



City of Roanoke, Texas
Comprehensive Annual
Financial Report
Fiscal Year Ending September 30, 2015

108 S. Oak Street
Roanoke, TX 76262
Phone (817) 491-2411
Fax (817) 491-2242
www.roanoketexas.com



**City of Roanoke, Texas
Comprehensive Annual Financial Report
Fiscal Year Ended
September 30, 2015**

**Prepared by
City of Roanoke
Department of Fiscal and Administrative Services**

**108 S. Oak Street
Roanoke, Texas 76262**



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Comprehensive Annual Financial Report
Fiscal Year Ended September 30, 2015

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Introductory Section



March 4, 2016

To the Honorable Mayor,
Members of the City Council, and
Citizens of the City of Roanoke, Texas

The Fiscal and Administrative Services Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report ("CAFR") for the City of Roanoke, Texas ("City"), for the fiscal year ended September 30, 2015. This report complies with State law, which requires that all local governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This report is published to provide the City Council, City staff, citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City. The report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the accuracy, completeness, and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits derived from them, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by **BKD, LLP**, a firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City's financial statements for the fiscal year ended September 30, 2015 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

This report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, a listing of City Officials, and an organizational chart of the City. The Financial Section includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis ("MD&A"), basic financial statements, the notes to the basic financial statements, RSI and combining and individual fund statements and schedules. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement, and should be read in conjunction with, the MD&A. The City of Roanoke's MD&A can be found immediately following the independent auditor's report. The Statistical Section includes financial and demographic information relevant to readers of the City's financial statements. The statistical data is generally presented on a multi-year basis.

PROFILE OF THE GOVERNMENT

Originally incorporated in 1933, The City of Roanoke currently occupies 6.5 square miles and serves a population of approximately 8,500. Roanoke is located in Denton County in the northern part of the Dallas/Fort Worth Metropolitan area and is situated 23 miles north of Fort Worth and 30 miles west of Dallas. Roanoke is readily accessible by State Highway 114, State Highway 170, and U.S. Highway 377.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexations, which could occur periodically when deemed appropriate by the governing council.

The City is a home-rule city and operates under the Council-Manager form of government. The elected seven-member council is comprised of a Mayor and six Council members. The Council has the authority to enact local legislation, levy taxes, incur debt, adopt budgets, and determine policies and regulations governing the City. The City Council hires the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The City Council is elected on a non-partisan basis. The mayor and council members serve three-year terms. The six council members are elected by ward, and the mayor is elected at large.

The City provides a full range of general governmental services to its citizens including: police and fire protection; emergency ambulance service; municipal court operations; planning, development and code services; construction and maintenance of streets, highways, parks, recreational facilities and infrastructure; library operations; visitor's center and museum; and general administrative services. The City's enterprise operations consist of the water and wastewater utility system. A private contractor, through a franchise agreement, provides solid waste and recycling collections and disposal services for the city.

The financial reporting entity (the government) includes all funds of the primary government (i.e., the City of Roanoke), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are legally separate entities and not part of the primary government's operations. The Roanoke Economic Industrial Development Corporation ("REIDC"), the Roanoke Community Economic Development Corporation ("RCEDC") and the Al & Lula Mae Slaughter Park ("Slaughter Park") Foundation are included in the financial statements as discretely presented component units.

The annual budget serves as the foundation for the City of Roanoke's financial planning and control. Per the City Charter, the City Manager provides to the City Council the proposed budget by August 1st each year. The budget is filed with the City Secretary and is open for public inspection. Upon receipt of the budget, the City Council sets a date for a public hearing at which time interested citizens may express their opinions regarding the proposed budget. The Charter requires the Council to adopt the budget by a favorable majority vote prior to the beginning of the next fiscal year.

Budgetary control is maintained at the fund level. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Financial reports are produced showing budget to actual expenditures by line item and are distributed monthly to City departments for review.

LOCAL ECONOMY

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Roanoke operates.

The City of Roanoke is located in both Denton and Tarrant County, two of the fastest-growing counties in Texas, in the heart of the Dallas/Fort Worth ("DFW") metropolitan area (the "Metroplex") and in close proximity to both the DFW Airport and the Alliance Airport. Thus, the economic vitality of the region significantly impacts the economic health of Roanoke. Due to the tremendous growth experienced over the last decade, DFW has become the largest metropolitan area in Texas and the 4th largest metropolitan area by population in the U.S. The Metroplex contains 26% of the State's population and 27% of the labor force. DFW's strategic central location and diversified economy are the major reasons that businesses relocate to the area and propel the Metroplex to be the fastest growing Metropolitan market in the United States with one of the most stable economies. There are 21 Fortune 500 Companies, and a total labor force topping 3.56 million, employment of over 3.42 million, and an unemployment rate of 3.9%. Also located in the area are 15 major colleges and/or universities and numerous junior colleges. This diverse economy has helped the region weather economic downturns in key sectors better than other regions of the nation.

DFW Airport is the world's 4th largest airport in terms of operations and 9th in terms of passengers, covering over 17,000 acres of land. DFW Airport serves approximately 175,829 passengers daily and over 64 million passengers a year. Every major city in the continental United States can be accessed within four hours. DFW's central North American location makes it the preeminent U.S. hub and connecting point for the entire continent. Home to 3,000 high tech firms, DFW is known as the economic engine for the North Texas region, powering a \$504 billion economy that ranks 9th in the U.S. and 23rd overall in the world. (SOURCE: DFW website www.dfwairport.com Fast Facts and DFW Airport 2014 Comprehensive Annual Financial Report).

The AllianceTexas development, a portion of which lies within the City of Roanoke's boundaries, is an 18,000-acre master-planned, mixed-use community which is home to 425 companies, 43,000+ employees, 8,750 single-family homes, and is anchored by the inland port known as the Alliance Global Logistics Hub. The development includes Fort Worth's Alliance Airport, the first purely industrial airport in the Western Hemisphere, which serves as the cornerstone for the nation's fastest-growing industrial complex. The area offers a variety of commercial real estate options as well as industrial, office, and retail space. Additionally, the AllianceTexas development contributes an estimated \$4.3 billion annually to North Texas (SOURCE: Alliance website www.allianceairport.com, AllianceTexas Facts).

The City of Roanoke is continuing to enjoy a favorable economic environment. During FY2015, property values reached an all-time high, and continue to rise as companies discover Roanoke as a prime location to establish operations. The City of Roanoke has been successful in recruiting several Fortune 50 and Fortune 500 companies, thus creating jobs and significantly expanding the local tax base. In addition, Roanoke's designation as the "Unique Dining Capital of Texas" has allowed the city to enhance the downtown area, offering several "unique" dining options, eclectic shopping, and making it a true destination for the citizens and local communities. Management continually monitors revenue collections with expenditure patterns to ensure the City maintains a healthy financial position.

Taxable value for all residential and commercial property in the City of Roanoke totaled approximately \$1.468 billion for fiscal year 2015, a 16.2% increase from the prior year. For fiscal year 2015, sales tax collections, another significant revenue source for the City, fell short of budget expectations by close to 8%.

Increased strength in employment and growth in new residential and commercial construction are leading indicators of continued growth in the City's property tax base. The City of Roanoke's unemployment rate remains well below both state and national levels, averaging just under 4.0%. As of December 2015, the State of Texas unemployment rate was at 4.7% and the national rate was 5.0%.

Roanoke has several large tracts of undeveloped land within the City's boundaries and continues to focus on attracting quality, sustainable development to the area and to renew the emphasis on business retention. Over the last several years, Roanoke has experienced single-family residential, commercial and industrial growth. The historic downtown Oak Street project, which received a ten million dollar transformation, continues to attract unique restaurants, which allowed the Texas House of Representatives to appoint Roanoke as the Unique Dining Capital of Texas. In addition, this area has attracted eclectic boutiques and retail stores. During FY2014-15, the City completed the expansion of Oak Street, to the south, which will provide additional residential and commercial growth opportunities for the downtown area. Several new housing developments are underway including Fairway Ranch, Highlands Glen, Glenmere, and the final phases of Briarwyck. These developments will add over 1,400 single-family custom homes within the city limits with an average home value of \$325,000.

Cinemark completed construction of a 14 screen, all digital movie theater on a 10-acre site at the junction of highways 170 and 114. The theater opened in the fall of 2015. In addition, construction is underway in multiple locations, which will feature several restaurants and retail pad sites.

During fiscal year 2015, various capital improvement projects located throughout the city were under construction. The projects under construction included Phase IV of the street overlay projects on Birch, Elm, Ash, and Hackberry in the Marshall Creek subdivision; the concrete reconstruction of Pine Street, and the expansion of S. Oak Street. Additionally, the City completed the reconstruction of Main Street, Phase III of the street overlays in the Marshall Creek subdivision, street overlays along Lois, N. Oak, and N. Walnut, as well as, water and wastewater lines associated with these projects. The City also completed a 20,000 square foot skate park, commonly known as the “NOKE.”

LONG-TERM FINANCIAL PLANNING

The City of Roanoke has developed a comprehensive capital improvement plan, as well as a multi-year financial plan for the City’s major funds. In addition, the City Council is currently updating the City’s strategic plan and preparing a citywide needs assessment. Such strategic planning has allowed the City to fund several major infrastructure improvements, new facilities, park additions and enhancements, and capital purchases in a systematic manner while considering the full impact to the operating budget and tax levy requirements. While many of these projects have been funded through the issuance of debt, the City has been able to maintain a flat tax rate for the past 19 years.

Major capital improvement plans for the next five years include: design and construction of a new city hall; neighborhood vitality programs; concrete street improvements on Pecan/Dallas, Lamar/Bowie, and Main/Rusk; street overlays; new trails according to the trail master plan; and water line improvement program.

The City Council and citizens of Roanoke have determined that debt issuance is a viable method of financing major capital projects. Analysis of potential debt issuance includes the operating impact that the repayment thereof will have on citizens, property tax rates, and enterprise fund service fee revenues. Per the City’s fiscal policies, long-term debt will not be used for operating purposes, and, the life of the debt instruments will not exceed the useful life of the projects financed. Policy also specifies that bonds with an average life of 20 years or less will be issued to reduce net interest cost and maintain future flexibility by paying off debt earlier. The majority of the City’s existing long-term debt was used to finance infrastructure needs and traditional government facilities such as streets, fire stations, libraries, and development of parks and open spaces.

The City’s fiscal policies state current expenditures will be paid with current revenues. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. Reserves will be used for emergencies or nonrecurring expenditures, except when balances can be reduced because levels exceed guidelines or legally-required minimums.

Fiscal policies provide for a General Fund reserve equal to sixty days (16%) of the total operating expenditures of the General Fund. At the end of the current year, the City’s unassigned fund balance in the General Fund is \$5,595,223 (35%) of total General Fund operating expenditures. Total General Fund balance is \$6,654,844, which includes \$38,254 of nonspendable, \$379,182 of restricted, \$11,810 committed, and \$630,375 of assigned fund balance.

The City’s fiscal policies for the Water and Wastewater Fund require the maintenance of a minimum reserve of sixty days of operating revenue. At the end of the current year, the City was in compliance with this policy.

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., raised its long-term rating and underlying rating (SPUR) two notches to AA from A+ on the City's general obligation ("GO") debt outstanding based on the recently released local GO criteria. Additional information about the rating agency or the significance of the credit rating may be obtained from its website.

MAJOR INITIATIVES

For Fiscal Year 2015-16, the top priority projects for the City are design and construction of a new city hall, concrete street improvements on Pecan and Dallas, Marshall Creek subdivision street improvements, street overlays, and design and construction of the first phase of the city's trail master plan. Many of these projects are currently underway. In FY 2016, the City issued certificates of obligation to fund the majority of these projects, with additional funding from the general fund balance and REIDC (Type A) and RCEDC (Type B) corporations.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roanoke for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2014. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. Such report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City has been awarded a Certificate of Achievement for the last 9 consecutive years. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished on a timely basis without the efficient and dedicated assistance of the entire staff of the Fiscal and Administrative Service Department and City Administration. Appreciation is expressed to City employees throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the Mayor and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible, professional, and progressive manner. The City of Roanoke staff welcomes and appreciates your comments.

