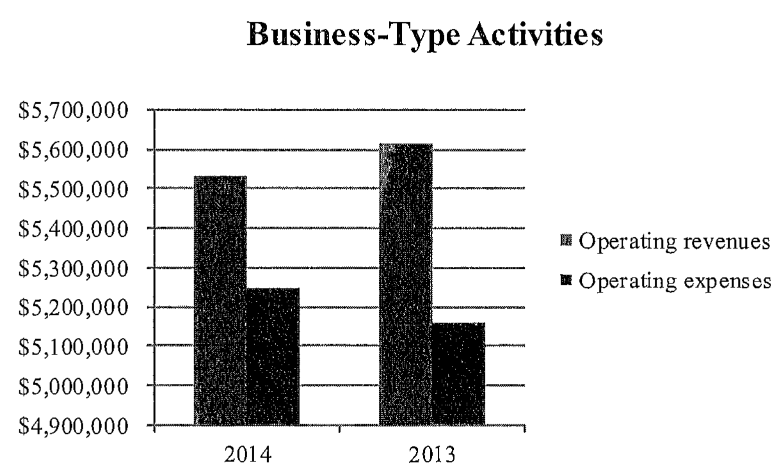
The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	$ 1,980,133	$ 1,893,077	$ 5,530,352	$ 5,613,324	$ 7,510,485	$ 7,506,401
Operating grants and contributions	955,044	1,342,261	-	-	955,044	1,342,261
Capital grants and contributions	1,386,379	874,278	-	-	1,386,379	874,278
General revenues:						
Property taxes	3,659,112	3,229,092	-	-	3,659,112	3,229,092
Other taxes	4,326,993	3,843,069	-	-	4,326,993	3,843,069
Other revenues	350,462	351,226	1,400	2,667	351,862	353,893
Total Revenues	12,658,123	11,533,003	5,531,752	5,615,991	18,189,875	17,148,994
Expenses						
General government	2,261,997	2,111,789	-	-	2,261,997	2,111,789
Public safety	5,470,477	5,259,950	-	-	5,470,477	5,259,950
Public works	1,826,734	1,964,318	-	-	1,826,734	1,964,318
Urban housing and rehabilitation	930,399	1,114,404	-	-	930,399	1,114,404
Interest and fiscal agent fees	251,115	266,381	-	-	251,115	266,381
Utility	-	-	3,795,777	3,727,154	3,795,777	3,727,154
Sanitation	-	-	1,449,333	1,432,986	1,449,333	1,432,986
Total Expenses	10,740,722	10,716,842	5,245,110	5,160,140	15,985,832	15,876,982
Increase in Net Position Before Transfers	1,917,401	816,161	286,642	455,851	2,204,043	1,272,012
Transfers	(1,268,184)	(882,262)	1,268,184	882,262	-	-
Change in Net Position	649,217	(66,101)	1,554,826	1,338,113	2,204,043	1,272,012
Beginning net position	13,789,618	13,855,719	13,386,535	12,048,422	27,176,153	25,904,141
Ending Net Position	$ 14,438,835	$ 13,789,618	$ 14,941,361	$ 13,386,535	$ 29,380,196	$ 27,176,153

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.







For the year ended September 30, 2014, revenues from governmental activities totaled $12,658,123, which is an increase of $1,125,120 from last year. The increase is due to an increase in property taxes, sales taxes, various donations, grant revenues, and an increase in permits purchased during the fiscal year.

For the year ended September 30, 2014, expenses for governmental activities totaled $10,740,722. Overall governmental expenses were comparable to the prior year increasing by less than one quarter of one percent.

Operating revenues were $5,531,752 and expenses were $5,245,110 for business-type activities resulting in a change in net position of $1,554,826. Compared to the prior year change in net position, the current year change in net position increased $216,713 due largely to a capital contribution from a governmental fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of $6,649,769. Of this, $61,581 is nonspendable, $3,500,310 is restricted for various purposes, and $308,958 is assigned for fire department purchases and encumbrances. The remaining balance of $2,778,920 is unassigned in the general fund.

There was a net increase in the combined fund balance of $1,073,431 compared to the prior year. This increase was due to an increase in property tax revenue from an increase in the assessed property tax values, other revenue from donations received during the year, sales taxes, grant proceeds, and lease proceeds received for the purchase of police vehicles. There was also a small increase in expenditures due mainly to more funds being expended on public safety such as police, judicial, and inspections.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was $2,778,920, while total fund balance reached $3,105,897. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33 percent of total general fund expenditures, while total fund balance represents 37 percent of the same amount. The general fund demonstrated an overall increase in fund balance of $1,215,270, which is an improvement over the prior year increase in fund balance by $388,451. This improvement is due to an increase in property taxes, sales taxes, franchise fees, and other revenue from various donations.

The debt service fund has a total fund balance of $837,522, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was $147,523. This decrease was due to a decreased amount of property taxes collected as the result of the City lowering the debt service tax rate.

The CDBG disaster recovery round 2 fund had revenues and expenditures of $1,386,379, resulting in a net change in fund balance of zero.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City budgeted for fund balance to increase $136,270 from the prior year. However, the net change in fund balance increased by $1,151,120, resulting in a positive variance of $1,014,850 from actual over budgeted as amended. Actual general fund revenues were more than budgeted revenues by $366,301 during 2014. This variance was largely due to higher than anticipated revenues from property taxes, charges for services, and miscellaneous revenue.

Actual expenditures were less than budgeted amounts by $561,493 for the fiscal year. The greatest positive variances were in the general government, public safety, and the capital outlay functions.

CAPITAL ASSETS

At the end of the current year, the City's governmental activities funds had invested $14,715,308 in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net decrease of $751,577.

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

- Completion of 12-inch water line interconnect project totaling $669,304
- Completion of sewer system rehabilitation totaling $365,139
- Sanitary Sewer Rehabilitation 2013 current year capital outlay totaling $761,250
- La Marque Farm Market Road rehabilitation current year capital outlay totaling $165,366
- Completion of 36-inch sanitary sewer improvement project totaling $346,068

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds, certificates of obligation, and capital leases outstanding of $10,506,242. Of this amount, $2,500,000 was general obligation debt, $1,895,128 was revenue bond debt, certificates of obligation accounted for $5,560,000, and $551,114 was capital leases.

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

Current underlying ratings on debt issues are as follows:

	Moody's Investors Services	Standard and Poor's
Certificates of obligation	A1	n/a
Revenue bonds	n/a	A
General obligation bonds	n/a	AA-

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City budgeted for general fund revenues of $8,891,521 and expenditures of $8,699,667 for fiscal year 2015. The City budgeted for utility fund revenues of $4,627,529 and expenses of $4,626,670 for fiscal year 2015. The City budgeted for property tax collections of $3,138,133, an increase of three percent from the prior year budget. For fiscal year 2015, the City Council adopted a tax rate of $0.041601 per $100 valuation for debt service and a tax rate of $0.449163 per $100 valuation to fund the maintenance and operations expenditures.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, City of La Marque, 1111 Bayou Road, La Marque, Texas 77568.

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BASIC FINANCIAL STATEMENTS

CITY OF LA MARQUE, TEXAS

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	La Marque Economic Dev. Corp.
Assets				
Current assets:				
Cash and cash equivalents	$ 6,830,852	$ 4,451,048	$ 11,281,900	$ 753,258
Investments	612,644	-	612,644	3,321,955
Receivables, net of allowances	2,132,539	466,187	2,598,726	182,465
Due from other governments	12,371	-	12,371	-
Internal balances	30,406	(30,406)	-	-
Inventory	33,176	-	33,176	3,179,007
Prepaids and other assets	28,405	-	28,405	-
Restricted assets:				
Cash and cash equivalents	-	427,025	427,025	-
Investments	-	255,421	255,421	-
	9,680,393	5,569,275	15,249,668	7,436,685
Noncurrent assets:				
Capital assets:				
Non-depreciable capital assets	328,565	1,152,231	1,480,796	-
Depreciable capital assets, net	14,386,743	13,959,384	28,346,127	-
	14,715,308	15,111,615	29,826,923	-
Total Assets	24,395,701	20,680,890	45,076,591	7,436,685
Deferred Outflows of Resources				
Deferred charge on refunding	-	103,496	103,496	-
Liabilities				
Accounts payable and accrued liabilities	2,136,123	679,189	2,815,312	15,951
Customer deposits	-	427,025	427,025	-
Due to other governments	26,316	-	26,316	-
Accrued bond interest	24,058	14,820	38,878	-
Noncurrent liabilities:				
Portion due within one year:				
Compensated absences	667,438	51,357	718,795	-
Bonds payable	265,000	897,846	1,162,846	-
Capital leases payable	155,401	42,271	197,672	-
Portion due in more than one year:				
Compensated absences	74,160	5,706	79,866	-
Bonds payable (net of deferred amounts)	5,295,000	3,633,606	8,928,606	-
Capital leases payable	331,434	22,008	353,442	-
Net OPEB obligation	820,421	69,197	889,618	-
Supplemental annuities	161,515	-	161,515	-
Total Liabilities	9,956,866	5,843,025	15,799,891	15,951

CITY OF LA MARQUE, TEXAS

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	La Marque Economic Dev. Corp.
Net Position				
Net investment in capital assets	$ 10,102,108	$ 10,619,380	$ 20,721,488	$ -
Restricted for:				
Debt service	837,522	940,117	1,777,639	-
Enabling legislation	896,461	-	896,461	-
Special projects	1,766,327	-	1,766,327	-
Unrestricted	836,417	3,381,864	4,218,281	7,420,734
Total Net Position	$ 14,438,835	$ 14,941,361	$ 29,380,196	$ 7,420,734

See Notes to Financial Statements.

CITY OF LA MARQUE, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activities				
General government	$ 2,261,997	$ 586,681	$ 50,464	$ -
Public safety	5,470,477	1,393,452	2,283	-
Public works	1,826,734	-	-	1,386,379
Urban rehabilitation and housing	930,399	-	902,297	-
Interest and fiscal agent fees	251,115	-	-	-
Total Governmental Activities	10,740,722	1,980,133	955,044	1,386,379
Business-Type Activities				
Utility	3,795,777	3,915,061	-	-
Sanitation	1,449,333	1,615,291	-	-
Total Business-Type Activities	5,245,110	5,530,352	-	-
Total Primary Government	$ 15,985,832	$ 7,510,485	$ 955,044	$ 1,386,379
Component Unit - La Marque Economic Dev. Corp.	$ 1,361,812	$ -	$ -	$ -

General Revenues:

Property taxes

Sales taxes

Franchise fees and taxes

Other taxes

Investment revenue

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position			Component Unit
Primary Government			La Marque Economic Dev. Corp.
Governmental Activities	Business-Type Activities	Total	
$ (238,473)	$ -	$ (238,473)	$ -
(4,074,742)	-	(4,074,742)	-
(1,826,734)	-	(1,826,734)	-
(28,102)	-	(28,102)	-
(251,115)	-	(251,115)	-
(6,419,166)	-	(6,419,166)	-
-	119,284	119,284	-
-	165,958	165,958	-
-	285,242	285,242	-
(6,419,166)	285,242	(6,133,924)	-
-	-	-	(1,361,812)
3,659,112	-	3,659,112	-
3,219,153	-	3,219,153	1,082,462
1,000,478	-	1,000,478	-
107,362	-	107,362	-
2,270	1,400	3,670	16,206
348,192	-	348,192	289,419
(1,268,184)	1,268,184	-	-
7,068,383	1,269,584	8,337,967	1,388,087
649,217	1,554,826	2,204,043	26,275
13,789,618	13,386,535	27,176,153	7,394,459
$ 14,438,835	$ 14,941,361	$ 29,380,196	$ 7,420,734

City of La Marque, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	General	Debt Service	CDBG Disaster Recovery Round 2	Other Governmental
Assets				
Cash and cash equivalents	$ 2,974,467	$ 837,581	$ 346,068	$ 2,143,621
Investments	-	-	-	612,644
Receivables, net	1,138,314	46,400	919,256	28,569
Due from other funds	15,268	-	15,138	-
Due from other governments	-	-	-	12,371
Prepaid items	-	-	-	28,405
Inventory	33,176	-	-	-
Total Assets	$ 4,161,225	$ 883,981	$ 1,280,462	$ 2,825,610
Liabilities				
Accounts payable and accrued liabilities	$ 747,765	$ 59	$ 1,280,462	$ 107,837
Due to other governments	14,893	-	-	11,423
Total Liabilities	762,658	59	1,280,462	119,260
Deferred Inflows of Resources				
Unavailable revenue - EMS	51,676	-	-	-
Unavailable revenue - property taxes	240,994	46,400	-	-
Total Deferred Inflows of Resources	292,670	46,400	-	-
Fund Balances				
Nonspendable:				
Inventories	33,176	-	-	-
Prepaid items	-	-	-	28,405
Restricted for:				
Debt service	-	837,522	-	-
Enabling legislation	-	-	-	896,461
Special projects	-	-	-	1,766,327
Assigned to:				
Encumbrances	285,944	-	-	15,157
Fire department	7,857	-	-	-
Unassigned	2,778,920	-	-	-
Total Fund Balances	3,105,897	837,522	-	2,706,350
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 4,161,225	$ 883,981	$ 1,280,462	$ 2,825,610

See Notes to Financial Statements.

Total Governmental Funds
$ 6,301,737
612,644
2,132,539
30,406
12,371
28,405
33,176
$ 9,151,278
$ 2,136,123
26,316
2,162,439
51,676
287,394
339,070
33,176
28,405
837,522
896,461
1,766,327
301,101
7,857
2,778,920
6,649,769
$ 9,151,278

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CITY OF LA MARQUE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

September 30, 2014

Total fund balances - total governmental funds	$	6,649,769
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets, non-depreciable		328,565
Capital assets, net depreciable		14,386,743
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		339,070
Internal service funds are used by management to charge the costs of certain capital assets and maintenance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.		529,115
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Accrued interest payable		(24,058)
Non-current liabilities due in one year		(1,087,839)
Non-current liabilities due in more than one year		(6,682,530)
Net Position of Governmental Activities	$	14,438,835

See Notes to Financial Statements.

City of La Marque, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	General	Debt Service	CDBG Disaster Recovery Round 2	Other Governmental
Revenues				
Property taxes	$ 2,978,290	$ 343,993	$ -	$ 334,901
Sales taxes	3,219,153	-	-	-
Franchise fees and taxes	862,389	-	-	138,089
Other taxes	107,362	-	-	-
Licenses and permits	635,850	-	-	-
Fines and forfeitures	731,446	-	-	26,156
Charges for services	586,681	-	-	-
Intergovernmental	50,464	-	1,386,379	904,580
Investment revenue	608	247	-	917
Other revenue	263,248	-	-	84,944
Total Revenues	9,435,491	344,240	1,386,379	1,489,587
Expenditures				
Current:				
General government	1,743,791	-	-	167,099
Public safety	5,300,823	-	-	1,758
Public works	785,685	-	-	330,318
Urban rehabilitation and housing	-	-	-	930,399
Capital outlay	339,399	-	1,386,379	57,755
Debt service:				
Principal	123,044	250,000	-	-
Interest and fiscal agent fees	11,560	241,763	-	-
Total Expenditures	8,304,302	491,763	1,386,379	1,487,329
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,131,189	(147,523)	-	2,258
Other Financing Sources (Uses)				
Lease proceeds	337,507	-	-	-
Transfers in	16,154	-	-	19,580
Transfers (out)	(269,580)	-	-	(16,154)
Total Other Financing Sources	84,081	-	-	3,426
Net Change in Fund Balances	1,215,270	(147,523)	-	5,684
Beginning fund balances	1,890,627	985,045	-	2,700,666
Ending Fund Balances	$ 3,105,897	$ 837,522	$ -	$ 2,706,350

See Notes to Financial Statements.

Total Governmental Funds
$ 3,657,184
3,219,153
1,000,478
107,362
635,850
757,602
586,681
2,341,423
1,772
348,192
12,655,697
1,910,890
5,302,581
1,116,003
930,399
1,783,533
373,044
253,323
11,669,773
985,924
337,507
35,734
(285,734)
87,507
1,073,431
5,576,338
$ 6,649,769

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CITY OF LA MARQUE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

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

Net changes in fund balances - total governmental funds	$	1,073,431
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		198,850
Depreciation expense		(950,427)
The issuance of long-term debt (e.g., bonds, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Net Position.		
Principal payments on bonds		250,000
Compensated absences		65,756
Capital lease activity		(214,463)
Supplemental annuities		(42,222)
Net OPEB obligation		13,658
Accrued interest		2,208
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.		1,928
Internal service funds are used by management to charge the costs of certain capital assets and maintenance to individual funds. The net revenue (expense) is reported with governmental activities.		250,498
Change in Net Position of Governmental Activities	$	649,217

See Notes to Financial Statements.

CITY OF LA MARQUE, TEXAS

STATEMENT OF NET POSITION (Page 1 of 2)

PROPRIETARY FUNDS

September 30, 2014

	Business-Type Activities			Governmental Activities
	Utility	Sanitation	Total	Internal Service
Assets				
Current assets				
Unrestricted:				
Cash and cash equivalents	$ 4,047,899	$ 403,149	$ 4,451,048	$ 529,115
Accounts receivable (net of allowance for uncollectibles)	271,558	194,629	466,187	-
Due from other funds	-	80,298	80,298	-
Restricted:				
Cash and cash equivalents:				
Customer deposits	427,025	-	427,025	-
Investments:				
Revenue bond debt service	248,253	-	248,253	-
Total Current Assets	4,994,735	678,076	5,672,811	529,115
Noncurrent assets				
Restricted investments:				
Plant and lines reserve	3,479	-	3,479	-
Meter replacement reserve	3,689	-	3,689	-
Total Restricted Assets	7,168	-	7,168	-
Capital assets:				
Land	209,774	-	209,774	-
Construction in progress	942,457	-	942,457	-
Buildings	116,805	-	116,805	-
Improvements	38,140,303	-	38,140,303	-
Vehicles	1,264,114	-	1,264,114	-
Machinery and equipment	1,474,752	-	1,474,752	-
Less allowance for depreciation	(27,036,590)	-	(27,036,590)	-
Total Capital Assets (Net)	15,111,615	-	15,111,615	-
Total Noncurrent Assets	15,118,783	-	15,118,783	-
Total Assets	20,113,518	678,076	20,791,594	529,115
Deferred Outflows of Resources				
Deferred charge on refunding	103,496	-	103,496	-

See Notes to Financial Statements.

CITY OF LA MARQUE, TEXAS

STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS

September 30, 2014

	Business-Type Activities			Governmental Activities
	Utility	Sanitation	Total	Internal Service
Liabilities and Net Position				
Current Liabilities				
Accounts payable and accrued liabilities	$ 421,037	$ 258,152	$ 679,189	$ -
Customer deposits	427,025	-	427,025	-
Accrued interest payable	14,820	-	14,820	-
Due to other funds	110,704	-	110,704	-
Capital leases - current	42,271	-	42,271	-
Bonds payable - current	897,846	-	897,846	-
Compensated absences	51,357	-	51,357	-
Total Current Liabilities	1,965,060	258,152	2,223,212	-
Noncurrent liabilities				
Capital leases	22,008	-	22,008	-
Bonds payable (net of unamortized premium)	3,633,606	-	3,633,606	-
Compensated absences	5,706	-	5,706	-
Net OPEB obligation	69,197	-	69,197	-
Total Noncurrent Liabilities	3,730,517	-	3,730,517	-
Total Liabilities	5,695,577	258,152	5,953,729	-
Net Position				
Net investment in capital assets	10,619,380	-	10,619,380	-
Restricted for:				
Debt service	940,117	-	940,117	-
Unrestricted net position	2,961,940	419,924	3,381,864	529,115
Total Net Position	$ 14,521,437	$ 419,924	$ 14,941,361	$ 529,115

See Notes to Financial Statements.

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CITY OF LA MARQUE, TEXAS

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

For the Year Ended September 30, 2014

	Business-Type Activities			Governmental Activities
	Utility	Sanitation	Total	Internal Service
Operating Revenues				
Charges for services	$ 3,915,061	$ 1,615,291	$ 5,530,352	$ -
Total Operating Revenues	3,915,061	1,615,291	5,530,352	-
Operating Expenses				
Personnel services	886,279	-	886,279	-
Supplies	255,243	-	255,243	-
Maintenance and repairs	305,319	-	305,319	-
Miscellaneous services	291,818	-	291,818	-
Utilities	278,387	-	278,387	-
Purchased water	652,296	-	652,296	-
Depreciation	961,526	-	961,526	-
Sanitation	-	1,449,333	1,449,333	-
Total Operating Expenses	3,630,868	1,449,333	5,080,201	-
Operating Income	284,193	165,958	450,151	-
Nonoperating Revenues (Expenses)				
Investment earnings	1,400	-	1,400	498
Interest and fiscal agent fees	(164,909)	-	(164,909)	-
Total Nonoperating Revenues (Expenses)	(163,509)	-	(163,509)	498
Income Before Contributions	120,684	165,958	286,642	498
Capital contributions	1,268,184	-	1,268,184	-
Transfers in	-	-	-	250,000
Total Contributions	1,268,184	-	1,268,184	250,000
Change in Net Position	1,388,868	165,958	1,554,826	250,498
Beginning net position	13,132,569	253,966	13,386,535	278,617
Ending Net Position	$ 14,521,437	$ 419,924	$ 14,941,361	$ 529,115

See Notes to Financial Statements.

CITY OF LA MARQUE, TEXAS

STATEMENT OF CASH FLOWS (Page 1 of 2)

PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Business-Type Activities			Governmental Activities
	Utility	Sanitation	Total	Internal Service
Cash Flows from Operating Activities				
Receipts from customers and users	$ 5,526,588	$ 1,541,063	$ 7,067,651	$ -
Payments to suppliers	(3,042,599)	(1,191,181)	(4,233,780)	-
Payments to employees	(932,802)	-	(932,802)	-
Net Cash Provided by Operating Activities	1,551,187	349,882	1,901,069	-
Cash Flows From Noncapital Financing Activities				
Transfers from other funds	-	-	-	250,000
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(176,289)	-	(176,289)	-
Interest and fiscal agent fees paid	(168,443)	-	(168,443)	-
Principal paid on capital debt	(911,915)	-	(911,915)	-
Net Cash (Used) by Capital and Related Financing Activities	(1,256,647)	-	(1,256,647)	-
Cash Flows from Investing Activities				
Interest on investments	1,396	-	1,396	498
Net Cash Provided by Investing Activities	1,396	-	1,396	498
Net Increase in Cash and Cash Equivalents	295,936	349,882	645,818	250,498
Beginning cash and cash equivalents	4,178,988	53,267	4,232,255	278,617
Ending Cash and Cash Equivalents	$ 4,474,924	$ 403,149	$ 4,878,073	$ 529,115
Ending Cash and Cash Equivalents:				
Unrestricted cash and cash equivalents	$ 4,047,899	$ 403,149	$ 4,451,048	$ 529,115
Restricted cash and cash equivalents	427,025	-	427,025	-
	$ 4,474,924	$ 403,149	$ 4,878,073	$ 529,115

See Notes to Financial Statements.

City of La Marque, Texas

STATEMENT OF CASH FLOWS (Page 2 of 2)
PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Business-Type Activities			Governmental Activities
	Utility	Sanitation	Total	Internal Service
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	$ 284,193	$ 165,958	$ 450,151	$ -
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:				
Depreciation	961,526	-	961,526	-
Changes in Operating Assets and Liabilities:				
(Increase) Decrease in Current Assets:				
Accounts receivable	114,793	(34,578)	80,215	-
Due from other funds	1,496,734	(39,650)	1,457,084	-
Increase (Decrease) in Current Liabilities:				
Accounts payable	172,124	258,152	430,276	-
Accrued interest payable	(2,748)	-	(2,748)	-
Due to other funds	(1,430,443)	-	(1,430,443)	-
Compensated absences	(35,907)	-	(35,907)	-
Customer deposits	1,531	-	1,531	-
Net Cash Provided by Operating Activities	$ 1,551,187	$ 349,882	$ 1,901,069	$ -
Noncash Investing, Capital, and Financing Activities:				
Capital contributions	$ 1,268,184	$ -	$ 1,268,184	$ -
Amortization of deferred charges	7,078	-	7,078	-
	$ 1,275,262	$ -	$ 1,275,262	$ -

See Notes to Financial Statements.

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CITY OF LA MARQUE, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

September 30, 2014

	Library Memorial	Seized Property
Assets		
Cash and cash equivalents	$ 12,818	$ 71,674
Total Assets	$ 12,818	$ 71,674
Liabilities		
Property held for others	$ -	$ 71,674
Total Liabilities	-	71,674
Net Position		
Unrestricted	12,818	-
Total Net Position	$ 12,818	$ -

See Notes to Financial Statements.

City of La Marque, Texas

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Year Ended September 30, 2014

	Library Memorial	Seized Property
Additions		
Contributions from the public	$ 908	$ -
Total Additions	908	-
Deductions		
Purchase of library books	672	-
Total Deductions	672	-
Change in Net Position	236	-
Beginning net position	12,582	-
Ending Net Position	$ 12,818	$ -

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of La Marque, Texas (the "City") was incorporated in 1953. In 1957, the City adopted a Home Rule form of government and operates under a Council-Manager form of government. The City is governed by an elected mayor and four-member City Council. The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: police, fire, ambulance, streets, water and wastewater utilities, solid waste, code enforcement, parks and recreation, public library, public improvements, community development, and general administrative services.

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

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

Discretely Presented Component Unit

<u>La Marque Economic Development Corporation</u>

All powers of the La Marque Economic Development Corporation (the "Corporation") are vested in a Board consisting of five persons who are appointed by the City Council. The Board acts on behalf of the City in administering the provisions of Section 4A, Article 5190.6, of the Development Act of 1970, State of Texas. The Corporation is funded by a one half of one percent local sales and use tax approved by local voters. City Council approval is required for annual budgets. In addition, the Corporation is prohibited from issuing bonded debt without approval of the City Council.

Complete financial statements for the component unit may be obtained by contacting the entity's administrative offices at La Marque Economic Development Corporation, 1111 Bayou Road, La Marque, Texas 77568.