Respectfully Submitted,



Scott Campbell
City Manager



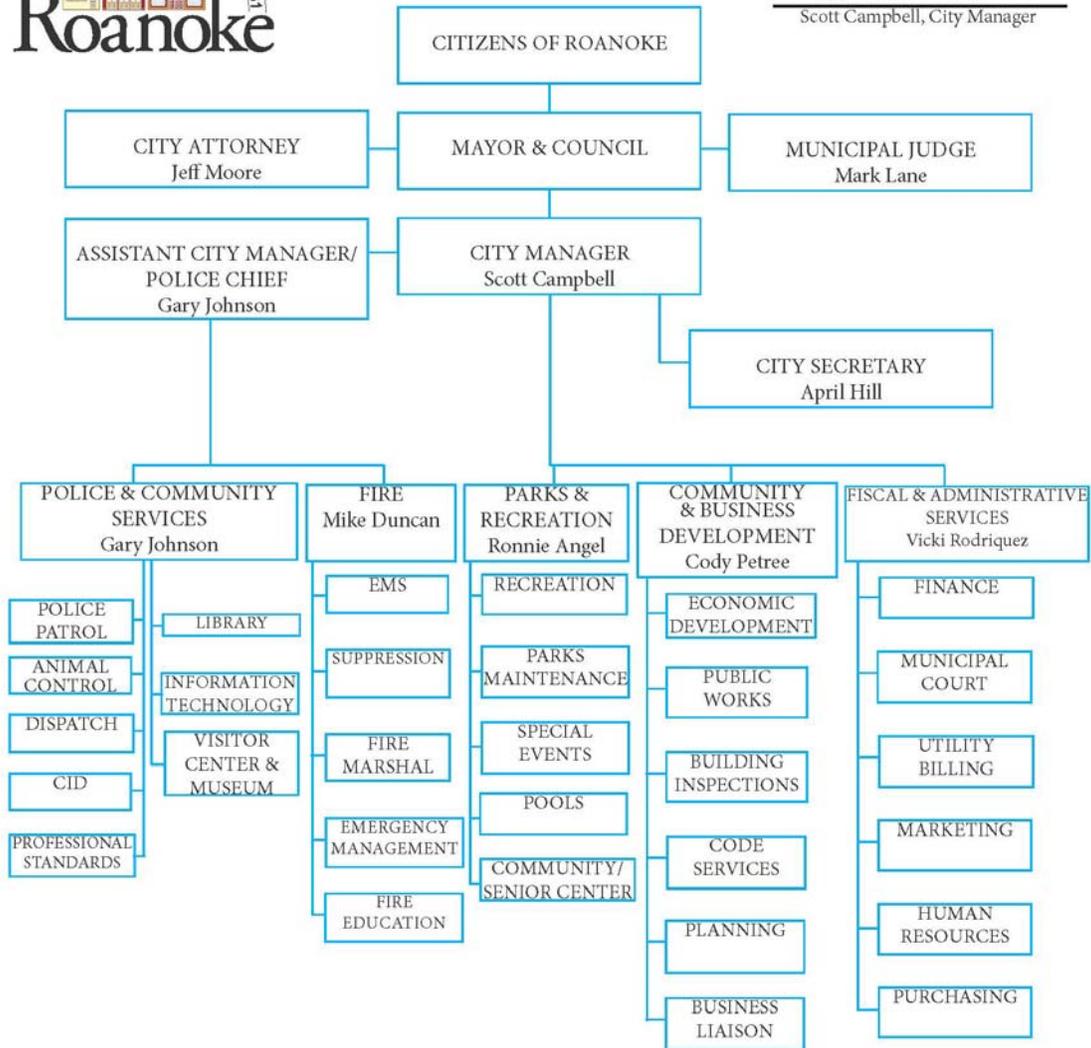
Vicki Rodriguez
Director of Fiscal and Administrative Services



Organizational Chart

Scott Campbell

Scott Campbell, City Manager



CITY OF ROANOKE, TEXAS



CITY OFFICIALS FISCAL YEAR 2014-2015

CITY COUNCIL

| | | |
|-----------------------|----------------|--------|
| Carl E. Gierisch, Jr. | Mayor | |
| Holly McPherson | Mayor Pro Tem | Ward 1 |
| Angie Grimm | Council Member | Ward 1 |
| Brian Darby | Council Member | Ward 2 |
| Kirby Smith | Council Member | Ward 2 |
| Steve Heath | Council Member | Ward 3 |
| Dion Jones | Council Member | Ward 3 |

CITY STAFF

Scott Campbell, City Manager

Vicki Rodriguez, Director of Fiscal and Administrative Services



Government Finance Officers Association

**Certificate of
Achievement
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Reporting**

Presented to

**City of Roanoke
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO



Financial Section



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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Roanoke, Texas
Roanoke, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015, the City changed its method of accounting for pensions with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

Supplementary 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 accompanying supplementary information including the combining fund statements and financial statements of the discretely presented component units, as listed in the table of contents, is presented for purposes of additional analysis 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 accompanying information in the introductory and statistical sections listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 March 4, 2016, on our consideration of the City's internal control over financial reporting and 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 the 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.

BKD, LLP

Dallas, Texas
March 4, 2016

CITY OF ROANOKE, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015 (Unaudited)

As management of the City of Roanoke, we offer this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended September 30, 2015. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that the City's tax base, service levels, City assets, and the City's desirability will be maintained not just for the current year but well into the future.

Financial reporting is limited in its ability to provide the "big picture" but rather focuses on financial position and changes in financial position. In other words, are revenues and/or expenditures higher or lower than the previous year? Has the net position (containing both short-term and long-term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the government been maintained? Readers are encouraged to consider the information presented here in conjunction with the additional information furnished in the letter of transmittal (pages i-vi of this report) and the statistical section (pages 82-100 of this report) as well as information in the annual operating and capital budget, along with other community information found on the City's website at www.roanoketexas.com. It should be noted that the Independent Auditor's Report describes the auditors' association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

Financial Highlights

- The net position of the City of Roanoke at the close of the most recent fiscal year was \$53,374,900. This number must be viewed in the context that the vast majority of the City's net position of \$42,787,639 (80%) are capital assets net of related debt and that most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. The amount of net position restricted for specific purposes totaled \$2,168,192 (4%). The remaining \$8,419,069 (16%) is unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- At the close of the current fiscal year, the City of Roanoke's governmental funds reported combined ending fund balances of \$14,282,930, which represents a decrease of \$848,070 in comparison to the prior year. Within this total, \$39,454 is non-spendable for prepaid items, \$3,618,962 is restricted for specific legal requirements, such as by debt covenants and state statute, and \$5,029,291 has been committed or assigned to specific types of expenditures. The remaining \$5,595,223 is unassigned fund balance in the General Fund, which can be used for any lawful purpose.

- The City's long-term liabilities increased by \$3,796,741 due primarily to the issuance of bonds and capital leases for capital improvements partially offset by existing debt requirements and the increase in net pension liability resulting from the implementation of GASB Statement No. 68.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City of Roanoke's basic financial statements, which are comprised of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis and multi-year funding progress on the City's pension plan. In addition to the basic financial statements, this report also contains other required supplementary information as listed in the Table of Contents.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Roanoke's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Roanoke's assets and liabilities, and deferred inflows/outflows, of resources, with the difference between these 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 of Roanoke is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the fiscal 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash receipts and cash outlays in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements distinguishes between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and recreation, and public works. The business-type activities of the City include water and wastewater system, and sanitation system.

The government-wide financial statements include not only the City of Roanoke (the primary government), but also the Roanoke Economic Development and Industrial Corporation, the Roanoke Community and Economic Development Corporation, and the Al and Lula Mae Slaughter Foundation, which are legally separate entities that are financially accountable to the City. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements. A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Roanoke, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 fiscal year. Such information may be useful in evaluating a government'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, the reader may better understand the long-term impact of the government'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 twelve individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Facilities Improvement, Street Construction, Park Construction, and Briarwyck Public Improvement District, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the adopted budget. The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There are two types of proprietary funds: enterprise funds and internal service funds. The City of Roanoke does not utilize internal service 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 and wastewater utility and sanitation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Water and Wastewater and Sanitation, both of which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-61 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including this discussion and analysis and information concerning the City's net pension liability and related ratios and contributions associated with its participation in the Texas Municipal Retirement System. Additionally, a schedule comparing budgetary and actual results of the General Fund are also located in this section of the report. Required supplementary information can be found on page 62-64 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions and budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 67-79 of this report.

Government-wide Financial Statement Analysis

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. The City's net position was \$53,374,900 as of September 30, 2015.

Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Current and other assets | \$ 16,594,977 | \$ 17,147,042 | \$ 2,658,911 | \$ 2,189,019 | \$ 19,253,888 | \$ 19,336,061 |
| Capital assets | 65,967,303 | 60,721,082 | 15,885,152 | 16,076,448 | 81,852,455 | 76,797,530 |
| Total assets | 82,562,280 | 77,868,124 | 18,544,063 | 18,265,467 | 101,106,343 | 96,133,591 |
| Deferred outflows of resources | 1,521,172 | 35,056 | 133,946 | - | 1,655,118 | 35,056 |
| Long-term liabilities | 37,989,364 | 30,344,081 | 4,961,876 | 4,917,318 | 42,951,240 | 35,261,399 |
| Other liabilities | 4,951,563 | 4,211,143 | 1,483,758 | 1,340,103 | 6,435,321 | 5,551,246 |
| Total liabilities | 42,940,927 | 34,555,224 | 6,445,634 | 6,257,421 | 49,386,561 | 40,812,645 |
| Net position: | | | | | | |
| Net investment in capital assets | 31,687,171 | 31,686,704 | 11,100,468 | 11,104,686 | 42,787,639 | 42,791,390 |
| Restricted | 1,540,759 | 1,129,768 | 627,433 | 422,658 | 2,168,192 | 1,552,426 |
| Unrestricted | 7,914,595 | 10,531,484 | 504,474 | 480,702 | 8,419,069 | 11,012,186 |
| Total net position | \$ 41,142,525 | \$ 43,347,956 | \$ 12,232,375 | \$ 12,008,046 | \$ 53,374,900 | \$ 55,356,002 |

During 2015, the City adopted GASB 68 that required a reduction in beginning of year net position of \$3,553,903. The 2014 balances have not been adjusted to reflect this restatement.

The largest portion of the City's net position \$42,787,639 (80%) reflects its investment in capital assets (i.e., land, buildings, equipment, improvements, construction in progress, and infrastructure) net of accumulated depreciation, 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 and with exception of business-type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future. 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position \$2,168,192 (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,419,069 (16%) may be used to meet the City's ongoing obligations to citizens, creditors, and employees.

As of September 30, 2015, the City reports positive balances in all three categories of net position, for the government as a whole, as well as, for its separate governmental and business-type activities. The same situation held true for fiscal year 2014.

The City's unrestricted net position decreased by \$262,392 in fiscal year 2015. Restricted net position realized an increase of \$615,766 and the amount invested in capital assets, net of related debt, increased by \$1,427,744. The increase in net position of \$1,572,801 results primarily from current year operating results flowing to the net investment in capital assets category of net position. The details of the results of current year operations are discussed in the following sections for governmental and business-type activities.

- **Governmental Activities.** Governmental activities increased the City's net position by \$965,495, thereby accounting for the net growth in total net position. Most revenue categories, including property tax collections, charges for services, and gross receipts taxes, exceeded projections. Sound fiscal management and close monitoring of revenues and expenses allowed the City to realize an increase in net position before transfers of \$1,057,568. Total revenue for the governmental activities (excluding transfers from business-type activities) increased from the previous year by \$1,850,160. General revenue decreased \$194,031 or 1.3%. Property tax revenue increased \$547,030 due to an overall increase in both the residential and commercial tax base. Sales tax collections decreased \$777,135 as a result of one-time payment in 2014. Other general revenues increased \$35,868 primarily due to administrative fees. Program revenues, which consist of charges for services, operating and capital grants and contributions, increased \$2,044,191, primarily resulting from increased revenues associated with developer contributions, development activity and municipal court operations. Total expenses for governmental activities increased by \$2,825,573 or 15%. The majority of the increase in expenses were related to the compensation package for employees which included a cost of living increase of 3.5% in October and a merit based increase up to 4% in April, along with the associated benefits. In addition, fluctuations in depreciation expense, as a result of the acquisition and disposal of capital assets, increased the various expense categories.

- **Business-type activities.** Net position from business-type activities increased by \$607,306 or 5.2%. Net investment in capital assets decreased by \$4,218 due primarily to capital asset disposals and capital asset depreciation. Unrestricted net position increased by \$406,749 primarily due to a net gain in the water and wastewater fund. Restricted net position increased by \$204,775 due to an increase in impact fees. Total revenue for the business-type activities increased from the previous year by \$1,022,647 due to an increase in charges for service and capital asset contributions. Overall business-type expenses increased 5.5%, some of which are due to the compensation package mentioned previously. Water purchases and wastewater treatment charges increased due to rate increases from both the City of Fort Worth Wholesale Water Utility and Trinity River Authority.

The following table provides a summary of the City's operations for the fiscal year ended September 30, 2015, with comparative totals for the fiscal year ended September 30, 2014.