Blended Component Unit

La Marque Public Improvement District No. 1

This entity was created to provide the financing and management tool needed to facilitate the development of a master planned community. The revenues are derived from an assessment levied against each residential lot. The City will take title, maintain, operate and repair any infrastructure donated to the City by the developer.

B. Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's utility fund and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, capital outlay, and debt service.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major due to its significance.

The *special revenue funds* are used to account for and report proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The special revenue funds include the Section 8 fund, CDBG Disaster Recovery Round 2 fund, CDBG Disaster Recovery Program fund, CDBG Sewer Improvement Program fund, Comcast PEG fees fund, police department child outreach program fund, hotel/motel fund, drug seizure fund, home grant fund, public improvement district no. 1 fund, parks fund, court technology fund, court security fund, child safety fund, LEOSE training fund, Motco landscaping fund, clean city fund, and the library grants fund. The CDBG Disaster Recovery Round 2 fund is considered a major fund for reporting purposes. The major revenue source for this fund is grant proceeds. The remaining 17 special revenue funds are considered nonmajor funds for reporting purposes.

The *capital projects fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. This fund is considered a nonmajor fund for reporting purposes.

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide water and wastewater collection, wastewater treatment operations, and solid waste collection and disposal. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The utility fund and the sanitation fund are considered major funds for reporting purposes.

Additionally, the City reports the following fund types:

Internal service funds account for services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The equipment replacement fund and the equipment maintenance insurance fund are used to account for the internal cash funding for equipment replacement and equipment maintenance insurance costs as needed by City departments.

Fiduciary funds account for resources held for the benefit of parties outside the government. The City maintains two fiduciary funds, the library memorial fund and the seized property fund.

The library memorial fund is a *private-purpose trust fund* and is used to account for contributions legally held in a trust for the purchase of library books.

The seized property fund is an agency fund and is used to account for seized property held in purely a custodial capacity by the City.

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

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

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

2. Investments

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

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

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

3. Inventories and Prepaid Items

Inventories are recorded in the general fund and are stated at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The consumption method is used to recognize expenditures. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the enterprise fund are restricted by bond covenants for repayment of debt and to finance construction projects.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 for furniture and equipment and $25,000 for buildings, improvements and infrastructure and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

Asset Description	Estimated Useful Life
Buildings and structures	20 to 40 years
Vehicles	10 years
Machinery and equipment	5 to 20 years
Furniture and office equipment	5 to 6 years
Improvements other than buildings	20 to 40 years

6. Deferred Outflows/Inflows of Resources

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

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

7. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick, and compensatory time. Accumulated vacation is limited to a maximum of two years credit for all City employees.

Length of Service	Maximum Vacation Leave Accrual
Up to 5 years	160 hours
6 to 10 years	240 hours
11 to 20 years	320 hours
Greater than 21 years	400 hours

Accumulated sick leave is limited to 1,040 hours. An employee who resigns or terminates employment will be paid at the employee's regular pay scale not to exceed one month's pay (160 hours). Employees who retire from employment will be paid a lump sum of all accumulated sick leave within established limits.

The Corporation employs, through a contract with the City, a manager who functions as the administrator of the Corporation. The manager's compensated absences are accounted for by the City rather than the Corporation, so the Corporation does not incur an expense or liability associated with the manager's compensated absences.

The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

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

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund.

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

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

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

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

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

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

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

By resolution, the Council has also authorized the City Manager and the Finance Director as the officials authorized to assign fund balance to a specific purpose. Assignments of fund balance do not require formal action by the City Council; however, each assignment must be approved by both authorized officials before the item can be presented in the financial statements.

The City strives to maintain an unassigned fund balance of not less than 25 percent of the budgeted operational expenditures in all City funds. The purpose of the unassigned balance is to alleviate significant unanticipated budget shortfalls and to ensure the orderly provisions of services to citizens. If unassigned fund balance falls below the goal or has a deficiency, the City will seek to reduce expenditures prior to increasing revenues to replenish fund balance within a reasonable timeframe.

12. Estimates

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except the capital projects fund, which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control, as defined by the charter, in the approved budget is the department level. The City Manager may transfer appropriations within a fund without seeking the approval of City Council. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended. The general fund, debt service fund, Comcast PEG fees fund, hotel/motel fund, public improvement district no. 1 fund, parks fund, court technology fund, court security fund, child safety fund, LEOSE training fund, and the clean city fund have legally adopted annual budgets.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year-end) are completed. Such encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

A. Budget/Generally Accepted Accounting Principles Reconciliation

The City prepares its annual budget on a basis which differs from generally accepted accounting principles (GAAP basis). Therefore, the actual column presented in the budget to actual comparison has been adjusted to the City's budget basis of accounting to provide a meaningful comparison of actual results with the budget. The City's budget basis of accounting differs from the GAAP basis because of perspective differences which result from the City's use of sub-funds that are combined for GAAP reporting purposes with the City's general fund, but budgets are not adopted for these sub-funds. The sub-funds that do not have adopted budgets include the fire reserve fund and the donations fund. Adjustments necessary to convert results of operation for the general fund for the year ended September 30, 2014 from the budget basis to GAAP basis are presented in the notes to RSI.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2014, the City had the following investments:

Investment Type		Fair Value	Weighted Average Maturity (Years)
U.S. agencies	$	728,723	0.00
Certificates of deposit		248,267	1.08
TexPool		4,879,446	0.00
LOGIC		2,375,848	0.00
Total Fair Value	$	8,232,284	
Portfolio weighted average maturity			0.04

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

Credit risk. The City's investment policy limits investments in public fund investment pools rated as to investment quality not less than "AM" or "AAA-m", or an equivalent rating by at least one nationally recognized rating service. Investments in SEC registered and regulated money market mutual funds must have an investment quality not less than "AAA-", or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2014, the City's investments in TexPool and LOGIC were rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency. More specifically, the U.S. agency securities held by the City as of September 30, 2014 consist of a variety of U.S. treasury bills, bonds, discount notes, and other obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities and related repurchase agreements.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2014, bank balances were covered by FDIC insurance and pledged collateral.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

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

LOGIC

Local Government Investment Cooperative (LOGIC) is an investment program for local governments within the State of Texas. Investments are subject to the strict requirements of the Public Funds Investment Act and LOGIC may invest in any of the securities authorized by statute. LOGIC must demonstrate compliance with Chapter 2256, Sections .016, .017, .018, and .019. The fair value of LOGIC investment is based on quoted market values of underlying investments of the pool. The investments are reported by the City at amortized cost in accordance with the 90-day exception rule of GASB 31. All gains/losses are reported in the financial statements for realized gains/losses. No unrealized gains are reported in the financial statements under the 90-day exception in GASB 31 to reporting unrealized gains/losses.

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

B. Receivables

The following comprise receivable balances at year end:

Governmental Funds	General	Debt Service	CDBG Disaster Recovery Round 2	Nonmajor
Property taxes	$ 804,544	$ 154,666	$ -	$ -
Sales taxes	546,623	-	-	-
Other taxes	-	-	-	16,810
Accounts receivable	730,723	-	-	8,921
Other receivables	14,381	-	-	2,838
Intergovernmental	-	-	919,256	-
Less allowance	(957,957)	(108,266)	-	-
	$ 1,138,314	$ 46,400	$ 919,256	$ 28,569

Proprietary Funds	Utility	Sanitation
Accounts receivable	$ 882,216	$ 386,894
Other receivables	47,640	-
Less allowance	(658,298)	(192,265)
	$ 271,558	$ 194,629

Component Unit	La Marque Economic Dev. Corp.
Sales taxes	$ 181,730
Other receivables	735
	$ 182,465

C. Capital Assets

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

	Primary Government			
	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 210,370	$ -	$ -	$ 210,370
Construction in progress	-	118,195	-	118,195
Total capital assets not being depreciated	210,370	118,195	-	328,565
Other capital assets:				
Buildings and structures	2,690,961	-	-	2,690,961
Improvements other than buildings	28,232,167	-	-	28,232,167
Vehicles	2,168,525	102,299	(68,000)	2,202,824
Machinery and equipment	3,264,112	46,356	-	3,310,468
Furniture and office equipment	348,336	-	-	348,336
Total other capital assets	36,704,101	148,655	(68,000)	36,784,756
Less accumulated depreciation for:				
Buildings and structures	(1,734,476)	(64,699)	-	(1,799,175)
Improvements other than buildings	(15,537,588)	(663,294)	-	(16,200,882)
Vehicles	(1,311,758)	(150,665)	68,000	(1,394,423)
Machinery and equipment	(2,500,042)	(129,245)	-	(2,629,287)
Furniture and office equipment	(363,722)	(10,524)	-	(374,246)
Total accumulated depreciation	(21,447,586)	(1,018,427)	68,000	(22,398,013)
Other capital assets, net	15,256,515	(869,772)	-	14,386,743
Governmental Activities Capital Assets, Net	$ 15,466,885	$ (751,577)	$ -	14,715,308
			Plus unspent bond proceeds	1,433,635
			Less associated debt	(6,046,835)
			Net Investment in Capital Assets	$ 10,102,108

Depreciation was charged to governmental functions as follows:

General government	$ 41,339
Public safety	223,010
Public works	754,078
Total Governmental Activities Depreciation Expense	$ 1,018,427

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

	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 209,774	$ -	$ -	$ 209,774
Construction in progress	874,278	1,102,622	(1,034,443)	942,457
Total capital assets not being depreciated	1,084,052	1,102,622	(1,034,443)	1,152,231
Other capital assets:				
Buildings and structures	116,805	-	-	116,805
Improvements other than buildings	36,766,725	1,380,511	(6,933)	38,140,303
Vehicles	1,264,114	-	-	1,264,114
Machinery and equipment	1,208,026	6,726	-	1,214,752
Leased assets purchased under capital lease	260,000	-	-	260,000
Total other capital assets	39,615,670	1,387,237	(6,933)	40,995,974
Less accumulated depreciation for:				
Buildings and structures	(101,852)	(2,133)	-	(103,985)
Improvements other than buildings	(23,960,737)	(856,917)	6,933	(24,810,721)
Vehicles	(1,142,368)	(22,817)	-	(1,165,185)
Machinery and equipment	(747,040)	(53,659)	-	(800,699)
Leased assets purchased under capital lease	(130,000)	(26,000)	-	(156,000)
Total accumulated depreciation	(26,081,997)	(961,526)	6,933	(27,036,590)
Other capital assets, net	13,533,673	425,711	-	13,959,384
Business-Type Activities Capital Assets, Net	$ 14,617,725	$ 1,528,333	$ (1,034,443)	15,111,615
			Plus deferred charge on refunding	103,496
			Less associated debt	(4,595,731)
			Net Investment in Capital Assets	$ 10,619,380

Depreciation was charged to business-type functions as follows:

Utility	$ 800,701
Water and sewer system revenue	160,825
Total Business-Type Activities Depreciation Expense	$ 961,526

D. Long-Term Debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes and other payables:					
Certificates of obligation	$ 5,810,000	$ -	$ (250,000)	$ 5,560,000 *	$ 265,000
Capital leases	272,372	337,507	(123,044)	486,835 *	155,401
	6,082,372	337,507	(373,044)	6,046,835	420,401
Other liabilities:					
Net OPEB obligation	834,079	-	(13,658)	820,421	-
Supplemental annuities	119,293	69,630	(27,408)	161,515	-
Compensated absences	807,354	460,414	(526,170)	741,598	667,438
Total Governmental Activities	$ 7,843,098	$ 867,551	$ (940,280)	$ 7,770,369	$ 1,087,839
Long-Term Debt Due In More Than One Year				$ 6,682,530	
***Debt Associated With Governmental Activity Capital Assets**				$ 6,046,835	

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Bonds, notes and other payables:					
General obligation bonds	$ 3,170,000	$ -	$ (670,000)	$ 2,500,000 *	$ 690,000
Long-term contracts	2,096,997	-	(201,869)	1,895,128 *	207,846
Capital lease	104,407	-	(40,128)	64,279 *	42,271
Deferred amounts:					
For issuance premiums	153,363	-	(17,039)	136,324 *	-
	5,524,767	-	(929,036)	4,595,731	940,117
Other liabilities:					
Net OPEB obligation	79,813	-	(10,616)	69,197	-
Compensated absences	92,587	36,762	(72,286)	57,063	51,357
Total Business-Type Activities	$ 5,697,167	$ 36,762	$ (1,011,938)	$ 4,721,991	$ 991,474
Long-Term Debt Due In More Than One Year				$ 3,730,517	
***Debt Associated With Business-Type Activity Capital Assets**				$ 4,595,731	

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

The City's long-term debt includes all outstanding bonded debt secured by the full faith and credit of the City. The bonds are certificates of obligation, general obligation and contractual obligation bonds which are secured by the full faith and credit of the City and are paid through the debt service fund from tax revenues. The City's utility and water and sewer system fund have some revenue and general obligation bond issues recorded which are secured by the full faith and credit of the City. The debt payments are made from the both the utility and water and sewer system funds. The City pledged sufficient sums of utility revenues to retire revenue bonds and the water contract revenue bonds of the Gulf Coast Water Authority.