Changes in Net Position

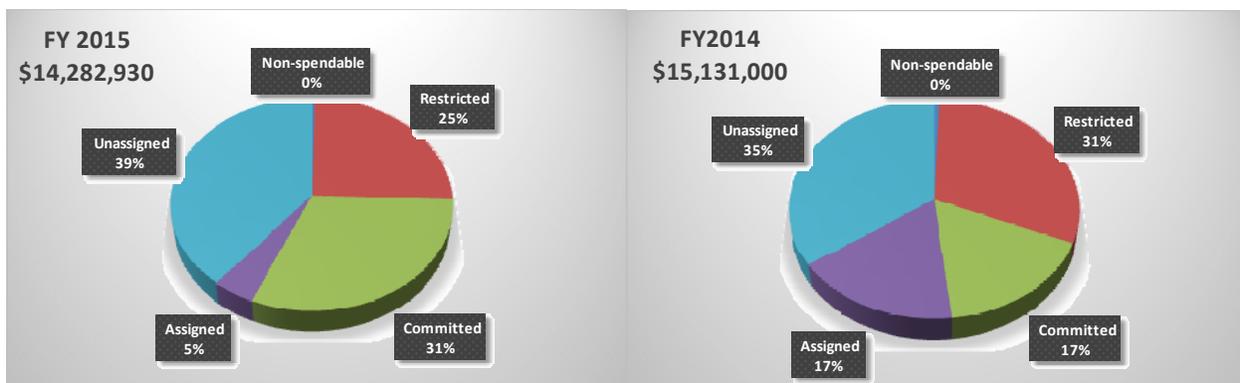
| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| REVENUES: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,779,308 | \$2,814,355 | \$ 5,908,555 | \$5,296,597 | \$ 9,687,863 | \$ 8,110,952 |
| Operating grants and contributions | 3,048,086 | 3,044,370 | - | - | 3,048,086 | 3,044,370 |
| Capital grants and contributions | 1,924,943 | 849,421 | 1,240,987 | 828,910 | 3,165,930 | 1,678,331 |
| General revenues: | | | | | | |
| Property taxes | 5,944,469 | 5,397,439 | - | - | 5,944,469 | 5,397,439 |
| Sales Taxes | 6,290,680 | 7,067,815 | - | - | 6,290,680 | 7,067,815 |
| Gross Receipt taxes | 1,522,187 | 1,505,456 | - | - | 1,522,187 | 1,505,456 |
| Other taxes | 56,412 | 44,238 | - | - | 56,412 | 44,238 |
| Gain/(loss) on sale of assets | 39,199 | - | - | 1,000 | 39,199 | 1,000 |
| Other revenues | 492,151 | 524,181 | 493 | 881 | 492,644 | 525,062 |
| Total revenues | 23,097,435 | 21,247,275 | 7,150,035 | 6,127,388 | 30,247,470 | 27,374,663 |
| EXPENSES: | | | | | | |
| General government | 6,306,915 | 4,901,738 | - | - | 6,306,915 | 4,901,738 |
| Public safety | 8,248,352 | 7,728,245 | - | - | 8,248,352 | 7,728,245 |
| Cultural and recreation | 3,906,258 | 3,618,977 | - | - | 3,906,258 | 3,618,977 |
| Public works | 2,265,043 | 1,720,389 | - | - | 2,265,043 | 1,720,389 |
| Interest on long-term debt | 1,313,299 | 1,244,945 | - | - | 1,313,299 | 1,244,945 |
| Water/Wastewater | - | - | 6,614,508 | 6,264,083 | 6,614,508 | 6,264,083 |
| Sanitation | - | - | 20,294 | 23,747 | 20,294 | 23,747 |
| Total expenses | 22,039,867 | 19,214,294 | 6,634,802 | 6,287,830 | 28,674,669 | 25,502,124 |
| Increase (decrease) in net assets before transfers | 1,057,568 | 2,032,981 | 515,233 | (160,442) | 1,572,801 | 1,872,539 |
| Transfers | (92,073) | (48,290) | 92,073 | 48,290 | - | - |
| Increase (decrease) in net position | 965,495 | 1,984,691 | 607,306 | (112,152) | 1,572,801 | 1,872,539 |
| Net position, beginning | 43,347,956 | 41,363,265 | 12,008,046 | 12,120,198 | 55,356,002 | 53,483,463 |
| Restatement to beginning net position, change in accounting principle | (3,170,926) | - | (382,977) | - | (3,553,903) | - |
| Net position, ending | \$ 41,142,525 | \$ 43,347,956 | \$ 12,232,375 | \$ 12,008,046 | \$ 53,374,900 | \$ 55,356,002 |

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate 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 a City's net resources available for discretionary spending at the end of the fiscal year.

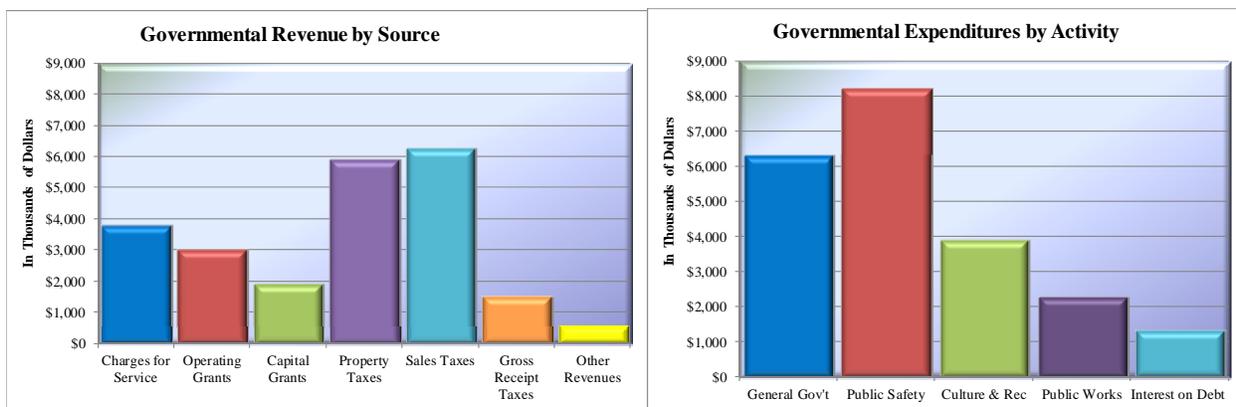
Fund Balances by Type Governmental Funds



At the end of the current fiscal year, the City of Roanoke's governmental funds reported combined ending fund balances of \$14,282,930, a decrease of \$848,070 in comparison to prior year. Approximately 39% or \$5,595,223 constitutes unassigned fund balance in the general fund that is available for spending at the City's discretion. Another \$39,454 is non-spendable fund balance for prepaid items. The remainder of the fund balance is either restricted, committed, or assigned to indicate that it is: 1) restricted to pay debt service (\$748,173), 2) restricted by bond covenants for specific capital projects (\$2,078,203), 3) restricted for municipal court technology and building security (\$145,240), 4) restricted for traffic safety and law enforcement (\$259,330), 5) restricted for tourism (\$179,699), 6) restricted for Parkland dedication (208,317), 7) committed to capital projects (\$3,571,505), 8) committed to vehicle and computer replacement (\$815,601), 9) committed to the City Manager contract (\$11,810), or 10) assigned for future capital improvements (\$630,375). See discussion under Fund Balance Classifications in the Notes to Basic Financial Statements for additional details on fund balance.

The General Fund is the chief operating fund of the City of Roanoke. In the General Fund, the City budgeted for a fund balance decrease in the current year of \$3,134,868. It is one of the City's financial policies to maintain a fund balance in the general fund equal to 60 days (16%) of operating expenditures and when those balances significantly exceed the 60 day target to utilize these funds for capital projects and pay-as-you-go capital expenditures. Due to actual expenditures being less than originally budgeted and revenues being more than originally budgeted, total fund balance in the General Fund only decreased by \$1,528,417, leaving a total fund balance of \$6,654,844 or 42% of total operating expenditures. As a measure of the General Fund's liquidity, it may also be useful to compare unassigned fund balance to total operating expenditures. Unassigned fund balance represents 35% of total general fund operating expenditures, or 118 days.

Almost all General Fund revenue categories realized increases over the prior year and most surpassed budget estimates as well. Property taxes, license and permit fees, charges for services, fines and fees, donations, and other revenues all exceeded budget with the majority of these revenues also exceeding prior year. The increase in current property tax revenues is due to a rise in taxable values, while maintaining the same tax rate. License and permit revenues realized a significant increase in building permits due to new home construction and increased retail development activity throughout the City. Charges for services increased due to increased recreation activities, library activities and ambulance charges. Fines and fees increased as a result of increased court collections. Strong revenue growth combined with the City's continued emphasis on expenditure control, including close monitoring of expenditures in the final days of the fiscal year, resulted in the overall change in fund balance being significantly less than anticipated. The fund balance exceeding the City's financial policy of 60 days will be addressed during the fiscal year 2017 budget deliberations.



The Debt Service fund has a total fund balance of \$706,441, all of which is restricted for the payment of debt. The fund balance increased \$11,806 primarily related to an increase in the collection of ad valorem taxes. The capital project funds realized a combined increase in fund balance of \$439,862 primarily resulting from bond proceeds partially offset by expenditures on existing capital projects. The combined net effect of these changes in governmental fund balances totals was a decrease of \$848,070.

Proprietary funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. Unrestricted net position of the proprietary funds at the close of the fiscal year are: Water and Wastewater fund \$419,012 and Sanitation fund \$85,462. The Water and Wastewater fund realized an increase in unrestricted net position of \$396,077 and the Sanitation fund realized an increase in net position of \$10,672.

General Fund Budgetary Highlights

During FY2014-15, the City Council did not make any amendments that impacted the overall General Fund budget. Actual revenues were higher than the final budget by \$767,594, which was primarily related to higher than budgeted property taxes, licenses and permits, charges for service, fines and fees, donations, and other miscellaneous revenues. Actual expenditures were \$619,225 less than the final budget primarily close monitoring of expenditures throughout the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, totaled \$81,852,455 (net of accumulated depreciation). The investment in capital assets includes land, improvements, buildings, vehicles, equipment, infrastructure, and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was \$5,054,925 or 6.6%.

Capital Assets (Net of Accumulated Depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Land | \$ 1,362,742 | \$1,362,742 | \$ - | \$ - | \$ 1,362,742 | \$ 1,362,742 |
| Land Improvements | 11,985,412 | 12,535,159 | - | - | 11,985,412 | 12,535,159 |
| Buildings/Structures | 15,457,633 | 14,390,100 | - | - | 15,457,633 | 14,390,100 |
| Vehicles/Machinery | 2,054,004 | 933,134 | 151,410 | 174,278 | 2,205,414 | 1,107,412 |
| Equipment | 1,059,714 | 764,791 | 71,507 | 68,305 | 1,131,221 | 833,096 |
| Infrastructure | 28,731,419 | 25,825,547 | - | - | 44,393,654 | 25,825,547 |
| Water/Sewer system | - | - | 15,662,235 | 15,833,865 | - | 15,833,865 |
| Construction in progress | 5,316,379 | 4,909,609 | - | - | 5,316,379 | 4,909,609 |
| Total | \$ 65,967,303 | \$ 60,721,082 | \$ 15,885,152 | \$ 16,076,448 | \$ 81,852,455 | \$ 76,797,530 |

Major capital asset events occurring during the current fiscal year included the following:

- Capital asset contributions for the year consisted of \$1,583,231 in developer contributions for street infrastructure in the Briarwyck and Fairway Ranch subdivisions, as well as contributed infrastructure from commercial development.
- Main Street reconstruction was completed at a total cost of \$2,266,401.
- Several street overlay projects were completed in the Marshall Creek subdivision, as well as, along Lois Street, N. Oak Street, and N. Walnut Street at a total cost of \$920,469.
- The city completed the construction of a new skate park at a total cost of \$2,080,875.
- Construction-in-progress related to general government operations of \$5,316,375 primarily consisted of Pine Street (\$2,264,502), South Oak Street (\$2,098,357), Marshall Creek street overlay (\$78,090), improvements to the parking lot on Main Street (\$11,475), final phases of the GIS Masterplan (\$35,981), and a needs assessment for the New City Hall (\$5,565).
- Other capital asset additions for governmental operations included a new 103' foot ladder truck, public safety equipment, irrigation equipment, mowers, technology upgrades, and vehicles.
- Capital asset additions for the business-type activities included infrastructure contributions from developers and equipment for public works.

Additional information on the City's capital assets can be found in Note 3 on page 46-47 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$39,594,264. Of this amount, \$37,560,001 comprises debt backed by the full faith and credit of the government, and \$1,540,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City’s long-term obligations is comprised of capital leases.

Outstanding Bonded Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | GO Bonds | \$ 9,244,958 | \$ 6,592,827 | \$ 1,655,043 | \$ 1,552,174 | \$ 10,900,001 |
| COs | 23,660,051 | 23,248,320 | 2,999,949 | 3,531,681 | 26,660,000 | 26,780,001 |
| Special Assessment COs | 1,540,000 | 1,695,000 | - | - | 1,540,000 | 1,695,000 |
| Capital Leases | 395,612 | 375,024 | 98,651 | 122,259 | 494,263 | 497,283 |
| Totals | \$ 34,840,621 | \$ 31,911,171 | \$ 4,753,643 | \$ 5,206,114 | \$ 39,594,264 | \$ 37,117,285 |

In fiscal year 2015, the City issued \$5,470,000 in Certificates of Obligation to: 1) construct and improve street and related drainage, 2) construct and improve a parking lot, 3) purchase a radio communication system for the public safety departments, 4) purchase a new fire apparatus and related equipment, and 5) pay fees for legal, fiscal, architectural, and engineering fees associated with these projects. In addition, the City executed a current refunding in the amount of \$3,595,000. As a result of the refunding, the City decreased total debt service payments over the next 11 years by \$363,361. The City’s total debt increased \$2,476,979 or 6.7% during fiscal year 2015 due to the issuance of the new Certificates of Obligation offset by existing debt retirements and the refunding of existing debt.

Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc. rates the City’s general obligation debt at AA.

Additional information on the City’s long-term debt can be found in Note 3 on pages 48-51.

Pensions

Pensions continue to receive negative media attention as governments around the nation struggle to properly fund these commitments. The City is committed to providing programs in these areas that are fair to both the employees and taxpayers and that can be sustained over the long term.

Effective for fiscal year 2015, Governmental Accounting Standards Board (“GASB”) Statement No. 68, “Accounting and Financial Reporting for Pensions, an amendment of GASB 27,” created specific reporting requirements for pensions that are different than that used for funding purposes. Both valuations are important as the reporting valuation provides a rigorous standard measure that can be used to compare the City’s pension liabilities to other governments around the nation. The funding valuation is important as the actuarial methods used including strategies for repaying any unfunded actuarial accrued liabilities combined with the City’s history of making those contributions provides insights regarding the City’s commitment to and the effectiveness of its funding strategy. Information contained in the financial statements themselves including the first schedule of the Required Supplementary Information (“RSI”), Schedule of Changes in Net Pension Liability and Related Ratios, is based on the reporting valuation. The second schedule in the RSI, Schedule of Contributions, is based on the funding valuation. On a reporting basis, the City’s financial statements reflect a Net Pension Liability as of September 30, 2015 of \$5,073,247, which is 60% of the City’s annual covered payroll of \$8,445,726.