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

Governmental Activities

Description	Interest Rates	Balance
Certificates of Obligation		
Series 2005	4.00-4.45%	$ 2,590,000
Series 2007	3.75-4.50%	2,970,000
Total Certificates of Obligation		5,560,000
Capital Leases		
Fire truck	3.85%	184,466
Police Vehicles	2.29%	302,369
Total Capital Leases		486,835
Total Governmental Activities Long-Term Debt		$ 6,046,835

Business-Type Activities

Description	Interest Rates	Balance
General Obligation Bonds		
Series 2011 refunding	2.05%	$ 2,500,000
Total General Obligation Bonds		2,500,000
Long-Term Contracts		
Series 2011B refunding	2.0-4.0%	250,128
Series 2011D refunding	2.0-5.0%	1,645,000
Total Long-Term Contracts		1,895,128
Capital Lease		
Equipment lease	5.48%	64,279
Total Capital Lease		64,279
Total Business-Type Activities Long-Term Debt		$ 4,459,407

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

Year	Governmental Activities		Business-Type Activities	
Ending	Principal	Interest	Principal	Interest
2015	$ 265,000	$ 230,269	$ 897,846	$ 128,343
2016	280,000	218,944	908,335	109,763
2017	290,000	206,994	774,312	90,963
2018	305,000	195,713	775,289	70,910
2019	315,000	183,856	231,755	50,624
2020-2024	1,820,000	71,938	807,591	81,575
2025-2029	2,285,000	299,386	-	-
Total	$ 5,560,000	$ 1,407,100	$ 4,395,128	$ 532,178

The City is not obligated in any manner for special assessment debt.

	Capital Leases			
Year	Governmental Activities		Business-Type Activities	
Ending	Principal	Interest	Principal	Interest
2015	$ 155,401	$ 13,834	$ 42,271	$ 2,951
2016	162,059	8,807	22,008	603
2017	68,800	3,611	-	-
2018	70,382	2,028	-	-
2019	30,193	409	-	-
Total	$ 486,835	$ 28,689	$ 64,279	$ 3,554

The following vehicles and equipment were acquired under current capital lease obligations:

Assets	Cost Basis	Accumulated Depreciation	Net Book Value
2011 Fire Apparatus	$ 444,000	$ 166,500	$ 277,500
Vactor Truck	260,000	156,000	104,000
Three 2014 Chevrolet Tahoes	102,299	10,231	92,068
Total	$ 806,299	$ 332,731	$ 473,568

Federal Arbitrage

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

E. Interfund Transactions

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

Transfer Out	Transfer In	Amounts
Nonmajor governmental	General	$ 16,154
General	Internal service fund	250,000
General	Nonmajor governmental	19,580
		$ 285,734

Amounts transferred between funds related to amounts collected by the general fund and nonmajor governmental funds for various governmental expenditures.

The composition of interfund balances as of year end were as follows:

Due To	Due From	Amount
Utility	General	$ 15,268
Utility	Sanitation	80,298
Utility	CDBG Disaster Recovery Round 2	15,138
		$ 110,704

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

F. Fund Equity

As of September 30, 2014, $896,461 of the City's total fund balance is restricted by enabling legislation.

Change in Beginning Net Position

The beginning net position of governmental activities has been restated to reflect the increase in compensated absences as the result of a change in the City's personnel policy in fiscal year 2013.

Governmental Activities	Governmental Activities
Beginning fund balance/net position reported	$ 14,142,803
Restatement - compensated absences per new personnel policy	(353,185)
Restated Beginning Fund Balance/Net Position	$ 13,789,618

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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

C. Pension Plans

1. Texas Municipal Retirement System

Plan Description

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

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

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

	2014	2013
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

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

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

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
2012	$ 525,138	$ 525,138	100.00%	$ -
2013	$ 467,588	$ 467,588	100.00%	$ -
2014	$ 458,486	$ 458,486	100.00%	$ -

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

	2014	2013	2012
Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	30.0 Years - closed period	25.0 Years - closed period	26.0 Years - closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.00%	7.00%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.00%	3.00%	3.00%
Cost of Living Adjustments	2.10%	2.10%	2.10%

Funded Status and Funding Progress

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.

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

		2014
Actuarial Valuation Date		12/31/2013
Actuarial Value of Assets	$	17,656,015
Actuarial Accrued Liability	$	20,589,185
Percentage Funded		85.8%
Unfunded Actuarial Accrued Liability (UAAL)	$	2,933,170
Annual Covered Payroll	$	4,904,662
UAAL as a percentage of Covered Payroll		59.8%

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability benefits.

2. Supplemental Annuity Program

Plan Description

The City maintains a supplemental annuity program, which is a single-employer defined benefit pension plan. The City funds and administers the annuity program. All permanent full-time employees of the City hired prior to July 1, 2007 are eligible to qualify for the annuity program. To receive benefits, employees must have a total of 80 points or more through a combination of age and years of service at the time of retirement.

The calculation to determine the amount of points for an employee is to add the employee's number of years of service with the City as a full-time employee to the age of the employee at the time of retirement.

Benefits

After an eligible employee has selected their retirement option under TMRS and a determination of their monthly TMRS annuity has been finalized, then that monthly TMRS annuity would be multiplied by 25 percent to equal the amount of the supplement the retiree would receive 12 times each year. The amount of the supplement would be revised annually should the TMRS annuity change.

The supplemental annuity would cease when the employee reaches age 65. In the event of death prior to age 65, the surviving spouse would receive the supplemental annuity until age 60.

Funding Policy

The City has elected to finance the annuity program on a pay-as-you-go basis. The City paid $27,408 related to the annuity program for six retirees during the year.

Actuarial Information

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

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability benefits.

The following table shows the components of the City's annual pension costs for the year, the amount actually contributed to the plan, and the City's net pension obligation.

Fiscal Year		2014
Annual Required Contribution (ARC)	$	72,298
Interest on Net Pension Obligation (NPO)		4,903
Adjustment to the ARC		(7,571)
Annual Pension Cost (APC)		69,630
Contributions Made		27,408
Increase in NPO		42,222
NPO-Beginning of Year		119,293
NPO-End of Year	$	161,515

Information for the annual pension cost (APC) is as follows:

Fiscal Year		Annual Pension Cost (APC)		Actual Contribution Made	Percentage of APC Contributed		Net Pension Obligation
2012	$	87,457	$	26,245	30.01%	$	61,212
2013	$	89,814	$	31,733	35.33%	$	119,293
2014	$	69,630	$	27,408	39.36%	$	161,515

The required contributions rates for fiscal year 2014 were determined as part of the September 30, 2014 actuarial valuation. Additional information as of the latest actuarial valuation is as follows:

	2014
Actuarial Valuation Date	9/30/2014
Inflation Rate	3.0%
Investment Rate of Return	4.11%
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period	25 years, open

The funded status as of September 30, 2014, the most recent valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/11	$ -	$ 691,633	$ 691,633	0.00%	$ 2,502,144	27.64%
09/30/14	$ -	$ 785,195	$ 785,195	0.00%	$ 1,983,448	39.59%

D. Other Post Employment Benefits

1. Post Employment Healthcare Plan

Plan Description

The City provides post employment healthcare benefits to all eligible retirees. Eligibility is determined based on employees who retire directly from the City at the age of 60 or more plus 20 years or more of service with the City totaling 80 or more points. Years of service do not need to be consecutive. The benefit provided by the City includes paying a fixed amount, determined as of December 7, 2012, towards the cost of premiums for individual medical coverage (including prescription drugs). Eligible retirees are responsible for payment of 50 percent of the capped premium plus any future increases while they are enrolled. During the year ended September 30, 2014, 32 participants were eligible to receive benefits. The City paid $55,817 in premiums to insure former employees.

Funding Policy and Annual Other Post Employment Benefits Cost

The City's annual other post employment benefits (OPEB) cost is calculated on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. For financial reporting purposes, an actuarial valuation is required at least triennially for plans with fewer than 200 members. The City had its first OPEB valuation performed for the fiscal year beginning October 1, 2008, as required by GASB. The current valuation is dated as of October 1, 2011 and takes into account the subsequent change in City policy.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation:

Fiscal Year		**2014**
Annual Required Contribution (ARC)	$	45,302
Interest on OPEB Obligation		41,125
Amortization on Prior Year Net OPEB Obligation		(54,884)
Annual OPEB Cost (AOC)		31,543
Net Estimated Employer Contributions		55,817
(Decrease) in Net OPEB Obligation		(24,274)
Net OPEB Obligation-Beginning of Year		913,892
Net OPEB Obligation-End of Year	$	889,618

A separate audited GAAP basis post employment benefit plan report is not available.

The City's annual OPEB cost, the percentage of annual OPEB costs contributed to the program, and the net OPEB obligation for the current year and the two preceding years are as follows:

Fiscal Year	**Annual OPEB Cost (AOC)**	**Actual Contribution Made**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation Beginning**	**Net OPEB Obligation Ending**
2012	$ 26,316	$ 123,844	470.60%	$ 1,088,314	$ 990,786
2013	$ 29,065	$ 105,959	364.55%	$ 990,786	$ 913,892
2014	$ 31,543	$ 55,817	0.00%	$ 913,892	$ 889,618

The funded status of the City's retiree healthcare plan under GASB Statement No. 45 as of October 1, 2011 is as follows:

Actuarial Valuation Date	**Actuarial Value of Assets (a)**	**Actuarial Accrued Liability (AAL) Projected Unit Credit (b)**	**Unfunded AAL (UAAL) (b-a)**	**Funded Ratio (a/b)**	**Annual Covered Payroll (c)**	**UAAL as a Percentage of Covered Payroll [(b-a)/c]**
03/31/08	$ -	$ 6,291,130	$ 6,291,130	0.00%	$ 4,591,438	137.02%
10/01/10	$ -	$ 5,196,623	$ 5,196,623	0.00%	$ 5,494,998	94.57%
10/01/11	$ -	$ 586,373	$ 586,373	0.00%	$ 5,628,200	10.42%

Under the reporting parameters, the City's retiree healthcare plan is zero percent funded with an estimated actuarial liability exceeding actuarial assets by $586,373 at October 1, 2011.

<u>Actuarial Methods and Assumptions</u>

The Projected Unit Credit actuarial cost method has been used to calculate the GASB ARC for the City's retiree healthcare plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant method and assumptions were as follows:

Inflation Rate	3.0%
Investment Rate of Return	4.5%
Actuarial Cost Method	Projected unit cost method
Amortization Method	Level dollar
Remaining Amortization Period	30 years, open
Salary Growth	3.0% per annum
Healthcare Cost Trend Rate	n/a

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the ARC of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as RSI provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. TMRS Supplemental Death Benefit Fund

Plan Description

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

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

Contributions

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

The City's contributions to the TMRS SDBF for the fiscal years ended 2014, 2013, and 2012 were $1,945, $1,698, and $2,143, respectively. The City's contribution rates for the past three years are shown below:

	2014	2013	2012
Annual Req. Contrib. (Rate)	0.05%	0.04%	0.04%
Actual Contribution Made	0.05%	0.04%	0.04%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third party administrator. The third party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions.

F. Contracts – Gulf Coast Water Authority

According to the contract between the City and the Gulf Coast Water Authority (GCWA), the City agreed to provide sufficient sums to retire the water contract revenue bonds of the GCWA. In return, the proceeds of the contract revenue bonds have been used to finance the construction of a water transmission main from a water treatment plant located in the City of Texas City, Texas to the City of La Marque, Texas and to upgrade the City's water supply and distribution system. The improvements were necessary to convert the City to a surface water supply. The project was completed in November 1982.

On July 1, 1998, the City entered into a long-term contract with the GCWA, formerly Galveston County Water Authority, to build and improve facilities for potable water transportation to the City. The GCWA is a conservation and reclamation district created by Chapter 712, Acts of the 59th Texas Legislature, 1965, as amended (compiled as Article 828-339, Vernon's Texas Civil Statutes, as amended). The GCWA issued bonds totaling $3,040,000 in 1998 under the title "Gulf Coast Water Authority Water System Contract Revenue Bonds, Series 1998D – City of La Marque Project." Under the contract, the City agreed to provide sufficient sums to retire the bonds. During the fiscal year 2012, the GCWA redeemed the Series 1998D water system contract revenue bonds and issued Water System Contract Revenue Refunding Bonds (City of La Marque Project) Series 2011D totaling $2,140,000. Under the contract, the City agreed to provide sufficient sums to retire the bonds.

Additionally, the City entered into a contract to purchase water from the GCWA which includes an agreement to provide funds to cover bonds obtained by the GCWA for waterline improvements within the corporate boundaries of the City. The GCWA issued bonds totaling $4,835,000 in 1998 under the title "Gulf Coast Water Authority Water System Contract Revenue Bonds, Series 1998B" for which the City is responsible for 9.7707 percent of this total, or $483,500. In fiscal year 2011, the GCWA redeemed the Series 1998B water system contract revenue bonds and issued Water System Contract Revenue Refunding Bonds, Series 2011B totaling $3,510,000, of which the City was responsible for 9.7707 percent or $342,952.

G. Chapter 380 Economic Development Agreement

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs to promote state or local economic development and to stimulate business and commercial activity in the municipality. The City has entered into a Chapter 380 Economic Development Agreement with one business. This business has agreed to establish and maintain a facility in the City that generates substantial taxable sales. This business has also agreed to create and retain 100 jobs and make an estimated capital investment in a public right-of-way adjacent to the property in the amount of $1,000,000. The City has agreed to make fixed payments to the business from sales tax revenues pursuant to Chapter 380 in the amount of $900,000. Payments shall be made in no less than annual installments beginning 18 months after the date the certificate of occupancy is issued. The City's payments will be based on annual sales taxes collected by the business as defined in the agreement.