Economic Factors and Next Year’s Budgets and Rates

The City of Roanoke’s elected and appointed officials consider many factors when preparing the City’s budget. In the FY2015-16 budget, General Fund revenues and transfers are budgeted to increase by 6.5% from the 2014-15 budget with property taxes accounting for 14% of budgeted revenues and sales tax comprising approximately 39% of budgeted revenues. Certified assessed valuations as of July 25, 2015, increased 14.1% from the preceding year. In the FY2015-16 budget, sales tax receipts are projected to increase 7% over prior year estimates.

The General Fund ended FY2014-15 with unassigned fund balance of \$5,595,223, of which the City allocated \$1,349,040 for one-time capital purchases in FY2015-16.

Baseline budgeted expenditures in the General Fund are projected to increase approximately 7% from the FY2014-15 original budget. This increase is primarily attributed to the employee compensation package and related costs. Other baseline increases include cost for maintenance, supplies, and utilities as well as increased transfers for equipment and computer replacements. The City elected to use excess reserves in various funds to cash flow capital programs including city computer and technology upgrades, public safety equipment, facility upgrades, and various other equipment purchases and miscellaneous expenses. The property tax rate remained at .37512¢ per \$100 of assessed valuation for FY2015-16.

For the Water and Wastewater Fund, the FY2015-16 budget includes the continuation of the tiered rate structure for water volume billing. Under the tiered structure, customers pay a graduated volume rate based on varying levels of monthly water consumption. Volume rates range from \$4.45 to \$8.37 per thousand gallons. Monthly water rates remained the same for both residential customers and commercial customers, wastewater base rates increased approximately 5% on all tiers. A wastewater volume charge of \$6.50 per thousand gallons applies to all customer classes. Residential wastewater volume charges are based on an average of winter water consumption and are capped at a maximum of 10,000 gallons per month. The City budgeted to continue its capital projects in the Water and Wastewater Fund, which includes a meter change out program, and waterline improvements.

Request for Information

The financial report is designed to provide citizens, customers, investors, and creditors with a general overview of the City of Roanoke's finances. If you have questions about this report or need additional information, contact the Finance Department, Attn: Vicki Rodriguez, Director of Fiscal and Administrative Services, at City of Roanoke, 108 S. Oak Street, Roanoke TX 76262, call (817) 491-6075, or e-mail vrodriquez@roanoketexas.com



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Basic Financial Statements

City of Roanoke, Texas
Statement of Net Position
September 30, 2015

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|----------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 14,505,672 | \$ 629,558 | \$ 15,135,230 | \$ 4,975,719 |
| Investments | 229,010 | 20,000 | 249,010 | - |
| Receivables (net of allowances for uncollectibles) | 1,655,275 | 862,110 | 2,517,385 | 1,097,096 |
| Due from component unit | 165,566 | - | 165,566 | - |
| Prepays | 39,454 | 7,189 | 46,643 | 51,274 |
| Restricted cash and cash equivalents: | | | | |
| Customer deposits | - | 350,481 | 350,481 | - |
| Capital projects | - | 162,140 | 162,140 | - |
| Impact fees | - | 627,433 | 627,433 | - |
| Capital assets not being depreciated | 6,679,121 | - | 6,679,121 | 50,000 |
| Capital assets, net of accumulated depreciation | 59,288,182 | 15,885,152 | 75,173,334 | - |
| Total Assets | <u>82,562,280</u> | <u>18,544,063</u> | <u>101,106,343</u> | <u>6,174,089</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred charge on refunding | 97,598 | 6,227 | 103,825 | - |
| Pension contributions after measurement date | 1,000,605 | 89,771 | 1,090,376 | - |
| Difference in expected and actual experience – pensions | 272,367 | 24,436 | 296,803 | - |
| Difference in projected and actual earnings on pension plan investments | 150,602 | 13,512 | 164,114 | - |
| Total Deferred Outflows of Resources | <u>1,521,172</u> | <u>133,946</u> | <u>1,655,118</u> | <u>-</u> |
| LIABILITIES | | | | |
| Accounts payable | 1,219,045 | 533,138 | 1,752,183 | 150,357 |
| Other accrued liabilities | 531,108 | 58,793 | 589,901 | - |
| Deposits payable | - | 350,481 | 350,481 | - |
| Accrued interest payable | 144,524 | 24,458 | 168,982 | 54,766 |
| Due to primary government | - | - | - | 165,566 |
| Noncurrent liabilities: | | | | |
| Due within one year | | | | |
| Accrued compensated absences | 382,327 | 42,106 | 424,433 | - |
| Notes payable | - | - | - | 30,680 |
| Capital leases payable | 103,808 | 24,697 | 128,505 | - |
| Bonds payable, net | 2,405,751 | 450,085 | 2,855,836 | 195,000 |
| Special assessment debt | 165,000 | - | 165,000 | - |
| Due in more than one year | | | | |
| Notes payable | - | - | - | 18,363 |
| Capital leases payable | 291,804 | 73,954 | 365,758 | - |
| Bonds payable, net | 31,757,378 | 4,379,857 | 36,137,235 | 6,665,000 |
| Special assessment debt | 1,375,000 | - | 1,375,000 | - |
| Net pension liability | 4,565,182 | 508,065 | 5,073,247 | - |
| Total Liabilities | <u>42,940,927</u> | <u>6,445,634</u> | <u>49,386,561</u> | <u>7,279,732</u> |
| NET POSITION (DEFICIT) | | | | |
| Net investment in capital assets | 31,687,171 | 11,100,468 | 42,787,639 | 50,000 |
| Restricted for: | | | | |
| Debt service | 748,173 | - | 748,173 | - |
| Municipal court building security | 73,298 | - | 73,298 | - |
| Municipal court technology | 71,942 | - | 71,942 | - |
| Traffic safety | 233,942 | - | 233,942 | - |
| Tourism, convention centers, arts | 179,699 | - | 179,699 | - |
| Law enforcement | 25,388 | - | 25,388 | - |
| Parkland dedication | 208,317 | - | 208,317 | - |
| Impact fees | - | 627,433 | 627,433 | - |
| Unrestricted | 7,914,595 | 504,474 | 8,419,069 | (1,155,643) |
| Total Net Position (Deficit) | <u>\$ 41,142,525</u> | <u>\$ 12,232,375</u> | <u>\$ 53,374,900</u> | <u>\$ (1,105,643)</u> |

City of Roanoke, Texas
Statement of Activities
For the Year Ended September 30, 2015

| Function/Programs: | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|----------------------|----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units Activities |
| | | | | | Governmental Activities | Business-type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 6,306,915 | \$ 6,330 | \$ 48,308 | \$ 1,583,229 | \$ (4,669,048) | \$ - | \$ (4,669,048) | \$ - |
| Public safety | 8,248,352 | 1,720,909 | 19,778 | - | (6,507,665) | - | (6,507,665) | - |
| Cultural and recreation | 3,906,258 | 744,977 | 2,980,000 | 341,714 | 160,433 | - | 160,433 | - |
| Public works | 2,265,043 | 1,307,092 | - | - | (957,951) | - | (957,951) | - |
| Interest and fiscal charges | 1,313,299 | - | - | - | (1,313,299) | - | (1,313,299) | - |
| Total governmental activities | <u>22,039,867</u> | <u>3,779,308</u> | <u>3,048,086</u> | <u>1,924,943</u> | <u>(13,287,530)</u> | <u>-</u> | <u>(13,287,530)</u> | <u>-</u> |
| Business-type activities: | | | | | | | | |
| Water and Wastewater | 6,614,508 | 5,907,615 | - | 1,240,987 | - | 534,094 | 534,094 | - |
| Sanitation | 20,294 | 940 | - | - | - | (19,354) | (19,354) | - |
| Total business-type activities | <u>6,634,802</u> | <u>5,908,555</u> | <u>-</u> | <u>1,240,987</u> | <u>-</u> | <u>514,740</u> | <u>514,740</u> | <u>-</u> |
| Total primary government | <u>\$ 28,674,669</u> | <u>\$ 9,687,863</u> | <u>\$ 3,048,086</u> | <u>\$ 3,165,930</u> | <u>(13,287,530)</u> | <u>514,740</u> | <u>(12,772,790)</u> | <u>-</u> |
| Component units: | | | | | | | | |
| Roanoke Economic Industrial Development Corporation | \$ 2,677,009 | \$ - | \$ - | \$ - | | | | (2,677,009) |
| Roanoke Community Economic Development Corporation | 2,142,806 | - | - | - | | | | (2,142,806) |
| Al & Lula Mae Slaughter Park Foundation | 756 | - | - | - | | | | (756) |
| Total component units | <u>\$ 4,820,571</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | | | <u>(4,820,571)</u> |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 5,944,469 | - | 5,944,469 | - |
| Sales taxes | | | | | 6,290,680 | - | 6,290,680 | 6,290,680 |
| Gross receipt taxes | | | | | 1,522,187 | - | 1,522,187 | - |
| Other taxes | | | | | 56,412 | - | 56,412 | - |
| Rents and royalties | | | | | - | - | - | 242,684 |
| Investment income | | | | | 6,892 | 493 | 7,385 | 1,491 |
| Gain on sale of capital assets | | | | | 39,199 | - | 39,199 | - |
| Miscellaneous | | | | | 485,259 | - | 485,259 | - |
| Transfers | | | | | (92,073) | 92,073 | - | - |
| Total general revenues and transfers | | | | | <u>14,253,025</u> | <u>92,566</u> | <u>14,345,591</u> | <u>6,534,855</u> |
| Change in net position (deficit) | | | | | <u>965,495</u> | <u>607,306</u> | <u>1,572,801</u> | <u>1,714,284</u> |
| Net Position (Deficit), Beginning of Year, as Previously Reported | | | | | <u>43,347,956</u> | <u>12,008,046</u> | <u>55,356,002</u> | <u>(2,819,927)</u> |
| Change in Accounting Principle | | | | | <u>(3,170,926)</u> | <u>(382,977)</u> | <u>(3,553,903)</u> | <u>-</u> |
| Net Position (Deficit), Beginning of Year, as Restated | | | | | <u>40,177,030</u> | <u>11,625,069</u> | <u>51,802,099</u> | <u>(2,819,927)</u> |
| Net Position (Deficit), End of Year | | | | | <u>\$ 41,142,525</u> | <u>\$ 12,232,375</u> | <u>\$ 53,374,900</u> | <u>\$ (1,105,643)</u> |

City of Roanoke, Texas
Balance Sheet – Governmental Funds
September 30, 2015

| | General | Debt Service | Facilities Improvement | Street Construction | Park Construction | Briarwyck PID | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|------------------------|---------------------|-------------------|-------------------|-----------------------------|--------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 6,091,199 | \$ 706,441 | \$ 3,995,181 | \$ 2,310,502 | \$ 366,427 | \$ 41,732 | \$ 994,190 | \$ 14,505,672 |
| Investments | 229,010 | - | - | - | - | - | - | 229,010 |
| Receivables (net of allowance for uncollectibles) | | | | | | | | |
| Property taxes | 30,371 | 37,722 | - | - | - | 83,544 | - | 151,637 |
| Sales taxes | 1,092,996 | - | - | - | - | - | - | 1,092,996 |
| Gross receipts taxes | 65,659 | - | - | - | - | - | 35,423 | 101,082 |
| Other receivables | 293,130 | - | - | - | - | - | - | 293,130 |
| Intergovernmental receivable | 16,430 | - | - | - | - | - | - | 16,430 |
| Prepaid items | 38,254 | - | - | - | - | - | 1,200 | 39,454 |
| Due from component unit | 165,566 | - | - | - | - | - | - | 165,566 |
| Total assets | <u>8,022,615</u> | <u>744,163</u> | <u>3,995,181</u> | <u>2,310,502</u> | <u>366,427</u> | <u>125,276</u> | <u>1,030,813</u> | <u>16,594,977</u> |
| LIABILITIES | | | | | | | | |
| Accounts payable | 404,960 | - | 173,830 | 640,255 | - | - | - | 1,219,045 |
| Other accrued liabilities | 522,183 | - | - | - | - | - | 8,925 | 531,108 |
| Total liabilities | <u>927,143</u> | <u>-</u> | <u>173,830</u> | <u>640,255</u> | <u>-</u> | <u>-</u> | <u>8,925</u> | <u>1,750,153</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | |
| Unavailable revenue | 440,628 | 37,722 | - | - | - | 83,544 | - | 561,894 |
| Total deferred inflows of resources | <u>440,628</u> | <u>37,722</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>83,544</u> | <u>-</u> | <u>561,894</u> |
| FUND BALANCES | | | | | | | | |
| Nonspendable | 38,254 | - | - | - | - | - | 1,200 | 39,454 |
| Restricted: | | | | | | | | |
| Debt service | - | 706,441 | - | - | - | 41,732 | - | 748,173 |
| Capital projects | - | - | 1,071,351 | 1,006,852 | - | - | - | 2,078,203 |
| Municipal court building security | 73,298 | - | - | - | - | - | - | 73,298 |
| Municipal court technology | 71,942 | - | - | - | - | - | - | 71,942 |
| Traffic safety | 233,942 | - | - | - | - | - | - | 233,942 |
| Tourism, convention centers, arts | - | - | - | - | - | - | 179,699 | 179,699 |
| Public safety | - | - | - | - | - | - | 25,388 | 25,388 |
| Parkland dedication | - | - | - | - | 208,317 | - | - | 208,317 |
| Committed | 11,810 | - | 2,750,000 | 663,395 | 158,110 | - | 815,601 | 4,398,916 |
| Assigned | 630,375 | - | - | - | - | - | - | 630,375 |
| Unassigned | 5,595,223 | - | - | - | - | - | - | 5,595,223 |
| Total fund balances | <u>6,654,844</u> | <u>706,441</u> | <u>3,821,351</u> | <u>1,670,247</u> | <u>366,427</u> | <u>41,732</u> | <u>1,021,888</u> | <u>14,282,930</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 8,022,615</u> | <u>\$ 744,163</u> | <u>\$ 3,995,181</u> | <u>\$ 2,310,502</u> | <u>\$ 366,427</u> | <u>\$ 125,276</u> | <u>\$ 1,030,813</u> | <u>\$ 16,594,977</u> |