H. Subsequent Events

As of December 26, 2014, the City entered into an equipment lease - purchase agreement with Motorola Solutions to lease 53 Motorola APX 6000 LI 2.5 radios and 33 APX 6500 Li radios. The term of the lease is 49 months consisting of five annual payments of $43,739.

On December 30, 2014, the City issued general obligation refunding bonds, series 2014 in the amount of $2,520,000. The interest rate will be 4.000 percent. The purpose of the bonds is to defease $2,590,000 of certificates of obligation bonds, series 2005 which had maturity dates ranging from 2016 to 2029.

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REQUIRED SUPPLEMENTARY INFORMATION

City of La Marque, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)

GENERAL FUND (BUDGET BASIS)

For the Year Ended September 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 2,710,790	$ 2,872,368	$ 2,978,290	$ 105,922
Sales taxes	2,814,236	3,196,051	3,219,153	23,102
Franchise fees and taxes	842,000	842,000	862,389	20,389
Other taxes	96,000	96,000	107,362	11,362
Licenses and permits	460,150	612,456	635,850	23,394
Fines and forfeitures	733,900	733,900	731,446	(2,454)
Charges for services	490,200	490,200	586,681	96,481
Intergovernmental	57,000	57,000	50,464	(6,536)
Investment revenue	800	800	608	(192)
Miscellaneous revenue	40,000	75,000	169,833	94,833
Total Revenues	8,245,076	8,975,775	9,342,076	366,301
Expenditures				
General government:				
City manager	224,380	204,374	181,784	22,590
General administration	-	144	144	-
City council	20,350	20,350	12,249	8,101
Human resources	29,130	27,948	27,774	174
Finance	382,838	399,020	399,019	1
City clerk	114,747	124,747	114,341	10,406
Information technology	87,861	92,832	92,830	2
Library	208,441	224,478	224,477	1
Cemetery	1,500	7,500	6,000	1,500
Contingency	672,084	803,084	668,857	134,227
	1,741,331	1,904,477	1,727,475	177,002
Public safety:				
Police	2,845,597	2,823,447	2,776,341	47,106
Judicial	283,533	331,775	331,775	-
Fire	1,703,120	1,764,444	1,753,861	10,583
Inspection	395,935	396,539	341,813	54,726
Emergency management	8,900	8,900	8,804	96
Animal control	88,229	88,229	88,229	-
	5,325,314	5,413,334	5,300,823	112,511
Public works:				
Administration	68,541	68,733	64,641	4,092
Shop service facility	117,409	114,409	94,442	19,967
Streets and highway	555,861	554,861	519,967	34,894
Parks and recreation	126,773	127,158	106,635	20,523
	868,584	865,161	785,685	79,476
Debt service				
Principal	-	158,670	123,044	35,626
Interest and fiscal charges	-	12,085	11,560	525
	-	170,755	134,604	36,151

CITY OF LA MARQUE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)

GENERAL FUND (BUDGET BASIS)

For the Year Ended September 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Capital outlay	$ -	$ 480,752	$ 324,399	$ 156,353
Total Expenditures	7,935,229	8,834,479	8,272,986	561,493
Excess of Revenues Over Expenditures	309,847	141,296	1,069,090	927,794
Other Financing Sources (Uses)				
Transfers in	5,000	266,606	16,154	(250,452)
Transfers (out)	(250,000)	(271,632)	(271,631)	1
Lease proceeds	-	-	337,507	337,507
Total Other Financing Sources(Uses)	(245,000)	(5,026)	82,030	87,056
Net Change in Fund Balance	$ 64,847	$ 136,270	1,151,120	$ 1,014,850
Beginning fund balance			1,890,627	
Ending Fund Balance			$ 3,041,747	

Notes to Required Supplementary Information:

1. Reconciliation to Net Changes in Fund Balance (GAAP Basis)

Perspective differences:	
Fire reserve fund net change in fund balance	$ 29,120
Donations fund net change in fund balance	35,030
Ending Fund Balance	$ 3,105,897

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

CITY OF LA MARQUE, TEXAS

SCHEDULE OF FUNDING PROGRESS

TEXAS MUNICIPAL RETIREMENT SYSTEM

For the Year Ended September 30, 2014

Fiscal Year	2014	2013	2012
Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Value of Assets	$ 17,656,015	$ 16,635,384	$ 15,722,358
Actuarial Accrued Liability(AAL)	$ 20,589,185	$ 18,595,156	$ 18,239,785
Percentage Funded	85.8%	89.5%	86.2%
Unfunded AAL(UAAL)	$ 2,933,170	$ 1,959,772	$ 2,517,427
Annual Covered Payroll	$ 4,904,662	$ 5,293,136	$ 5,327,956
UAAL % of Covered Payroll	59.8%	37.0%	47.2%
Net Pension Obligation (NPO)			
at the Beginning of Period	$ -	$ -	$ -
Annual Pension Cost (APC)	458,486	467,588	525,138
Contributions Made	458,486	467,588	525,138
NPO at the End of Period	$ -	$ -	$ -

CITY OF LA MARQUE, TEXAS

SCHEDULE OF FUNDING PROGRESS
SUPPLEMENTAL ANNUITY PROGRAM (1)

For the Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/11	$ -	$ 691,633	$ 691,633	0.00%	$ 2,502,144	27.64%
09/30/14	$ -	$ 785,195	$ 785,195	0.00%	$ 1,983,448	39.59%

(1) 2012 is the first year the City has implemented GASB 27 for this program. Therefore, the above illustration does not reflect similar information for the two preceding years.

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CITY OF LA MARQUE, TEXAS

SCHEDULE OF FUNDING PROGRESS

POST EMPLOYMENT HEALTHCARE BENEFITS

For the Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
03/31/08	$ -	$ 6,291,130	$ 6,291,130	0.00%	$ 4,591,438	137.02%
10/01/10	$ -	$ 5,196,623	$ 5,196,623	0.00%	$ 5,494,998	94.57%
10/01/11	$ -	$ 586,373	$ 586,373	0.00%	$ 5,628,200	10.42%

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COMBINING STATEMENTS
AND SCHEDULES

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CITY OF LA MARQUE, TEXAS

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

DEBT SERVICE FUND

For the Year Ended September 30, 2014

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 338,700	$ 338,700	$ 343,993	$ 5,293
Investment revenue	500	500	247	(253)
Total Revenues	339,200	339,200	344,240	5,040
Expenditures				
Debt service:				
Principal	1,007,907	1,007,907	250,000	757,907
Interest and fiscal agent fees	444,980	444,980	241,763	203,217
Total Expenditures	1,452,887	1,452,887	491,763	961,124
Deficiency of Revenues (Under) Expenditures	(1,113,687)	(1,113,687)	(147,523)	966,164
Other Financing Sources				
Transfers in	734,985	734,985	-	(734,985)
Total Other Financing Sources	734,985	607,985	-	(607,985)
Net Change in Fund Balance	$ (378,702)	$ (505,702)	(147,523)	$ 358,179
Beginning fund balance			985,045	
Ending Fund Balance			$ 837,522	

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SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

CDBG Disaster Recovery Program

This fund is used to account for the distribution of funds received from the Community Development Block Grant. These funds are to be used to improve living conditions for low to moderate income residents.

CDBG Sewer Improvement Program

This fund is used to account for the distribution of funds received from the Community Development Block Grant. These funds are to be used to improve living conditions for low to moderate income residents.

Comcast Public, Educational, and Governmental (PEG) Fees

This fund is used to account for revenues and expenditures from PEG fees.

Police Department Child Outreach Program

This fund is used to account for grants and donated funds for the community outreach program.

Hotel/Motel Fund

This fund is used to account for hotel occupancy tax revenues. State statutes require that such revenues are used for (a) the acquisition of sites for and the construction, improvement, operation, and maintenance of convention center facilities; (b) advertising for general promotion and tourist advertising of the City; (c) the encouragement, promotion, improvement, and application of the site; and (d) historical preservation and restoration.

Drug Seizure Fund

This fund is used to account for money and property forfeitures arising out of the Health and Safety Code (formerly Controlled Substance Act). Proceeds are used only for law enforcement purposes.

Home Grant Fund

This fund is used to account for grants received to increase available funding to provide affordable housing and related services.

Public Improvement District No. 1

This fund is used to account for special assessments collected in connection with the District to finance the residential cost of a master planned community.

Parks Fund

This fund is used to account for the collection of donated park improvement funds restricted to park improvement activities.

Court Technology Fund

This fund is used to account for fees collected for future improvements to the technology of court facilities.

Court Security Fund

This fund is used to account for fees collected for future improvements to the security of the court facilities.

Child Safety Fund

This fund is used to account for fees collected from school zone violations and is restricted to funding for child safety initiatives.

LEOSE Training Fund

This fund is used to account for revenues from the Law Enforcement Officer Standards and Education (LEOSE) and is restricted to expenditures related to the continuing education and training of persons licensed as commissioned peace officers.

Motco Landscaping Fund

This fund is used to account for revenues and expenditures related to the beautification of a former industrial site.

Clean City Fund

This fund is used to account for revenues and expenditures related to enforcement of existing City ordinances.

Section 8 Fund

This fund is used to account for grants received for housing and related services.

Library Grants Fund

This fund is used to account for grants received for libraries and related services.

CAPITAL PROJECT FUND

The **Capital Project Fund** is used to account for specific revenues that are legally restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

CITY OF LA MARQUE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)

September 30, 2014

	Special Revenue Funds			
	CDBG Disaster Recovery Program	CDBG Sewer Improvement Program	Comcast PEG Fees	Police Department Child Outreach Program
Assets				
Cash and cash equivalents	$ -	$ -	$ 85,574	$ 6,002
Investments	-	-	-	-
Receivables, net	-	-	8,921	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	$ -	$ -	$ 94,495	$ 6,002
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ -
Due to other governments	-	-	-	-
Total Liabilities	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Enabling legislation	-	-	94,495	-
Special projects	-	-	-	6,002
Assigned:				
Encumbrances	-	-	-	-
Total Fund Balances	-	-	94,495	6,002
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ -	$ -	$ 94,495	$ 6,002

Special Revenue Funds

Hotel/Motel	Drug Seizure	Home Grant	Public Improvement District No. 1	Parks	Court Technology
$ 74,712	$ 11,720	$ 38,552	$ 52,729	$ 99,799	$ 22,137
612,644	-	-	-	-	-
16,810	-	-	-	-	-
-	-	-	-	-	-
28,405	-	-	-	-	-
$ 732,571	$ 11,720	$ 38,552	$ 52,729	$ 99,799	$ 22,137
$ 14,228	$ 655	$ -	$ 39,088	$ -	$ 642
-	-	-	-	-	-
14,228	655	-	39,088	-	642
28,405	-	-	-	-	-
689,938	-	-	-	-	21,495
-	11,065	38,552	13,641	84,642	-
-	-	-	-	15,157	-
718,343	11,065	38,552	13,641	99,799	21,495
$ 732,571	$ 11,720	$ 38,552	$ 52,729	$ 99,799	$ 22,137

CITY OF LA MARQUE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)

September 30, 2014

	Special Revenue Funds			
	Court Security	Child Safety	LEOSE Training	Motco Landscaping
Assets				
Cash and cash equivalents	$ 64,192	$ 27,058	$ 15,716	$ -
Investments	-	-	-	-
Receivables, net	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
Total Assets	$ 64,192	$ 27,058	$ 15,716	$ -
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	$ 717	$ -	$ 130	$ -
Due to other governments	-	-	-	-
Total Liabilities	717	-	130	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted for:				
Enabling legislation	63,475	27,058	-	-
Special projects	-	-	15,586	-
Assigned:				
Encumbrances	-	-	-	-
Total Fund Balances	63,475	27,058	15,586	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 64,192	$ 27,058	$ 15,716	$ -

Special Revenue Funds: Section 8	Special Revenue Funds: Clean City	Special Revenue Funds: Library Grants	Capital Projects	Total Nonmajor Governmental Funds
$ 144,805	$ 34,185	$ 4,716	$ 1,461,724	$ 2,143,621
-	-	-	-	612,644
-	-	2,838	-	28,569
12,371	-	-	-	12,371
-	-	-	-	28,405
$ 157,176	$ 34,185	$ 7,554	$ 1,461,724	$ 2,825,610
$ -	$ 90	$ 804	$ 51,483	$ 107,837
11,423	-	-	-	11,423
11,423	90	804	51,483	119,260
-	-	-	-	28,405
-	-	-	-	896,461
145,753	34,095	6,750	1,410,241	1,766,327
-	-	-	-	15,157
145,753	34,095	6,750	1,410,241	2,706,350
$ 157,176	$ 34,185	$ 7,554	$ 1,461,724	$ 2,825,610

CITY OF LA MARQUE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Page 1 of 2)
For the Year Ended September 30, 2014

	Special Revenue Funds			
	CDBG Disaster Recovery Program	CDBG Sewer Improvement Program	Comcast PEG Fees	Police Department Child Outreach Program
Revenues				
Property taxes	$ -	$ -	$ -	$ -
Franchise and local taxes	-	-	36,090	-
Fines and forfeitures			-	-
Intergovernmental	-	-	-	-
Investment revenue	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	-	-	36,090	-
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	3,890	-	-	-
Urban rehabilitation and housing	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	3,890	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,890)	-	36,090	-
Other Financing Sources (Uses)				
Transfer in	3,890	15,690	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	3,890	15,690	-	-
Net Change in Fund Balances	-	15,690	36,090	-
Beginning fund balances	-	(15,690)	58,405	6,002
Ending Fund Balances	$ -	$ -	$ 94,495	$ 6,002

Special Revenue Funds

Hotel/Motel	Drug Seizure	Home Grant	Public Improvement District No. 1	Parks	Court Technology
$ -	$ -	$ -	$ 334,901	$ -	$ -
101,999	-	-	-	-	-
-	-	-	-	-	14,166
-	-	-	-	-	-
457	-	-	-	-	-
-	3,792	-	-	53,961	-
102,456	3,792	-	334,901	53,961	14,166
123,957	-	-	-	940	642
-	1,758	-	-	-	-
-	-	-	326,428	-	-
-	-	-	-	-	-
-	-	-	-	-	-
123,957	1,758	-	326,428	940	642
(21,501)	2,034	-	8,473	53,021	13,524
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(21,501)	2,034	-	8,473	53,021	13,524
739,844	9,031	38,552	5,168	46,778	7,971
$ 718,343	$ 11,065	$ 38,552	$ 13,641	$ 99,799	$ 21,495

CITY OF LA MARQUE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS (Page 2 of 2)

For the Year Ended September 30, 2014

	Special Revenue Funds			
	Court Security	Child Safety	LEOSE Training	Motco Landscaping
Revenues				
Property taxes	$ -	$ -	$ -	$ -
Franchise and local taxes	-	-	-	-
Fines and forfeitures	10,893	1,097	-	-
Intergovernmental	-	-	2,283	-
Investment revenue	-	-	-	-
Other revenue	-	-	-	-
Total Revenues	10,893	1,097	2,283	-
Expenditures				
Current:				
General government	3,367	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Urban rehabilitation and housing	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	3,367	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,526	1,097	2,283	-
Other Financing Sources (Uses)				
Transfer in	-	-	-	-
Transfers (out)	(5,000)	-	-	(11,154)
Total Other Financing Sources (Uses)	(5,000)	-	-	(11,154)
Net Change in Fund Balances	2,526	1,097	2,283	(11,154)
Beginning fund balances	60,949	25,961	13,303	11,154
Ending Fund Balances	$ 63,475	$ 27,058	$ 15,586	$ -

Special Revenue Funds				
Section 8	Clean City	Library Grants	Capital Projects	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 334,901
-	-	-	-	138,089
-	-	-	-	26,156
902,297	-	-	-	904,580
-	-	-	460	917
2,937	16,417	7,837	-	84,944
905,234	16,417	7,837	460	1,489,587
-	7,106	1,087	30,000	167,099
-	-	-	-	1,758
-	-	-	-	330,318
930,399	-	-	-	930,399
-	-	-	57,755	57,755
930,399	7,106	1,087	87,755	1,487,329
(25,165)	9,311	6,750	(87,295)	2,258
-	-	-	-	19,580
-	-	-	-	(16,154)
-	-	-	-	3,426
(25,165)	9,311	6,750	(87,295)	5,684
170,918	24,784	-	1,497,536	2,700,666
$ 145,753	$ 34,095	$ 6,750	$ 1,410,241	$ 2,706,350

CITY OF LA MARQUE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2014

	Comcast PEG Fees			
	Original Budget Amounts	**Final Budget Amounts**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Revenues				
Franchise and local taxes	$ 32,000	$ 32,000	$ 36,090	$ 4,090
Total Revenues	32,000	32,000	36,090	4,090
Expenditures				
Current:				
General government	$ 30,000	$ 30,000	$ -	$ 30,000
Total Expenditures	30,000	30,000	-	30,000
Net Change in Fund Balance	$ 2,000	$ 2,000	36,090	$ 34,090
Beginning fund balance			58,405	
Ending Fund Balance			$ 94,495	

	Hotel/Motel			
	Original Budget Amounts	**Final Budget Amounts**	**Actual Amounts**	**Variance with Final Budget Positive (Negative)**
Revenues				
Franchise and local taxes	$ 60,000	$ 60,000	$ 101,999	$ 41,999
Investment revenue	1,000	1,000	457	(543)
Other revenue	20,000	20,000	-	(20,000)
Total Revenues	81,000	81,000	102,456	21,456
Expenditures				
Current:				
General government	285,500	285,500	123,957	161,543
Total Expenditures	285,500	285,500	123,957	161,543
Net Change in Fund Balance	$ (204,500)	$ (204,500)	(21,501)	$ 182,999
Beginning fund balance			739,844	
Ending Fund Balance			$ 718,343	

CITY OF LA MARQUE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (Continued)
NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2014

	Public Improvement District No. 1			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 318,000	$ 318,000	$ 334,901	$ 16,901
Total Revenues	318,000	318,000	334,901	16,901
Expenditures				
Current:				
Public works	318,384	350,936	326,428	24,508
Total Expenditures	318,384	350,936	326,428	24,508
Net Change in Fund Balance	$ (384)	$ (32,936)	8,473	$ 41,409
Beginning fund balance			5,168	
Ending Fund Balance			$ 13,641	

	Parks			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Other revenue	$ 17,500	$ 17,500	$ 53,961	$ 36,461
Total Revenues	17,500	17,500	53,961	36,461
Expenditures				
Current:				
General government	41,000	41,000	940	40,060
Total Expenditures	41,000	41,000	940	40,060
Net Change in Fund Balance	$ (23,500)	$ (23,500)	53,021	$ 76,521
Beginning fund balance			46,778	
Ending Fund Balance			$ 99,799	

CITY OF LA MARQUE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Continued)

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2014

	Court Technology			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	$ 18,000	$ 18,000	$ 14,166	$ (3,834)
Total Revenues	18,000	18,000	14,166	(3,834)
Expenditures				
Current:				
General government	2,600	2,600	642	1,958
Total Expenditures	2,600	2,600	642	1,958
Net Change in Fund Balance	$ 15,400	$ 15,400	13,524	$ (1,876)
Beginning fund balance			7,971	
Ending Fund Balance			$ 21,495	

	Court Security			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	$ 13,000	$ 13,000	$ 10,893	$ (2,107)
Total Revenues	13,000	13,000	10,893	(2,107)
Expenditures				
Current:				
General government	9,850	9,850	3,367	6,483
Total Expenditures	9,850	9,850	3,367	6,483
Excess of Revenues Over Expenditures	3,150	3,150	7,526	4,376
Other Financing (Uses)				
Transfers (out)	(5,000)	(5,000)	(5,000)	-
Total Other Financing (Uses)	(5,000)	(5,000)	(5,000)	-
Net Change in Fund Balance	$ (1,850)	$ (1,850)	2,526	$ 4,376
Beginning fund balance			60,949	
Ending Fund Balance			$ 63,475	

CITY OF LA MARQUE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Continued)

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2014

	Child Safety			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	$ 5,000	$ 5,000	$ 1,097	$ (3,903)
Total Revenues	5,000	5,000	1,097	(3,903)
Expenditures				
Current:				
Public safety	5,000	5,000	-	5,000
Total Expenditures	5,000	5,000	-	5,000
Net Change in Fund Balance	$ -	$ -	1,097	$ 1,097
Beginning fund balance			25,961	
Ending Fund Balance			$ 27,058	

	LEOSE Training			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	$ 200	$ 200	$ 2,283	$ 2,083
Total Revenues	200	200	2,283	2,083
Expenditures				
Current:				
Public safety	4,802	4,802	-	4,802
Total Expenditures	4,802	4,802	-	4,802
Net Change in Fund Balance	$ (4,602)	$ (4,602)	2,283	$ 6,885
Beginning fund balance			13,303	
Ending Fund Balance			$ 15,586	

CITY OF LA MARQUE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (Continued)

NONMAJOR SPECIAL REVENUE FUNDS

For the Year Ended September 30, 2014

	Clean City			
	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Other revenue	$ 15,000	$ 15,000	$ 16,417	$ 1,417
Total Revenues	15,000	15,000	16,417	1,417
Expenditures				
Current:				
General government	14,850	14,850	7,106	7,744
Total Expenditures	14,850	14,850	7,106	7,744
Net Change in Fund Balance	$ 150	$ 150	9,311	$ 9,161
Beginning fund balance			24,784	
Ending Fund Balance			$ 34,095	

Equipment Replacement Fund

This internal service fund is used to account for the internal cash funding for equipment replacement costs as needed by City departments.

Equipment Maintenance Insurance Fund

This internal service fund is used to account for internal cash funding for equipment maintenance insurance costs as needed by City departments.

CITY OF LA MARQUE, TEXAS

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

September 30, 2014

	Equipment Replacement	Equipment Maintenance Insurance	Total Funds
Assets			
Current assets:			
Cash and cash equivalents	$ 495,862	$ 33,253	$ 529,115
Total Assets	$ 495,862	$ 33,253	$ 529,115
Net Position			
Unrestricted	$ 495,862	$ 33,253	$ 529,115
Total Net Position	$ 495,862	$ 33,253	$ 529,115

CITY OF LA MARQUE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2014

	Equipment Replacement	Equipment Maintenance Insurance	Total Funds
Nonoperating Revenues			
Investment revenue	$ 498	$ -	$ 498
Total Nonoperating Revenues	498	-	498
Transfers in	250,000	-	250,000
Total Transfers	250,000	-	250,000
Change in Net Position	250,498	-	250,498
Beginning net position	245,364	33,253	278,617
Ending Net Position	$ 495,862	$ 33,253	$ 529,115

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CITY OF LA MARQUE, TEXAS

COMBINING STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2014

	Equipment Replacement	Equipment Maintenance Insurance	Total Funds
Cash Flows From Noncapital Financing Activities			
Transfers from other funds	$ 250,000	$ -	$ 250,000
Net Cash Provided by Noncapital Financing Activities	250,000	-	250,000
Cash Flows from Investing Activities			
Interest on investments	$ 498	$ -	$ 498
Net Cash Provided by Investing Activities	498	-	498
Net Increase in Cash and Cash Equivalents	250,498	-	250,498
Beginning cash and cash equivalents	245,364	33,253	278,617
Ending Cash and Cash Equivalents	$ 495,862	$ 33,253	$ 529,115

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SINGLE AUDIT REPORTS

CITY OF
LA MARQUE, TEXAS

For the Year Ended
September 30, 2014

CITY OF LA MARQUE, TEXAS

SINGLE AUDIT REPORTS

September 30, 2014

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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*

May 21, 2015

To the Honorable Mayor and
City Council Members of the
City of La Marque, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of La Marque, Texas (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency 2012.007 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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AICPA

A significant deficiency is a deficiency, or 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. We consider the deficiencies 2014.001 and 2014.002 described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

May 21, 2015

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

Report on Compliance for Each Major Federal Program

We have audited the City of La Marque, Texas' (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 21, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas

CITY OF LA MARQUE, TEXAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2014

No prior findings.

CITY OF LA MARQUE, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the City of La Marque, Texas.

2. A material weakness in internal control was disclosed by the audit of the financial statements.

3. Significant deficiencies in internal control were disclosed by the audit of the financial statements.

4. No noncompliance material to the basic financial statements was disclosed during the audit.

5. No significant deficiencies in internal control over major federal award programs were disclosed by the audit.

6. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.

7. No audit findings relative to the major federal award programs for the City are reported in Part C of this schedule.

8. The programs included as major programs are:

Program Title	CFDA
CDBG – State Administered CDBG Cluster	14.228, 14.255

9. The threshold for distinguishing Type A and B programs was $300,000.

10. The City did not qualify as a low-risk auditee in the context of OMB Circular A-133.

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

CURRENT YEAR MATTERS

Significant Deficiencies

2014.001. BANK RECONCILIATIONS

Criteria

One of the key components of any internal control structure is timeliness. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines timeliness of information as "to be suitable, information must be produced and used in a time frame that makes it possible to prevent control deficiencies or detect and correct them before they become material to the organization."

Condition

It was noted during the audit that the City was several months behind on their bank reconciliations.

Effect

Lack of timely and consistent reconciliation of all cash accounts could increase the risk of errors, misstatements, and the misappropriation of assets. As a result, these occurrences may go undetected.

Cause

The credit card processing company that the City used was bought out by another company. The reports that the City started receiving did not provide the details needed in order to complete the reconciliations. The City had to work with the credit card processing company in order to obtain reports with the information needed to complete the reconciliations. The finance department also experienced high turnover during the fiscal year which caused various delays.

Recommendation

The City should ensure that bank reconciliations are completed within a timely manner. It is recommended that bank reconciliations are completed within 30 days of month end.

Management's Response and Corrective Action Plan

The City has hired a permanent staff to perform this function. Bank reconciliation has been accomplished within normal allowable time frame.

2014.002. SEGREGATION OF DUTIES – MUNICIPAL COURT

Criteria

Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition

The City lacks segregation of duties within the municipal court department.