City of Roanoke, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2015

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

| | | |
|--|----|--------------------------|
| Total fund balance – governmental funds | \$ | 14,282,930 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. | | 65,967,303 |
| Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet. | | (144,524) |
| Certain revenue earned but unavailable and long-term receivables are deferred in the funds. | | 561,894 |
| Long-term liabilities and related deferred outflows of resources (deferred charge on refunding, deferred pension contributions, difference in expected and actual experience, and difference in projected and actual earnings on pension plan investments), including notes payable, capital leases payable, bonds payable, special assessment debt, compensated absences, and net pension liability are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements. | | <u>(39,525,078)</u> |
| Net position of governmental activities | \$ | <u><u>41,142,525</u></u> |

City of Roanoke, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds
For the Year Ended September 30, 2015

| | General | Debt Service | Facilities Improvement | Street Construction | Park Construction | Briarwyck PID | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|---------------------------|------------------------|----------------------|------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | | | |
| Property taxes | \$ 2,277,740 | \$ 3,380,263 | \$ - | \$ - | \$ - | \$ 263,760 | \$ - | \$ 5,921,763 |
| Sales taxes | 6,290,680 | - | - | - | - | - | - | 6,290,680 |
| Gross receipts tax | 1,332,495 | - | - | - | - | - | 189,692 | 1,522,187 |
| Licenses and permits | 1,307,092 | - | - | - | - | - | - | 1,307,092 |
| Intergovernmental | 56,412 | - | - | - | - | - | - | 56,412 |
| Charges for services | 1,123,389 | - | - | - | - | - | - | 1,123,389 |
| Grants and contributions | 2,980,000 | - | - | - | 341,714 | - | 19,778 | 3,341,492 |
| Fines and fees | 1,265,612 | - | - | - | - | - | - | 1,265,612 |
| Investment income | 3,923 | 734 | 592 | 1,365 | 182 | 48 | 48 | 6,892 |
| Donations | 48,308 | - | - | - | - | - | - | 48,308 |
| Other revenue | 500,446 | 11,290 | - | 4,000 | 12,831 | 273 | 6,419 | 535,259 |
| Total revenues | <u>17,186,097</u> | <u>3,392,287</u> | <u>592</u> | <u>5,365</u> | <u>354,727</u> | <u>264,081</u> | <u>215,937</u> | <u>21,419,086</u> |
| EXPENDITURES | | | | | | | | |
| Current: | | | | | | | | |
| General government | 3,703,378 | - | 482,507 | - | - | - | 130,966 | 4,316,851 |
| Public safety | 7,559,451 | - | - | - | - | - | 23,236 | 7,582,687 |
| Cultural and recreation | 3,112,546 | - | - | - | - | - | - | 3,112,546 |
| Public works | 1,161,517 | - | - | 80,281 | - | - | - | 1,241,798 |
| Debt service: | | | | | | | | |
| Principal | 96,044 | 2,314,708 | - | - | - | 155,000 | - | 2,565,752 |
| Interest and fiscal charges | 18,339 | 1,075,234 | - | - | - | 79,797 | - | 1,173,370 |
| Bond issuance costs | - | 223,078 | - | - | - | - | - | 223,078 |
| Capital outlay | 306,659 | - | 1,478,941 | 5,173,783 | 1,035,310 | - | 152,678 | 8,147,371 |
| Total expenditures | <u>15,957,934</u> | <u>3,613,020</u> | <u>1,961,448</u> | <u>5,254,064</u> | <u>1,035,310</u> | <u>234,797</u> | <u>306,880</u> | <u>28,363,453</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>1,228,163</u> | <u>(220,733)</u> | <u>(1,960,856)</u> | <u>(5,248,699)</u> | <u>(680,583)</u> | <u>29,284</u> | <u>(90,943)</u> | <u>(6,944,367)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | |
| Issuance of long-term debt | - | - | 2,200,000 | 3,270,000 | - | - | - | 5,470,000 |
| Refunding bonds issued | - | 3,286,909 | - | - | - | - | - | 3,286,909 |
| Premium on issuance of debt | - | 462,026 | - | 330,000 | - | - | - | 792,026 |
| Payment to refunded bond escrow agent | - | (3,516,396) | - | - | - | - | - | (3,516,396) |
| Capital lease | 116,632 | - | - | - | - | - | - | 116,632 |
| Sale of general capital assets | - | - | 30,000 | - | - | - | 9,199 | 39,199 |
| Transfers in | 70,000 | - | 2,510,489 | - | - | - | 351,139 | 2,931,628 |
| Transfers out | (2,943,212) | - | - | (10,489) | - | - | (70,000) | (3,023,701) |
| Total other financing sources (uses) | <u>(2,756,580)</u> | <u>232,539</u> | <u>4,740,489</u> | <u>3,589,511</u> | <u>-</u> | <u>-</u> | <u>290,338</u> | <u>6,096,297</u> |
| Net change in fund balances | <u>(1,528,417)</u> | <u>11,806</u> | <u>2,779,633</u> | <u>(1,659,188)</u> | <u>(680,583)</u> | <u>29,284</u> | <u>199,395</u> | <u>(848,070)</u> |
| Fund balances, beginning of year | <u>8,183,261</u> | <u>694,635</u> | <u>1,041,718</u> | <u>3,329,435</u> | <u>1,047,010</u> | <u>12,448</u> | <u>822,493</u> | <u>15,131,000</u> |
| Fund balances, end of year | <u>\$ 6,654,844</u> | <u>\$ 706,441</u> | <u>\$ 3,821,351</u> | <u>\$ 1,670,247</u> | <u>\$ 366,427</u> | <u>\$ 41,732</u> | <u>\$ 1,021,888</u> | <u>\$ 14,282,930</u> |

City of Roanoke, 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, 2015

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

| | | |
|--|----|----------------|
| Net change in fund balance – total governmental funds | \$ | (848,070) |
| 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. This is the amount by which capital outlays of \$8,147,371 exceeded depreciation of \$4,484,379 in the current year. | | 3,662,992 |
| The net effect of various transactions involving capital assets (<i>i.e.</i> sales and donations) is to increase net position. | | 1,583,229 |
| Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental fund. This amount is the net change in deferred inflows of resources. | | 55,921 |
| The issuance of long-term debt (bonds and related premium and capital leases) provides current financial resources to governmental funds, but has no effect on net position. | | (9,665,567) |
| The repayment of the principal of long-term debt, including amounts provided to bond escrow agent, consumes the current financial resources of governmental funds, but has no effect on net position. | | 6,082,148 |
| Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. | | 101,264 |
| Governmental funds report the effect of gains and losses on refundings when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. | | (9,475) |
| Current year pension expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources balances. | | 29,318 |
| Current year changes in long-term liabilities for compensated absences do not require the use of current financial resources; therefore they are not reported as expenditures in governmental funds. | | (17,625) |
| Current year changes in accrued interest payables do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. | | (8,640) |
| Change in net position of governmental activities | \$ | <u>965,495</u> |

City of Roanoke, Texas
Statement of Net Position – Proprietary Funds
September 30, 2015

| | Business-type Activities | | |
|--|--------------------------|------------------|---------------------------|
| | Water and Wastewater | Sanitation | Total Enterprise Funds |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 543,629 | \$ 85,929 | \$ 629,558 |
| Investments | 20,000 | - | 20,000 |
| Receivables (net where applicable of allowance for doubtful accounts) | | | |
| Accounts receivable | 858,797 | 137 | 858,934 |
| Other miscellaneous receivables | 3,176 | - | 3,176 |
| Prepaid items | 7,189 | - | 7,189 |
| Restricted cash and cash equivalents: | | | |
| Customer deposits | 350,481 | - | 350,481 |
| Capital projects | 162,140 | - | 162,140 |
| Impact fees | 627,433 | - | 627,433 |
| Total current assets | <u>2,572,845</u> | <u>86,066</u> | <u>2,658,911</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Infrastructure | 28,331,594 | - | 28,331,594 |
| Machinery and equipment | 331,260 | - | 331,260 |
| Vehicles | 437,869 | - | 437,869 |
| Accumulated depreciation | <u>(13,215,571)</u> | <u>-</u> | <u>(13,215,571)</u> |
| Total capital assets, net of accumulated depreciation | <u>15,885,152</u> | <u>-</u> | <u>15,885,152</u> |
| Total noncurrent assets | <u>15,885,152</u> | <u>-</u> | <u>15,885,152</u> |
| Total assets | <u>18,457,997</u> | <u>86,066</u> | <u>18,544,063</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred charge on refunding | 6,227 | - | 6,227 |
| Pension contributions after measurement date | 89,771 | - | 89,771 |
| Difference in expected and actual experience – pensions | 24,436 | - | 24,436 |
| Difference in projected and actual earnings on pension plan investments | <u>13,512</u> | <u>-</u> | <u>13,512</u> |
| Total deferred outflows of resources | <u>133,946</u> | <u>-</u> | <u>133,946</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 532,534 | 604 | 533,138 |
| Accrued liabilities | 40,360 | - | 40,360 |
| Compensated absences | 42,106 | - | 42,106 |
| Bonds payable, net | 450,085 | - | 450,085 |
| Lease payable | 24,697 | - | 24,697 |
| Accrued interest payable | 24,458 | - | 24,458 |
| Other liabilities | 18,433 | - | 18,433 |
| Total current liabilities | <u>1,132,673</u> | <u>604</u> | <u>1,133,277</u> |
| Noncurrent liabilities: | | | |
| Bonds payable, net | 4,379,857 | - | 4,379,857 |
| Lease payable | 73,954 | - | 73,954 |
| Customer deposits payable | 350,481 | - | 350,481 |
| Net pension liability | <u>508,065</u> | <u>-</u> | <u>508,065</u> |
| Total noncurrent liabilities | <u>5,312,357</u> | <u>-</u> | <u>5,312,357</u> |
| Total liabilities | <u>6,445,030</u> | <u>604</u> | <u>6,445,634</u> |
| NET POSITION | | | |
| Net investment in capital assets | 11,100,468 | - | 11,100,468 |
| Restricted for: | | | |
| Impact fees | 627,433 | - | 627,433 |
| Unrestricted | 419,012 | 85,462 | 504,474 |
| Total net position | <u>\$ 12,146,913</u> | <u>\$ 85,462</u> | <u>\$ 12,232,375</u> |

City of Roanoke, Texas
Statement of Revenues, Expenses and Changes in Fund Net Position –
Proprietary Funds
For the Year Ended September 30, 2015

| | Business-type Activities | | |
|--|---------------------------------|-------------------|-----------------------------------|
| | Water and Wastewater | Sanitation | Total Enterprise Funds |
| Operating Revenues | | | |
| Charges for services: | | | |
| Water service | \$ 3,287,184 | \$ - | \$ 3,287,184 |
| Wastewater service | 1,690,343 | - | 1,690,343 |
| Impact fees | 553,813 | - | 553,813 |
| Other charges for services and miscellaneous | 376,275 | 940 | 377,215 |
| | <hr/> | <hr/> | <hr/> |
| Total operating revenues | 5,907,615 | 940 | 5,908,555 |
| | <hr/> | <hr/> | <hr/> |
| Operating Expenses | | | |
| Personnel services | 956,809 | - | 956,809 |
| Maintenance and supplies | 253,788 | - | 253,788 |
| General and administrative | 682,995 | - | 682,995 |
| Water production and distribution | 3,584,620 | - | 3,584,620 |
| Sanitation | - | 20,294 | 20,294 |
| Depreciation | 934,978 | - | 934,978 |
| | <hr/> | <hr/> | <hr/> |
| Total operating expenses | 6,413,190 | 20,294 | 6,433,484 |
| | <hr/> | <hr/> | <hr/> |
| Operating loss | (505,575) | (19,354) | (524,929) |
| | <hr/> | <hr/> | <hr/> |
| Nonoperating Revenues (Expenses): | | | |
| Investment income | 467 | 26 | 493 |
| Interest expense and fiscal charges | (201,318) | - | (201,318) |
| | <hr/> | <hr/> | <hr/> |
| Total nonoperating revenues (expenses) | (200,851) | 26 | (200,825) |
| | <hr/> | <hr/> | <hr/> |
| Loss before capital contributions and transfers | (706,426) | (19,328) | (725,754) |
| | <hr/> | <hr/> | <hr/> |
| Capital contributions (cash and non-cash) | 1,240,987 | - | 1,240,987 |
| Transfers in | 113,429 | 30,000 | 143,429 |
| Transfers out | (51,356) | - | (51,356) |
| | <hr/> | <hr/> | <hr/> |
| Change in net position | 596,634 | 10,672 | 607,306 |
| | <hr/> | <hr/> | <hr/> |
| Net Position, Beginning of Year, as Previously Reported | 11,933,256 | 74,790 | 12,008,046 |
| | <hr/> | <hr/> | <hr/> |
| Change in Accounting Principle | (382,977) | - | (382,977) |
| | <hr/> | <hr/> | <hr/> |
| Net Position, Beginning of Year, as Restated | 11,550,279 | 74,790 | 11,625,069 |
| | <hr/> | <hr/> | <hr/> |
| Net Position, End of Year | \$ 12,146,913 | \$ 85,462 | \$ 12,232,375 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

City of Roanoke, Texas
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2015

| | Business-type Activities | | |
|--|--------------------------|--------------------|---------------------------|
| | Water and Wastewater | Sanitation | Total Enterprise Funds |
| OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 5,748,238 | \$ 892 | \$ 5,749,130 |
| Receipt of customer deposits | 22,230 | - | 22,230 |
| Payments to suppliers for goods and services | (4,244,073) | (21,267) | (4,265,340) |
| Payments to employees for salaries and benefits | (953,716) | - | (953,716) |
| Net cash provided by (used for) operating activities | <u>572,679</u> | <u>(20,375)</u> | <u>552,304</u> |
| NONCAPITAL FINANCING ACTIVITIES | | | |
| Transfers from other funds | 113,429 | 30,000 | 143,429 |
| Transfers to other funds | (51,356) | - | (51,356) |
| Net cash provided by noncapital financing activities | <u>62,073</u> | <u>30,000</u> | <u>92,073</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Contributions for capital acquisitions | 525,000 | - | 525,000 |
| Acquisition and construction of capital assets | (27,695) | - | (27,695) |
| Proceeds from issuance of debt | 308,091 | - | 308,091 |
| Principal paid on capital debt | (755,765) | - | (755,765) |
| Interest and fiscal charges paid on capital debt | (209,849) | - | (209,849) |
| Net cash used for capital and related financing activities | <u>(160,218)</u> | <u>-</u> | <u>(160,218)</u> |
| INVESTING ACTIVITIES | | | |
| Interest on investments | 467 | 26 | 493 |
| Net cash provided by investing activities | <u>467</u> | <u>26</u> | <u>493</u> |
| Net increase in cash and cash equivalents | 475,001 | 9,651 | 484,652 |
| Cash and Cash Equivalents, Beginning of Year | <u>1,208,682</u> | <u>76,278</u> | <u>1,284,960</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 1,683,683</u> | <u>\$ 85,929</u> | <u>\$ 1,769,612</u> |
| Reconciliation of Operating Loss to Net Cash Provided by (Used for) Operating Activities: | | | |
| Operating loss | \$ (505,575) | \$ (19,354) | \$ (524,929) |
| Adjustment to reconcile operating loss to net cash provided by (used for) operating activities: | | | |
| Depreciation | 934,978 | - | 934,978 |
| Change in pension expense | 1,700 | - | 1,700 |
| (Increases) decreases in assets: | | | |
| Accounts receivable and unbilled revenue | (159,377) | (48) | (159,425) |
| Prepaid expenses | 174,185 | - | 174,185 |
| Deposits | 22,230 | - | 22,230 |
| Increases (decreases) in liabilities: | | | |
| Accounts payable | 88,995 | (973) | 88,022 |
| Accrued liabilities | 13,938 | - | 13,938 |
| Compensated absences | 1,605 | - | 1,605 |
| Total adjustments | <u>1,078,254</u> | <u>(1,021)</u> | <u>1,077,233</u> |
| Net cash provided by (used for) operating activities | <u>\$ 572,679</u> | <u>\$ (20,375)</u> | <u>\$ 552,304</u> |
| Schedule of non-cash capital and related financing activities: | | | |
| Contributions of capital assets | \$ 715,987 | \$ - | \$ 715,987 |

City of Roanoke, Texas
Statement of Net Position
Discretely Presented Component Units
September 30, 2015

| | Governmental Activities | | | |
|--------------------------------------|--------------------------------|---------------------|--------------------------------------|-----------------------|
| | REIDC | RCEDC | Slaughter Park Foundation | Total |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2,229,988 | \$ 2,349,524 | \$ 396,207 | \$ 4,975,719 |
| Sales tax receivables | 546,498 | 546,498 | - | 1,092,996 |
| Other miscellaneous receivables | 3,973 | - | 127 | 4,100 |
| Prepays | - | 51,274 | - | 51,274 |
| Capital assets not being depreciated | | | | |
| Land | 50,000 | - | - | 50,000 |
| Total assets | <u>2,830,459</u> | <u>2,947,296</u> | <u>396,334</u> | <u>6,174,089</u> |
| LIABILITIES | | | | |
| Accounts payable | 77,823 | 72,534 | - | 150,357 |
| Due to primary government | 165,566 | - | - | 165,566 |
| Accrued interest payable | 54,766 | - | - | 54,766 |
| Noncurrent liabilities: | | | | |
| Due within one year | 195,000 | 30,680 | - | 225,680 |
| Due in more than one year | 6,665,000 | 18,363 | - | 6,683,363 |
| Total liabilities | <u>7,158,155</u> | <u>121,577</u> | <u>-</u> | <u>7,279,732</u> |
| NET POSITION (DEFICIT) | | | | |
| Net investment in capital assets | 50,000 | - | - | 50,000 |
| Unrestricted | (4,377,696) | 2,825,719 | 396,334 | (1,155,643) |
| Total Net Position (Deficit) | <u>\$ (4,327,696)</u> | <u>\$ 2,825,719</u> | <u>\$ 396,334</u> | <u>\$ (1,105,643)</u> |

City of Roanoke, Texas
Statement of Activities
Discretely Presented Component Units
For the Year Ended September 30, 2015

| Function/Programs: | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|---|-----------------------|---------------------------|--------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Component Units | | | | |
| | | | | | REIDC | RCEDC | Slaughter Park Foundation | Total | |
| Governmental Activities: | | | | | | | | | |
| Roanoke Economic Industrial Development Corporation | \$ 2,677,009 | \$ - | \$ - | \$ - | \$ (2,677,009) | \$ - | \$ - | \$ (2,677,009) | |
| Roanoke Community Economic Development Corporation | 2,142,806 | - | - | - | - | (2,142,806) | - | (2,142,806) | |
| Al & Lula Mae Slaughter Park Foundation | 756 | - | - | - | - | - | (756) | (756) | |
| Total Component Units | \$ 4,820,571 | \$ - | \$ - | \$ - | (2,677,009) | (2,142,806) | (756) | (4,820,571) | |
| General revenues: | | | | | | | | | |
| | | | | | 3,145,340 | 3,145,340 | - | 6,290,680 | |
| | | | | | 242,300 | - | 384 | 242,684 | |
| | | | | | 710 | 655 | 126 | 1,491 | |
| | | | | | <u>3,388,350</u> | <u>3,145,995</u> | <u>510</u> | <u>6,534,855</u> | |
| | | | | | Change in net position (deficit) | 711,341 | 1,003,189 | (246) | 1,714,284 |
| | | | | | Net position (deficit), beginning of year | <u>(5,039,037)</u> | <u>1,822,530</u> | <u>396,580</u> | <u>(2,819,927)</u> |
| | | | | | Net position (deficit), end of year | <u>\$ (4,327,696)</u> | <u>\$ 2,825,719</u> | <u>\$ 396,334</u> | <u>\$ (1,105,643)</u> |



Notes to Basic Financial Statements

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 1: Summary of Significant Accounting Policies

The City of Roanoke (City) was incorporated in 1933. The City operates under a Council-Manager form of government and provides the following services: general government, police and fire protection, emergency ambulance service, road and traffic signal maintenance, water and wastewater operations, parks and recreational facilities, courts, library services, building inspection and development services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments, as established by the Governmental Accounting Standards Board (GASB). The more significant accounting policies of the City are described as follows:

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. The City is governed by an elected mayor and six-member council.

As required by GAAP, these basic financial statements present the primary government and its component units, entities for which the City is considered to be financially accountable. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Discretely Presented Component Units

The Roanoke Economic Industrial Development Corporation (REIDC) is a discretely presented component unit. The REIDC is governed by a five-member board appointed by the City Council. The City does not have a voting majority of the corporation. The purpose of the REIDC is to aid, promote, and further the economic development within the City. The REIDC is financed with a voter approved half-cent city sales tax; therefore, the organization is fiscally dependent upon the City. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The REIDC is presented as a governmental fund type and has a September 30 year-end. The REIDC does not issue separate financial statements. For more information about the REIDC, refer to *Note 9*.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

The Roanoke Community Economic Development Corporation (RCEDC) is a discretely presented component unit. The RCEDC is governed by a seven-member board appointed by the City Council. The City does not have a voting majority of the corporation. The purpose of the RCEDC is to identify and fund public projects to maintain or enhance the quality of life for current and future residents, visitors and businesses of our community. The RCEDC is financed with a voter approved half-cent city sales tax; therefore, the organization is fiscally dependent upon the City. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The RCEDC is presented as a governmental fund type and has a September 30 year-end. The RCEDC does not issue separate financial statements. For more information about the RCEDC, refer to *Note 10*.

The Al & Lula Mae Slaughter Park Foundation (Slaughter Park) is also a discretely presented component unit. The Slaughter Park Foundation is governed by a five-member board, of which two directors are represented by the Al and Lula Mae Slaughter family, and three are appointed by the City Council. The Slaughter Park Foundation is a 501(3) (c) corporation whose purpose is to benefit and accomplish public projects related to the city-owned Al & Lula Mae Slaughter Park facilities. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Slaughter Park Foundation is presented as a governmental fund type and has a September 30 year-end. The Slaughter Park Foundation does not issue separate financial statements. For more information about the Slaughter Park Foundation, refer to *Note 11*.

Basis of Presentation

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements.

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 of the activities of the primary government and its component units. As a general rule, the effect of inter-fund activity, with the exception of interfund services provided or used, within the governmental or business-type activities columns, has been eliminated from these statements. Elimination of the interfund services provided or used would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. 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 program, and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid in financial management and to demonstrate compliance with various legal provisions. Separate fund-based financial statements are provided for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements, all non-major funds are aggregated and presented in a single column on the fund financial statements. The non-major funds are detailed in the combining section of the statements.

Governmental funds are those funds through which most government functions are typically financed. The measurement focus of government funds is on the sources, uses and balances of current financial resources. GASB Statement No. 34 set forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The City has presented the following major governmental funds:

General Fund –

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund –

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt primarily from property taxes levied by the City. The fund balance of the Debt Service Fund is restricted exclusively for debt service expenditures.

Facilities Improvement Fund –

The Facilities Improvements Fund is used to account for the construction of new municipal buildings and renovations to existing facilities. Generally, proceeds from the sale of bonds provide financing. This has been designated as a major fund by City management.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Street Construction Fund–

The Street Construction Fund is used to account for street construction, street reconstruction and street overlay projects and the means of financing such improvements.

Park Construction Fund –

The Park Construction Fund is used to account for various park land acquisition, park improvements and recreation projects throughout the city and the means for financing such projects. This has been designated as a major fund by City management.

Briarwyck Public Improvement District (PID) Fund –

The Briarwyck PID Fund is used to account for the accumulation of resources from a special assessment levied upon properties within the district boundaries. The resources are utilized for the repayment of debt issued to fund the construction of the Marshall Creek Bridge. This has been designated as a major fund by City management.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets, deferred outflows of resources, and liabilities are included on the statement of net position. The City has presented the following proprietary funds:

Water and Wastewater Fund –

The Water and Wastewater Fund (a major fund) is used to account for the provision of water and sewer services to the residents and commercial customers of the City. Activities of this fund include administration, operations and maintenance of the water and wastewater system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term outstanding debt principal and interest for water and wastewater debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Sanitation Fund –

The Sanitation Fund is used to account for billing, collection and payment for solid waste collection and disposal services. This has been designated as a major fund by City management.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the personal and contractual services, 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.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

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 refers to the type of resources being measured, such as current financial resources or economic resources; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of transactions of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources method measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) are included in the accompanying Statement of Net Position and the operating statement presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, including water and wastewater services, which are accrued. Expenses are recognized at the time a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are susceptible to accrual; *i.e.*, when they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property taxes and other revenues as available if they are collected within 60 days of the fiscal year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, and other long-term liabilities, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The revenues susceptible to accrual are property taxes, gross receipts tax, licenses, charges for services, fines and fees, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the City are also recognized as revenue. 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 government, as they are deemed immaterial.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

The proprietary fund types are financed and operated in a manner similar to private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Amounts reported as program revenues include: (1) charges to customers for goods and services, (2) operating grants and contributions, and (3) capital grants and contributions. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

Budgetary Information

Budgetary Basis of Accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund. Capital project funds are appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g. grant awards) and sometimes span a period of more than one year.

The City Charter establishes the fiscal year as the 12-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager submits a budget of estimated expenditures and revenues to the City Council by August 1.

Upon receipt of the budget estimates, the City Council holds a public hearing on the proposed budget. Information about the Budget Ordinance is then published in the official newspaper of the City.

Prior to October 1, the budget is legally enacted through the passage of an ordinance. The appropriated budget is prepared by fund and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control (*i.e.*, the level at which expenditures may not legally exceed appropriations) is at the fund level. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (*i.e.*, purchase orders, contracts and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

The Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund, which can be found in the Required Supplementary Information, presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

Cash, Cash Equivalents and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three month or less from the date of acquisition. Substantially all operating deposits are maintained in pooled deposits accounts. Interest income relating to pooled deposits is allocated to the participating individual funds based on each fund's pro rata share of total pooled deposits and investments. For the purpose of the statement of cash flows, the City considers all highly liquid investments to be cash equivalents.