The municipal court department currently has one employee and only had one employee for part of the fiscal year. This employee handles all aspects of the court administration and recordkeeping. This employee enters defendant information into the system, posts adjustments, has the ability to adjust fine/fee amounts, receipts payments, fields questions/complaints, and maintains files/supporting documentation.

It was also noted that independent reviews of defendant files are not performed when a file is closed out for defendants on payment plans or extensions. All other files are reviewed by the judge when a defendant has made the final payment and the file is ready to be closed and stored.

Effect

The lack of segregation of duties could lead to unauthorized changes going undetected and make the City vulnerable to the misappropriation of assets.

Cause

The extent to which the City can segregate duties is limited based on the number of personnel, their skill set and work load, and the organizational structure of the City.

Recommendation

As with other cities of the same staff size, there are instances where additional controls could be put in place if more personnel were available and further segregation in duties could be achieved. There are inherent inefficiencies with full segregation of duties and inherent risk with the lack of segregation of duties. The cost versus benefits for both should be considered. The City should explore opportunities to mitigate its exposure to the inherent risks of limited segregation of duties through the use of software controls and assigning duties to additional employees.

Management's Response and Corrective Action Plan

The City currently has two deputy court clerks handling cash and a court department head to supervise activities within the Court department.

MATTERS PREVIOUSLY REPORTED

Material Weaknesses

2012.007. MONTH END PROCEDURES

Criteria

The City should ensure that there are formal procedures in place to reconcile balance sheet accounts to subsidiary ledgers.

Condition

It appeared the City lacked a formal process for closing the books at the end of each month. As a result, a large number of adjusting journal entries were required to accurately state account balances. In addition, multiple transaction types were not consistently being recorded in the same accounts used in prior years.

Effect

The lack of consistent monthly procedures could lead to misstated account balances resulting in over/understated assets, liabilities, revenues, and expenditures.

Cause

Due to the high turnover in the finance department, the City has not established formal procedures to reconcile balance sheet accounts to detailed subsidiary ledgers.

Recommendation

The City should establish procedures in which management reviews and reconciles all detailed ledgers to the general ledger accounts on a monthly basis.

Management's Response and Corrective Action Plan

The City has already began applying some procedures to reconcile some critical accounts to ensure proper recordings in general ledger. The City will continue this process until they capture all balance sheet accounts.

C. FINDINGS – FEDERAL AWARDS

None

CITY OF LA MARQUE, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2014

Grantor/Program Title	CFDA Number	Grant/Contract Number	Expenditures
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-through Texas General Land Office			
Community Development Block Grant - State's Program - Disaster Recovery	14.255	GLO-12-216-000-5516	$ 373,284
Community Development Block Grant - State's Program - Disaster Recovery	14.255	GLO-13-167-000-7268	895,286
Community Development Block Grant - State's Program	14.228	712171	117,810
Direct Award			
Section 8 Housing Choice Vouchers	14.871	TX530	902,297
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			2,288,677
DEPARTMENT OF JUSTICE			
Direct Award			
Justice Assistance Grant	16.803		18,195
TOTAL DEPARTMENT OF JUSTICE			18,195
TOTAL FEDERAL AWARDS EXPENDED			$ 2,306,872

CITY OF LA MARQUE, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS

For the Year Ended September 30, 2014

1. REPORTING ENTITY

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of La Marque, Texas.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Sec. 44-7. - Weed control.

(a) It shall be unlawful for any owner or occupant of any real property within the city to permit weeds to grow or remain on any such property in excess of 12 inches in height, when any such weeds are within 100 feet of any occupied building or dwelling within the city.

(b) It shall be unlawful and constitute an offense and creation and maintenance of a public nuisance for any person firm or corporation who shall own or occupy any lot or premises to suffer or permit weeds, grass or uncultivated plants other than trees to grow to a greater height than 12 inches on that portion of right-of-way which abuts such lot or premises between the centerline of such right-of-way and the property line of such lot or premises. Except, however, rights-of-way meeting any of the following definitions shall not be the responsibility of the abutting owner or occupants.

(1) Ditches exceeding a depth of four feet as determined by the city manager or his designee;

(2) Rights-of-way which governmental entities other than the city have a contractual obligation to maintain;

(3) Major arterial streets as determined by the city manager or his designee;

(4) Unpaved dedicated street rights-of-way;

(5) Street medians;

(6) Property owner in fee by the city.

(c) For the purposes of this section, the term "owner" shall mean any person who holds title to any land lying within the city and the term "occupant" shall mean any person being in possession of any such land. In any prosecution charging a violation of this section, proof that the person whose name is listed on the tax rolls of the city as being the owner of the lot or premises found to be in violation shall constitute in evidence a prima facie presumption that such person is the owner of such lot or premises; provided, however, that such presumption may be rebutted by the person charged with violating this section with evidence to the contrary; and provided further than the presumption established herein shall have the evidentiary consequences enumerated in Chapter 2 of the Texas Penal Code.

(d) The term "weeds," as used in this section, shall mean all rank vegetable growth which exhale unpleasant and noxious odors or high vegetable growth that may conceal rodents, other animals or filthy deposits.

(e) Whenever weeds have grown to a height of more than one foot, such condition shall be considered a nuisance, which means a condition dangerous to life or health.

(f) Should any person who owns any lot or building within the city allow a nuisance to go unabated after notice to such person to do so, in writing, or by letter addressed to such person at his post office address, and if personal service may not be had as aforesaid, or if the person's address be not known, the city may do or cause to be done, that which will abate such public nuisance, and may pay there for and charge the expenses incurred in doing such work or having such work done or improvements made, to the person who owns such lot or building. If such work is done or improvements made at the expense of the city, then such expenses shall be assessed on the real estate or lot upon which such expense was incurred.

(g)

The city council hereby finds and declares that the administrative expenses incurred from inspecting, locating the owner, issuing notice, re-inspecting, ordering work done and submission of billing, filing of lien, together with all necessary incidents of same, will require a charge of $100.00 for each lot, tract or parcel of land, and such charge is hereby established and declared to be an expense of such work and improvement. Each act of violation and each day upon which any such violation shall continue or occur shall constitute a separate offense. This shall be in addition to any municipal court fees incurred which may carry a maximum fee of $200.00 plus court fees.

(h) The mayor or city clerk shall file a statement of expenses giving the amount of such expense, the date on which such work was done, and a description of the premises upon which such work was done or improvements made as incurred under subsection (g) with the county clerk of Galveston County, Texas. The city shall have a privileged lien on such lot or real estate upon which such work was done, or improvements made, to secure the expenditures so made, in accordance with article 4436, Texas Revised Civil Statutes, as amended, which lien shall be second only to tax liens or liens for street improvements, and such amount shall bear ten per cent (10%) interest per annum from the date the statement is filed. For any such expense and interest, as aforesaid, suit may be instituted and recovery and foreclosure of such lien may be had in the name of the city, and the statement of expenses so made, or a certified copy thereof, shall be prima facie proof of the amount expended for such work or improvements.

(i) Defenses to prosecution. It shall be a defense to prosecution that the vegetation is any of the following:

(1) Agricultural crops, except grass and hay, unless subsection (2) stated below applies;

(2) Hay that is grown for the specific purpose of cultivation and is a part of a predominantly homogeneous plant population may be grown to any height provided it is maintained in compliance with section 44-7(b) and is located no closer than 20 feet to an adjacent property under different ownership and on which any building or improvement exists;

(3) Cultivated trees;

(4) Cultivated shrubs;

(5) Flowers or other decorative ornamental plants under cultivation; or

(6) Wildflowers, but only until such time as seeds have matured following the final blooming of the majority of the plants.

(7) Property designated as and/or required by an ordinance to be maintained in its natural state shall be exempt from the provisions of this section.

(8) It shall not be an offense under this section to permit or allow weeds, grass, brush or other vegetation to grow to a height greater than 12 inches if they are growing in an area designated as a natural conservation area, preserve or habitat by any federal or state law or agency and the removing or cutting of the vegetation within that area is prohibited by the federal or state law or agency.

(Code 1972, § 11-6; Ord. No. 132; Ord. No. 299; Ord. No. 524; Ord. No. 985, §§ 1—3, 6-25-2007; Ord. No. 998, § 1, 6-23-2008)

Chapter 35 - GARBAGE, RUBBISH AND RUBBLE
FOOTNOTE(S):

--- (**1**) ---

Charter reference— Authority of council to prescribe rules and regulations for the handling and disposal of garbage, trash and rubbish, § 1.09.

State Law reference— Solid Waste Disposal Act, V.T.C.A., Health and Safety Code § 361.001 et seq.; local regulation of sanitation, V.T.C.A., Health and Safety Code § 342.001 et seq.; municipal solid waste, V.T.C.A., Health and Safety Code § 363.001 et seq.; municipal solid waste, 30 Tex. Admin. Code § 330.1 et seq.; approved containers, 30 Tex. Admin. Code § 330.23.

ARTICLE I. - IN GENERAL
Sec. 35-1. - Definitions.

The following words, terms and phrases, when used in this chapter, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Garbage. The term "garbage" shall be interpreted to mean all putrescent wastes, including vegetables, animal and poultry offal, carcasses of small animals and dead fowl, and shall include all such substances from all public and private establishments and from all residences.

Hazardous material. The term "hazardous material" shall include, but not be limited to, any amount of waste listed or characterized hazardous by the United States Environmental Protection Agency pursuant to the Resource Conservation and Recovery Act of 1976, as amended, or applicable state law.

? 4 ft Long 50 lbs

Rubbish. The term "rubbish" shall mean solid and ordinary waste, other than garbage, including glass and ashes, broken ware, discarded clothing, trash, tin cans, bottles, papers and tree limbs, grass and weed cuttings properly contained or bundled not exceeding four feet in length and 50 pounds in weight per bundle.

Rubble. The term "rubble" shall mean dirt, rocks, broken concrete, bricks, debris resulting from construction, reconstruction or repair of buildings, and other earthen waste materials.

Service unit. The term "service unit" shall mean a biweekly average amount of garbage or rubbish not to exceed whichever of the following is applicable:

(1) The contents of two garbage containers, each not greater than 30 gallons; or
(2) Fifteen cubic feet of rubbish.

3'' ?

Special pickup items. By the term "special pickup items" is meant any appliance, furniture, uncut brush and limbs, tree limbs exceeding three-inch diameter or any other trash object that would not normally be picked up by the regular garbage trucks.

(Code 1972, § 9-1; Ord. No. 249, § I; Ord. No. 366; Ord. No. 510; Ord. No. 706, § 1)

Sec. 35-2. - Authority of sanitation department to collect and remove.

The sanitation department or its authorized agent(s) is hereby authorized to collect and remove garbage and rubbish from any premises in the city. Further, the use of private commercial haulers hired by any business or individual to provide for the collection of garbage and rubbish is expressly prohibited.

(Code 1972, § 9-2; Ord. No. 249, art. VI; Ord. No. 607; Ord. No. 706, § 1)

Sec. 35-3. - Duty to request and use collection service.

To assist in maintaining the general sanitation and health of the city, it shall be the duty of every person occupying or having control of the occupancy of any premises located on a regularly established garbage and rubbish route to notify the sanitation department of the city at the beginning of such occupancy and request, accept and use the garbage and rubbish pickup and collection service. Failure of any owner, rental agent or occupant of such premises to make such request shall not prevent nor in any way impair or impede the sanitation department from adding the address of such premises to the proper garbage and rubbish collection route records and providing such service and otherwise enforcing, by appropriate action, the regulatory measures prescribed in this chapter and causing the fees or charges therefor to be paid.

(Code 1972, § 9-3; Ord. No. 249, art. II; Ord. No. 706, § 1)

Sec. 35-4. - Containers required.

Every person occupying or having control of the occupancy of any premises shall provide and maintain thereon a sufficient number of containers to hold the garbage and rubbish accumulated on such premises between collections.

(Code 1972, § 9-4; Ord. No. 249, art. III; Ord. No. 706, § 1)

Sec. 35-5. - Container specification.

All garbage and rubbish shall be disposed of in one of the following:

(1) Containers required by section 35-4 shall be portable, with handles, and constructed of galvanized metal or equivalent in such a manner as to be strong, not easily corrodible, rodentproof, flyproof, and shall have a tightfitting lid or cover, which shall not be removed except when depositing or removing the contents of the container. Such containers shall have a capacity of not more than 30 gallons nor less than ten gallons and not exceeding 50 pounds gross weight.

(2) Sealed plastic bags made from a polyethylene resin film with a nominal thickness of two mils and not exceeding 50 pounds gross weight may also be used.

(3) Confiscation of improper containers. Any container which allows the contents to leak or fall out or which has jagged or sharp edges which might cause injury or any garbage container without a tight-fitting cover is hereby declared to be a public nuisance and shall be picked up and destroyed by the sanitation department. A notice of the hazard will be attached to the container two weeks in advance to allow the owner to either repair or replace the container.

(Code 1972, § 9-5; Ord. No. 249, art. III; Ord. No. 607; Ord. No. 706, § 1)

Sec. 35-6. - Maintenance of containers.

All containers required by this chapter, and the ground immediately around the same, shall be kept in a safe and sanitary condition at all times. They shall be maintained so as not to create a fire hazard or provide harborage for rodents or a breeding place for insects. The surfaces of such containers shall be kept free of garbage accumulation by wrapping in paper all garbage placed in the container, by washing the container, or by other means.