State statutes authorize the City to invest in obligations of the U.S. Government or its agencies; obligations of the state of Texas or its agencies; and certain other obligations, repurchase agreements, money market mutual funds, and certificates of deposit within established criterion. The City currently invests only in certificates of deposit.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, vehicle, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are recorded at historical costs or estimated historical cost if actual historical costs is not available. Donated assets are valued at the fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are recorded as expenses. Major outlays for improvements are capitalized. Outlays for capital items are capitalized as projects are constructed. Infrastructure assets begin depreciating at the end of the year in which costs are incurred. Other constructed capital assets begin depreciating when the asset is placed in service.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Depreciation has been calculated on each class of depreciable property using the straight-line method over the following estimated useful lives:

| Assets | |
|-----------------------------------|----------------|
| <hr/> | |
| Buildings/structures | 10 to 20 Years |
| Land improvements | 10 to 20 Years |
| Street infrastructure | 10 to 20 Years |
| Water and wastewater system | 10 to 50 Years |
| Vehicles, machinery and equipment | 5 to 20 Years |
| Parks improvements | 20 Years |

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet 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/reduction of net pension liability) until then. The City has the following items that qualify for reporting in this category:

- Deferred charge on refunding – 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.
- Pension contributions after measurement date – These contributions are deferred and will be recognized in the subsequent fiscal year end.
- Difference in expected and actual experience – Pensions – This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they incurred.
- Difference in projected and actual earnings on pension plan investments – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item that qualifies for reporting in this category. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, ambulance revenues, court revenues, and loan payments from the component unit.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

In the General Fund, deferred inflows of resources consists of property taxes of \$30,371, ambulance revenues of \$60,543, court revenues of \$184,148 and loan payments from the component unit of \$165,566. Both the Debt Service Fund and the Briarwyck PID Fund unavailable revenues consist of property taxes in the amount of \$37,722 and \$83,544, respectively. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts, and are reported as “due to /from other funds.”

Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

Transactions Between Funds

Legally authorized transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

The city allocates to the proprietary funds and the discretely presented component units an indirect cost percentage of administrative services for those funds but paid through the General fund along with other indirect costs deemed necessary for their operations. During the fiscal year ended September 30, 2015, the city allocated \$349,634 as a transfer for these services.

Restricted Assets

Certain cash and cash equivalent balances are restricted by various legal and contractual obligations. Customer deposits, capital projects, and impact fees are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Fund. The City recorded the following restricted assets at the end of the fiscal year:

| | |
|----------------------------------|----------------------------|
| Business-type Activities: | |
| Customer deposits | \$ 350,481 |
| Capital projects | 162,140 |
| Water and wastewater impact fees | <u>627,433</u> |
| | |
| Total Restricted Assets | <u><u>\$ 1,140,054</u></u> |

Compensated Absences

The City allows employees to accumulate up to 30 days of vacation time. Carryover of earned vacation time is limited to 240 hours. Upon termination, the City pays all accumulated vacation time not yet taken. Employees may sell back up to five vacation days to the City during June and December each year. If vacation time is sold back, each day bought back is deducted from the employee’s accrued vacation balance. Vacation is earned in varying amounts up to a maximum of 30 days per year for employees with 10 years or more of service.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

All regular full-time employees earn and accrue sick leave based on the service an employee has attained during each calendar year. Any accrued but unused sick leave shall be carried to the employee's credit for the following year up to 90 days (720 hours). Employees can have up to 40 hours of sick leave "bought back" from the City each year. Each day that is sold back to the City is subtracted from the employee's accrued sick time balance. Accrued sick leave is not paid to any City employee upon separation from employment with the City; however, if an employee retires from the City, that employee will be compensated for any accrued sick leave, not to exceed 720 hours.

Vacation pay accrued in the proprietary funds financial statements are reported as accrued compensated absences (a current liability). Compensated absences are recorded in governmental funds as they mature (*i.e.*, as taken). The liability for governmental fund compensated absences is typically liquidated in the General Fund.

Pensions

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

Long-term Obligations

In the 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.

Fund Balance Policies and Classifications

In the fund financial statements, governmental funds report fund balance into classifications that comprise a hierarchy based on the extent to which the City is bound to honor constraints on the specific purpose for which amount in those funds can be spent. The classifications of fund balance are Nonspendable, Restricted, Committed, Assigned and Unassigned.

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in a spendable form, or (b) are legally or contractually required to remain intact. The City has classified prepaid items as being nonspendable.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

City of Roanoke, Texas
Notes to Basic Financial Statements
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The City has recorded the following restrictions at year-end:

- Restricted for debt service represents the portion of fund equity legally restricted for retirement of bond principal and payment of interest and related charges.
- Restricted for capital projects represents the portion of fund equity legally restricted by debt covenants for capital projects.
- Restricted for municipal court building security represents the portion of fund equity derived from municipal court security fees, legally restricted for the purpose of providing security services for buildings housing the municipal court of record.
- Restricted for municipal court building technology represents the portion of fund equity derived from municipal court technology fees, legally restricted to finance the purchase of or to maintain technological enhancements for the municipal court of record.
- Restricted for traffic safety represents the portion of fund equity derived from certain traffic penalties, legally restricted to fund traffic safety programs.
- Restricted for tourism represents funds derived from hotel occupancy taxes to promote the City through tourism and historical preservation.
- Restricted for public safety are funds from police and fire grants, citizen donations and sale of assets seized in connection with arrests in the police department, which are to be used solely for public safety related expenditures.
- Restricted for parkland dedication represents funds derived from fees in lieu of a donation of land for park purposes from developers.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (ordinance) by the highest level of decision-making authority, namely the City Council, prior to the end of the reporting period. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of formal action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. At the end of fiscal year 2015, the City had \$11,810 committed for the City manager's contract, \$3,571,505 committed for capital projects, \$48,427 committed for computer replacement and \$767,174 committed for vehicle replacement.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City manager. The city has recorded the following assignments at year-end:

- Assigned for capital projects represents revenue sources that are to be used for capital improvement projects within the City.

City of Roanoke, Texas
Notes to Basic Financial Statements
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- Assigned for public safety grants, donations and seizures are funds from police and fire grants, citizen donations and sale of assets seized in connection with arrests in the police department, which are to be used solely for public safety related expenditures.
- Assigned for cultural and recreation donations are funds donated by individuals and businesses to be used for any parks, library, or recreation activity.
- Assigned for other are funds donated to the city that can be used for special events within the city.

Unassigned: This classification represents the residual net resources in excess of the other classifications. The General Fund is the only fund that can report a positive unassigned fund balance.

The table below details the fund balance categories and classifications for Governmental Funds.

| | Reported in | | | | | | | Total Governmental Funds |
|---|---------------------|----------------------|---------------------------|------------------------|-----------------------|------------------|-----------------------------------|--------------------------------|
| | General Fund | Debt Service Fund | Facilities Improvement | Street Construction | Parks Construction | Briarwyck PID | Nonmajor Governmental Funds | |
| Nonspendable | \$ 38,254 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,200 | \$ 39,454 |
| Restricted for | | | | | | | | |
| Debt service | - | 706,441 | - | - | - | 41,732 | - | 748,173 |
| Capital projects | - | - | 1,071,351 | 1,006,852 | - | - | - | 2,078,203 |
| Municipal court building security | 73,298 | - | - | - | - | - | - | 73,298 |
| Municipal court technology | 71,942 | - | - | - | - | - | - | 71,942 |
| Traffic safety | 233,942 | - | - | - | - | - | - | 233,942 |
| Tourism, convention centers, arts | - | - | - | - | - | - | 179,699 | 179,699 |
| Public safety | - | - | - | - | - | - | 25,388 | 25,388 |
| Parkland dedication | - | - | - | - | 208,317 | - | - | 208,317 |
| Committed | | | | | | | | |
| City manager contract | 11,810 | - | - | - | - | - | - | 11,810 |
| Capital projects | - | - | 2,750,000 | 663,395 | 158,110 | - | - | 3,571,505 |
| Computer replacement | - | - | - | - | - | - | 48,427 | 48,427 |
| Vehicle replacement | - | - | - | - | - | - | 767,174 | 767,174 |
| Assigned | | | | | | | | |
| Capital projects | 500,000 | - | - | - | - | - | - | 500,000 |
| Public safety grants/donations/seizures | 27,302 | - | - | - | - | - | - | 27,302 |
| Cultural and recreation donations | 42,068 | - | - | - | - | - | - | 42,068 |
| Other | 61,005 | - | - | - | - | - | - | 61,005 |
| Unassigned | 5,595,223 | - | - | - | - | - | - | 5,595,223 |
| Total | \$ 6,654,844 | \$ 706,441 | \$ 3,821,351 | \$ 1,670,247 | \$ 366,427 | \$ 41,732 | \$ 1,021,888 | \$ 14,282,930 |

When both restricted and unrestricted resources are available for specified expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed resources would be considered spent first (if available), followed by assigned resources (if available), and then unassigned resources, as appropriate opportunities arise. However, the City reserves the right to selectively spend unassigned resources to defer the use of these other classified funds.

It is the desire of the City to maintain adequate fund balance to maintain liquidity in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund minimum fund balance of 60 days (16%) of operating expenditures.

City of Roanoke, Texas
Notes to Basic Financial Statements
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Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources of governmental and business-type activities and proprietary funds. The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category represents net position that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – The category represents net position of the City, not restricted for any project

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported 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 government’s policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City’s management to make estimates and assumptions that effect reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

New Financial Reporting Requirements

The GASB has issued the following statement, which became effective for fiscal year 2015. Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* – This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer’s financial statements for any actuarially unfunded portion of pension benefits earned to date.

City of Roanoke, Texas
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Adoption of GASB 68 resulted in the following adjustments to beginning net position at October 1, 2014:

| | Government-wide Statement of Activities | |
|--|--|-------------------------------------|
| | Governmental Activities | Business-type Activities |
| Net position at September 30, 2014, as previously reported | \$ 43,347,956 | \$ 12,008,046 |
| Recording of net pension liability as of September 30, 2014 | (3,928,279) | (474,448) |
| Deferral for pension contributions made after the measurement date | 757,353 | 91,471 |
| Net position at September 30, 2014, as restated | \$ 40,177,030 | \$ 11,625,069 |

The adoption of GASB Statement No. 68 had the same impact on the proprietary fund financial statements as the business-type activities at the government-wide level.

Note 2: Reconciliation of Government-Wide And Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$65,967,303 are as follows:

| | |
|--|---------------|
| Land | \$ 1,362,742 |
| Construction in progress | 5,316,379 |
| Buildings | 24,325,760 |
| Improvements | 16,457,204 |
| Machinery, equipment and vehicles | 7,319,844 |
| Infrastructure | 38,913,603 |
| Less accumulated depreciation | (27,728,229) |
| Net adjustment to increase fund balance-total governmental funds to arrive at net position – governmental activities | \$ 65,967,303 |

Another element of that reconciliation explains, “Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.” Accrued interest payable at September 30, 2015 is \$144,524.

City of Roanoke, Texas
Notes to Basic Financial Statements
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Another element of that reconciliation explains, “Certain revenue earned but unavailable and long-term receivables are deferred in the funds.” The details of the \$561,894 difference are as follows:

| | | |
|--|----|----------------|
| Receivables | | |
| Property taxes | \$ | 151,637 |
| Ambulance | | 60,543 |
| Courts | | 184,148 |
| Loan payable from component unit | | <u>165,566</u> |
| | | |
| Net adjustment to increase fund balance-total governmental funds to arrive at net position – governmental activities | \$ | <u>561,894</u> |

Another element of that reconciliation explains that “long-term liabilities and related deferred outflows of resources (deferred charge on refunding, deferred pension contributions, difference in expected and actual experience, and difference in projected and actual earnings on pension plan investments), including notes payable, capital leases payable, bonds payable, special assessment debt, compensated absences, and net pension liability are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements. The details of the \$39,525,078 difference are as follows:

| | | |
|--|----|-------------------|
| Bonds payable | \$ | 32,905,009 |
| Special assessment debt | | 1,540,000 |
| Unamortized premiums/discounts on bonds | | 1,258,120 |
| Deferred charge on refunding (to be amortized as interest expense) | | (97,598) |
| Capital leases | | 395,612 |
| Compensated absences | | 382,327 |
| Net pension liability | | 4,565,182 |
| Deferred pension contributions | | (1,000,605) |
| Difference in expected and actual experience | | (272,367) |
| Difference in projected and actual earnings on pension plan investments | | <u>(150,602)</u> |
| | | |
| Net adjustment to reduce fund balance-total governmental funds to arrive at net position – governmental activities | \$ | <u>39,525,078</u> |

City of Roanoke, Texas
Notes to Basic Financial Statements
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Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes In Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, “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. This is the amount by which capital outlays of \$8,147,371 exceeded depreciation of \$4,484,379 in the current year.” The details of the \$3,662,992 difference are as follows:

| | |
|--|---------------------|
| Capital outlay | \$ 8,147,371 |
| Depreciation expense | <u>(4,484,379)</u> |
| Net adjustment to increase net changes in fund balances total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 3,662,992</u> |

Another element of that reconciliation states, “the net effect of various transactions involving capital assets (*i.e.* sales and donations) is to increase net position.” The details of the \$1,582,736 difference are as follows:

| | |
|--|---------------------|
| Donations of capital assets | \$ 1,583,229 |
| Gain on sale of capital assets | 39,199 |
| Proceeds from sale of capital assets | <u>(39,199)</u> |
| Net adjustment to increase net changes in fund balances total governmental funds to arrive at changes in net position of governmental activities | <u>\$ 1,583,229</u> |