(Code 1972, § 9-6; Ord. No. 249, arts. III, IV; Ord. No. 706, § 1)

Sec. 35-7. - Placement of container and other materials for collection.

(a) *Residential.* All garbage, rubbish, or special pickup items shall be placed along the shoulder of the street, between the ditch and pavement edge, or within three feet of the concrete curb.

(b) *Commercial.* All garbage, rubbish or special pickup items shall be placed as described in paragraph (a) above except where the supervisor of the sanitation department has agreed to a more suitable location at the owner's request. The city assumes no liability for damages to parking lots or other facilities where pickup is made on private property.

(Code 1972, § 9-7; Ord. No. 249, art. IV; Ord. No. 607; Ord. No. 706, § 1)

Sec. 35-8. - Time and frequency of collection.

(a) The collection of garbage and rubbish will commence at 7:30 a.m. Garbage and rubbish shall be placed as required by section 35-7. All containers shall be removed from the street right-of-way on the day of collection. Failure to remove containers and/or container bins from the right-of-way will result in a discontinuance of service.

(b) The collection of residential garbage and rubbish shall be made on a regularly scheduled basis twice weekly except where the city provides a cart, collection shall be made once weekly. On official city holidays, the regular collection shall occur as soon as practical before or after the regular collection date.

(c) The collection of special pickup items will be made on a regular basis normally within a two-week period.

(Code 1972, § 9-8; Ord. No. 607; Ord. No. 706, § 1; Ord. No. 1010, § 1, 9-22-2008)

Sec. 35-9. - Removal of rubble and hazardous material.

(a) Rubble shall be removed by the owner or occupant of the premises on which it is located, at his own expense and in a neat and sanitary manner, and shall not be permitted to accumulate on any premises beyond a reasonable length of time. No violation shall be charged hereunder unless ten days' notice of such unlawful accumulation shall have been given by the city manager or his designee and the same is not corrected within such time.

(b) Hazardous material shall be removed by the owner or occupant of the premises on which it is located, at his own expense and in a neat, sanitary and safe manner. The city shall not collect, transport or dispose of hazardous material.

(Code 1972, § 9-9; Ord. No. 249, art I; Ord. No. 366; Ord. No. 607; Ord. No. 706, § 2)

Sec. 35-10. - Commercial containers.

The city or its designated agent will be the only authorized agency to collect commercial garbage and refuse within the city limits.

(1) The city or its agent will provide containers two cubic yards or larger at no additional charge to the customer.

(2) Commercial container customers are required to place all of their garbage and rubbish inside of the container provided.

(3) The size of container and frequency of collection will be determined, after consultation with the customer, by the sanitation department supervisor.

(4) Screening required.

a. An owner or lessee of property shall place or maintain a commercial container so that it is not visible from the street right-of-way on the address side of the property. A commercial container located on a service drive behind a building on said property shall not be deemed visible from the street right-of-way.

b. A commercial container shall be deemed to be visible only if it can be seen by any person who is standing at grade level on any part of the right-of-way of a public street having a right-of-way width of 40 feet or more that adjoins the address side of the property on which the commercial container is located.

c. An owner or lessee of property may utilize a berm, building, fence, wall, gate, shrubbery, or a combination thereof which also complies with section 71-21(4)c. of this code, to accomplish the screening of a commercial container from view.

d. This article shall not apply to a commercial container situated upon property that is owned and maintained by a public school district or a private school.

(5) Offenses.

a. *Offenses*. It shall be unlawful for any person to:

1. Fail to comply with section 35-10(4) of this Code.
2. Place or cause to be placed a commercial container on private property without first obtaining the permission of the owner or person in charge of the property.
3. Fail to maintain screening as required under this article.

b. *Defenses*. It is a defense to prosecution under subsection a. above that:

1. The commercial container is in daily actual use, exclusive of weekends, holidays, and inclement weather days, for the purpose of disposing of waste generated by the demolition or construction, or both, of improvements on the property upon which the commercial container is situated and that all building permits required for the work have been obtained.
2. The commercial container was placed by or upon written authority of the director on a temporary basis for a neighborhood clean-up campaign or similar temporary purpose.
3. The commercial container is used exclusively for the collection of recyclable materials.
4. There is inadequate space to locate the commercial container upon the property in a manner that complies with section 35-10(4) of this code.
5. Placement of the commercial container on the property in a manner that complies with section 35-10(4) of this Code would violate any provision of:

i. Chapter 14, article X of this Code relating to off-street parking requirements;

ii. Chapter 71 of this Code relating to zoning requirements;

iii. Chapter 14 of this Code relating to building and building regulations; or

iv. The fire code relating to dumpsters or fire apparatus access roads.

(Code 1972, § 9-10; Ord. No. 607; Ord. No. 706, § 2; Ord. No. 994, § 1, 1-14-2008)

Sec. 35-11. - Collection charges—Prescribed.

There are hereby levied charges, to be collected from the owner occupying any premises located or from the occupant or person in possession or control of any premises located on an established garbage and rubbish route within the city, for the removal and disposition of garbage and rubbish.

(Code 1972, § 9-11; Ord. No. 249, art. VI; Ord. No. 290; Ord. No. 378; Ord. No. 400; Ord. No. 445; Ord. No. 461; Ord. No. 476; Ord. No. 495; Ord. No. 510; Ord. No. 528; Ord. No. 537; Ord. No. 570; Ord. No. 594; Ord. No. 607; Ord. No. 618; Ord. No. 706, § 3; Ord. No. 717; Ord. No. 731; Ord. No. 761; Ord. No. 778; Ord. No. 794; Ord. No. 907, 8-27-2001; Ord. No. 926, 9-8-2003; Ord. No. 937, 9-27-2004; Ord. No. 949, 9-26-2005)

Sec. 35-12. - Same—Billing; when payable.

(a) The service charges established by section 35-11 shall be determined on a monthly basis and shall be included and separately itemized on the same statement or bill with water and sewer charges. Such statement or bill shall be considered as one billing, and payment for one service shall not be received without payment of all where all services are received. Such charges shall be due and payable within 15 days after the date of the statement or bill.

(b) Each monthly charge for garbage and rubbish pickup service shall be increased by ten percent thereof to arrive at the gross bill. The difference between the gross rate and the net rate, representing a discount, shall be allowed for payment of bills within 15 days of the date of the bill. If such charge is not paid within 15 days, the gross bill shall apply.

(Code 1972, § 9-12; Ord. No. 249, art. VI; Ord. No. 284; Ord. No. 607; Ord. No. 706, § 3)

Sec. 35-13. - Burning or burying.

No garbage, rubble or rubbish shall be burned or buried within the city except at landfills licensed by the state department of health. This section shall not preclude the burning of paper materials in an incinerator with a spark arrester with a weight no lighter than hardware cloth and with spacing one-fourth inch, and bearing the approval of the American Insurance writers. Use and operation of incinerators must be approved by the fire marshal and the Galveston County Health District, air control section.

(Code 1972, § 9-13; Ord. No. 249, art. V; Ord. No. 607; Ord. No. 706, § 3)

Sec. 35-14. - Unlawful deposits, accumulations and use of service.

(a) No person shall deposit or place any garbage, rubble or rubbish in any alley, street or other public place within the city, or upon private property, whether owned by such person or not, within the limits of the city unless the same is enclosed within a suitable container, boxed or bundled as approved in this chapter, and at a location approved for collection by the sanitation department.

(b) Fermenting, putrefying or odoriferous garbage or rubbish in containers uncollected or dumped in the open shall constitute a nuisance and a violation of this chapter.

(c) No person shall deposit, or place any garbage, rubble or rubbish in any container or in any place which said person has not properly established pickup service with the city.

(Code 1972, § 9-14; Ord. No. 249; arts. III, VII; Ord. No. 607; Ord. No. 706, § 4)

Sec. 35-15. - Unlawful hauling.

It shall be unlawful for any person not under contract with the city or some other governmental agency to haul any garbage at any time, or to commercially haul any rubbish or rubble on any established route or regular basis, over the streets of the city.

(Code 1972, § 9-15; Ord. No. 249, art. IV; Ord. No. 706, § 4)

Sec. 35-16. - Dumping grounds prohibited; exception.

No garbage dump or dumping grounds where garbage, rubbish or rubble is disposed of shall be maintained or operated by any person, firm or corporation, whether private or governmental, within the city, and whether operated by sanitary landfill or otherwise, except for the garbage dump or dumping grounds used by the city for disposal of garbage collected by its sanitation department.

(Code 1972, § 9-16; Ord. No. 298; Ord. No. 706, § 4)

Sec. 35-17. - Chapter does not prohibit properly maintained compost piles or pits.

Nothing in this chapter shall be construed to prohibit the maintenance of compost piles or pits for the storage and disposition of vegetable matter consisting of grass cuttings, leaves and items of like nature, so long as such piles or pits are maintained in a satisfactory and sanitary manner, and do not become a public nuisance by causing the emission therefrom of obnoxious odors.

(Code 1972, § 9-17; Ord. No. 249, art. VII; Ord. No. 706, § 4)

Sec. 35-18. - Inspections to enforce chapter.

The sanitation department is hereby authorized to inspect any premises within the city for the purpose of enforcing the provisions of this chapter.

(Code 1972, § 9-18; Ord. No. 249; Ord. No. 706, § 4)

Sec. 35-19. - Penalty for violations of chapter.

Any person convicted of violating any provision of this chapter shall be punished as prescribed in section 1-7 of this Code.

(Code 1972, § 9-19; Ord. No. 706, § 4)

Sec. 35-20. - Regulation of recycling sites.

The city council shall be authorized to adopt regulations for the operation of recycling sites in order to ensure cleanliness and sanitary conditions.

(Code 1972, § 9-20; Ord. No. 706, § 5)

Secs. 35-21—35-43. - Reserved.

ARTICLE II. - CLEAN CITY COMMISSION

Sec. 35-44. - Creation of La Marque Clean City Commission; purpose.

There is hereby established the La Marque Clean City Commission to direct and oversee a comprehensive litter control program for the purpose of reducing and controlling, at an acceptable level, the concentration of litter and other public eyesores, weeds, junk vehicles, dilapidated structures, etc., in the city, and to bring about a long-term improvement in the attitudes and trash-handling habits of citizens and to pursue the enforcement of existing ordinances and to encourage community and civic organizations to become involved in the beautification of La Marque.

(Code 1972, § 9-30; Ord. No. 565)

Sec. 35-45. - Composition of commission; appointment, removal of members.

The La Marque Clean City Commission shall consist of seven members to be appointed by the city council. The members of such commission shall serve at the pleasure of the city council and may be removed by the city council with or without cause. Three members shall constitute a quorum for the conducting of business.

(Code 1972, § 9-31; Ord. No. 565; Ord. No. 654, § 1; Ord. No. 690, § 1; Ord. No. 857, § 1, 11-9-1998)

Sec. 35-46. - Terms of commissioners; filling of vacancies.

The terms of the members appointed as members of the La Marque Clean City Commission shall be as follows:

(1) All seven commissioners appointed by the city council serve two year staggered terms, except that appointment to vacancies shall be for the unexpired term of the position to which the appointment is made.
(2) If any voting member of the commission misses two consecutive regularly scheduled meetings with unexcused absences, that member shall be automatically dropped from the board and the city council will appoint a replacement to fill the unexpired term.

(Code 1972, § 9-32; Ord. No. 565; Ord. No. 654, § 2; Ord. No. 690, § 2; Ord. No. 857, § 2, 11-9-1998)

Sec. 35-47. - No compensation for commissioners.

Commissioners of the La Marque Clean City Commission shall serve without compensation.

(Code 1972, § 9-33; Ord. No. 565)

Sec. 35-48. - Election and term of chairman.

The La Marque Clean City Commission shall organize by electing one of its members as chairman, and such chairman shall hold office for one year or until his successor has been elected and qualified.

(Code 1972, § 9-34; Ord. No. 565)

Sec. 35-49. - Adoption of administrative procedures.

The La Marque Clean City Commission may adopt such administrative procedures as are necessary to accomplish the purposes set out in this article.

(Code 1972, § 9-35; Ord. No. 565)

Sec. 35-50. - Written reports.

The commission shall, each quarter, during the months of January, April, July and October submit a written report to the mayor and city council summarizing the status of the clean city program.

(Code 1972, § 9-36; Ord. No. 565)

Sec. 35-51. - Consultation with city officers and departments.

The city manager and other city officers and staffs of city departments may consult with and advise the La Marque Clean City Commission from time to time on matters coming within the scope of this article and the commission may consult with and advise such city officers and personnel of such departments.

(Code 1972, § 9-37; Ord. No. 565)

Sec. 35-52. - Solicitation of funds.

The La Marque Clean City Commission shall have the authority to solicit funds and donations to carry out the purposes for which it is herein established.

(Code 1972, § 9-38; Ord. No. 565)

Sec. 35-53. - Additional powers of commission.

The La Marque Clean City Commission may contract with any person, organization or corporation for purposes consistent with this article's purpose of reducing and controlling litter. Any such contract must be presented to the city council for approval prior to execution.

(Code 1972, § 9-39; Ord. No. 565)