Another element of that reconciliation states, “Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This amount is the net change in deferred inflows of resources.” The details of this difference are as follows:

| | |
|---|------------------|
| Property taxes | \$ 22,706 |
| Ambulance | 30,859 |
| Courts | 52,356 |
| Loan Payable from Component unit | <u>(50,000)</u> |
| Net adjustment to increase fund balance-total governmental funds to arrive at net position – governmental activities | <u>\$ 55,921</u> |

City of Roanoke, Texas
Notes to Basic Financial Statements
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Other elements of that reconciliation state, “The issuance of long-term debt (bonds and related premium and capital leases) 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. The details of these differences are as follows:

| | |
|---|--------------|
| Debt issued or incurred: | |
| Capital lease | \$ 116,632 |
| General obligation bonds | 3,286,909 |
| Certificates of obligation bonds | 5,470,000 |
| Premium on bonds | 792,026 |
| | 9,665,567 |
| Principal repayment | |
| General obligations, certificate of obligation bonds | (2,314,708) |
| Special assessment bonds | (155,000) |
| Capital leases | (96,044) |
| Payment to escrow agent for refunding | (3,516,396) |
| | (6,082,148) |
| Net adjustment to decrease net changes in fund balances | |
| total governmental funds to arrive at changes in net position | |
| governmental activities | \$ 3,583,419 |

Other elements of that reconciliation states “governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities” and “governmental funds report the effect of gains and losses on refunding when the debt is first issued, whereas, the amounts are deferred and amortized in the statement of activities,” therefore neither are reported as expenditures in governmental funds. The details of these differences are as follows:

| | |
|---|------------|
| Amortization of bond premiums | \$ 101,307 |
| Amortization of bond discount | (43) |
| Amortization of deferred charge on refunding | (9,475) |
| | (9,475) |
| Net adjustment to increase net changes in fund balances | |
| total governmental funds to arrive at changes in net position | |
| of governmental activities | \$ 91,789 |

Another element of that reconciliation explains “current year pension expenditures are reported on the fiscal year basis in the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources balances.” The current year difference is \$29,318.

City of Roanoke, Texas
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Other elements of that reconciliation states “current year changes in long-term liabilities for compensated absences do not require the use of current financial resources” and “current year changes in accrued interest payables do not require the use of current financial resources”, therefore neither are not reported as expenditures in governmental funds. The details of these differences are as follows:

| | | |
|--|----|-------------|
| Net change in compensated absences | \$ | (17,625) |
| Net change in accrued interest | | (8,640) |
| | | |
| Net adjustment to decrease net changes in fund balances total governmental funds to arrive at changes in net position of governmental activities | | \$ (26,265) |

Note 3: Detailed Notes on All Funds

Deposits and Investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies or instrumentalities that have a fair market value of not less than the principal amount of the deposits. At September 30, 2015, the carrying amount of the City’s cash and cash equivalent deposits, including component units, was \$21,251,003 and the respective bank balances totaled \$21,470,884.

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At September 30, 2015, the carrying amount of the City’s demand deposits and certificates of deposit was \$21,719,894. The value of the City’s deposits not covered by FDIC depository insurance has been fully collateralized and meets the requirements of state statutes.

Investments – The City’s investment policy allows for investments in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the state of Texas or the United States; (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “AA” or its equivalent; (5) certificates of deposits issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date.

For fiscal year 2015, the City invested in certificates of deposits and high yield savings. The City records all interest revenue related to investment activities in the respective funds. As of September 30, 2015, the carrying amount of the City’s certificates of deposits totaled \$249,010.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. Appraised values are established by the Denton and Tarrant County Appraisal Districts at 100% of its estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31st. Current tax collections for the year ended September 30, 2015, were 99.20% of the adjusted tax levy. Allocations of property tax levy by purpose for 2015 and the preceding year are as follows (amounts per \$100 assessed value):

Property Tax Rates:

| <u>Fund Type</u> | <u>2015</u> | <u>2014</u> |
|-------------------|--------------------|--------------------|
| General Fund | \$ 0.151020 | \$ 0.159310 |
| Debt Service Fund | <u>\$ 0.224100</u> | <u>\$ 0.215810</u> |
| Total | <u>\$ 0.375120</u> | <u>\$ 0.375120</u> |

Property taxes are recorded as receivables and unavailable revenues (deferred inflows of resources) at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible within 60 days following the close of the fiscal year have not been recognized as revenue since amounts are not material to the financial statements.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| Receivables | General | Debt Service | Briarwyck PID | Nonmajor Governmental | Water and Wastewater | Sanitation | Total |
|-----------------------------------|---------------------|------------------|------------------|-----------------------|----------------------|---------------|---------------------|
| Taxes | \$ 1,189,026 | \$ 37,722 | \$ 83,544 | \$ 35,423 | \$ - | \$ - | \$ 1,345,715 |
| Intergovernmental | 16,430 | - | - | - | - | - | 16,430 |
| Accounts | 987,614 | - | - | - | 1,008,944 | 137 | 1,996,695 |
| Less allowance for uncollectibles | (694,484) | - | - | - | (146,971) | - | (841,455) |
| Net receivables | <u>\$ 1,498,586</u> | <u>\$ 37,722</u> | <u>\$ 83,544</u> | <u>\$ 35,423</u> | <u>\$ 861,973</u> | <u>\$ 137</u> | <u>\$ 2,517,385</u> |

Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

| | Balance Beginning of Year | Additions | Sales/ Disposals | Adjustment/ Transfers | Balance End of Year |
|--|---------------------------|---------------------|------------------|-----------------------|----------------------|
| Governmental activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 1,362,742 | \$ - | \$ - | \$ - | \$ 1,362,742 |
| Construction in progress | 4,909,609 | 4,457,989 | - | (4,051,219) | 5,316,379 |
| Total capital assets not being depreciated | <u>6,272,351</u> | <u>4,457,989</u> | <u>-</u> | <u>(4,051,219)</u> | <u>6,679,121</u> |
| Capital assets being depreciated | | | | | |
| Buildings/structures | 22,112,352 | 962,613 | - | 1,250,795 | 24,325,760 |
| Improvements other than buildings | 16,170,537 | 252,929 | - | 33,738 | 16,457,204 |
| Vehicles | 3,905,782 | 1,416,311 | (493,334) | - | 4,828,759 |
| Machinery and equipment | 1,907,002 | 366,314 | (28,201) | 245,970 | 2,491,085 |
| Infrastructure | 34,130,339 | 2,274,444 | (11,896) | 2,520,716 | 38,913,603 |
| Total capital assets being depreciated | <u>78,226,012</u> | <u>5,272,611</u> | <u>(533,431)</u> | <u>4,051,219</u> | <u>87,016,411</u> |
| Less accumulated depreciation | | | | | |
| Buildings/structures | (7,722,252) | (1,145,875) | - | - | (8,868,127) |
| Improvements other than buildings | (3,635,378) | (836,414) | - | - | (4,471,792) |
| Vehicles | (2,972,648) | (295,441) | 493,334 | - | (2,774,755) |
| Machinery and equipment | (1,142,211) | (317,361) | 28,201 | - | (1,431,371) |
| Infrastructure | (8,304,792) | (1,889,288) | 11,896 | - | (10,182,184) |
| Total accumulated depreciation | <u>(23,777,281)</u> | <u>(4,484,379)</u> | <u>533,431</u> | <u>-</u> | <u>(27,728,229)</u> |
| Total capital assets being depreciated, net | <u>54,448,731</u> | <u>788,232</u> | <u>-</u> | <u>4,051,219</u> | <u>59,288,182</u> |
| Governmental activities capital assets, net | <u>\$ 60,721,082</u> | <u>\$ 5,246,221</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 65,967,303</u> |
| Business-type activities | | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ - | \$ - | \$ - | \$ - | \$ - |
| Construction in progress | - | - | - | - | - |
| Total capital assets not being depreciated | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Capital assets being depreciated | | | | | |
| Utility System | 27,615,607 | 715,987 | - | - | 28,331,594 |
| Vehicles | 437,869 | - | - | - | 437,869 |
| Machinery and equipment | 303,565 | 27,695 | - | - | 331,260 |
| Total capital assets being depreciated | <u>28,357,041</u> | <u>743,682</u> | <u>-</u> | <u>-</u> | <u>29,100,723</u> |
| Less accumulated depreciation | | | | | |
| Utility system | (11,781,741) | (887,618) | - | - | (12,669,359) |
| Vehicles | (263,591) | (22,868) | - | - | (286,459) |
| Machinery and equipment | (235,261) | (24,492) | - | - | (259,753) |
| Total accumulated depreciation | <u>(12,280,593)</u> | <u>(934,978)</u> | <u>-</u> | <u>-</u> | <u>(13,215,571)</u> |
| Total capital assets being depreciated, net | <u>16,076,448</u> | <u>(191,296)</u> | <u>-</u> | <u>-</u> | <u>15,885,152</u> |
| Business-type activities capital assets, net | <u>\$ 16,076,448</u> | <u>\$ (191,296)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,885,152</u> |

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities

| | |
|--|----------------------------|
| General government | \$ 1,986,490 |
| Public safety | 665,665 |
| Culture and recreation | 793,712 |
| Public works | <u>1,038,512</u> |
| Total depreciation expense – governmental activities | <u><u>\$ 4,484,379</u></u> |

Business-type activities

| | |
|---|--------------------------|
| Water and Wastewater | <u>\$ 934,978</u> |
| Total depreciation expense – business-type activities | <u><u>\$ 934,978</u></u> |

Construction Commitments

Outstanding commitments at September 30, 2015, under authorized construction contracts were approximately \$676,000. The outstanding commitments for the projects were funded primarily from bond proceeds.

Loan Payable and Transfers

Loan Payable

A summary of advance to/from component units for the year ended September 30, 2015, is as follows:

| Fund/Component Unit | Advance to | Advance from |
|---------------------|--------------------------|--------------------------|
| General Fund | \$ 165,566 | \$ - |
| REIDC | <u>-</u> | <u>165,566</u> |
| Total | <u><u>\$ 165,566</u></u> | <u><u>\$ 165,566</u></u> |

The amount payable to the General fund relates to a loan made to the REIDC. \$50,000 is expected to be collected in the subsequent year.

Transfers

All interfund transfers between the various funds are approved supplements to the operations of those funds.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Transfers between funds for the year ended September 30, 2015, were as follows:

| | Transfers in | | | | | |
|-----------------------|---------------------------|---------------------|--------------------------|-------------------------|------------------|------------------------|
| | <u>Major Governmental</u> | | | <u>Major Enterprise</u> | | |
| | General | Facilities CIP | Nonmajor Governmental | Water and Wastewater | Sanitation | Total Transfers Out |
| Transfers out | | | | | | |
| General | \$ - | 2,500,000 | \$ 299,783 | \$ 113,429 | \$ 30,000 | \$ 2,943,212 |
| Street Construction | - | 10,489 | - | - | - | 10,489 |
| Nonmajor governmental | 70,000 | - | - | - | - | 70,000 |
| Water and Wastewater | - | - | 51,356 | - | - | 51,356 |
| Total transfers in | <u>\$ 70,000</u> | <u>\$ 2,510,489</u> | <u>\$ 351,139</u> | <u>\$ 113,429</u> | <u>\$ 30,000</u> | <u>\$ 3,075,057</u> |

All transfers were routine budgeted transfers done in the course of normal City operations. Transfers are used to (1) transfer funds to the computer and vehicle replacement funds for computer, vehicle, and equipment purchases, (2) transfer funds to the Water and Wastewater fund for expenses related to the streets department, (3) transfer funds to the Facilities CIP Fund for the construction of a new city hall and for public safety radios, (4) transfer funds to the Sanitation Fund to cover a portion of the operating costs associated with this service and (5) transfer funds to the General Fund to cover costs associated with the Roanoke Visitor's Center and Museum.

Long-term Obligations

Capital Leases

The City has entered into various capital lease agreements to finance the acquisition of various vehicles, equipment and machinery originally valued at \$1,072,481. In the year ended September 30, 2015, the City entered into a five-year lease agreement as lessee for financing the acquisition of servers valued at \$116,632.

As of September 30, 2015, property and equipment under capital leases is carried at \$483,806, with \$588,675 in accumulated depreciation.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2015, were as follows:

| | Governmental Activities | Business-type Activities | Total |
|-------------------------------------|----------------------------|-----------------------------|-------------------|
| 2016 | \$ 118,933 | \$ 28,757 | \$ 147,690 |
| 2017 | 101,013 | 28,757 | 129,770 |
| 2018 | 94,030 | 28,757 | 122,787 |
| 2019 | 80,064 | 21,567 | 101,631 |
| 2020 | 37,927 | - | 37,927 |
| Total | 431,967 | 107,838 | 539,805 |
| Less interest | (36,355) | (9,187) | (45,542) |
| Present value of remaining payments | <u>\$ 395,612</u> | <u>\$ 98,651</u> | <u>\$ 494,263</u> |

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Long-term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2015, is as follows:

| | Balance Beginning of Year (As Restated) | Borrowings/ Additions | Repayments/ Reductions | Adjustments/ Refundings | Balance End of Year | Due within One Year |
|---------------------------------------|--|--------------------------|---------------------------|----------------------------|---------------------------|---------------------------|
| Governmental activities | | | | | | |
| General obligation bonds | \$ 6,592,827 | \$ 3,286,909 | \$ (634,778) | \$ - | \$ 9,244,958 | \$ 621,460 |
| Certificates of obligation | 23,248,320 | 5,470,000 | (1,679,930) | (3,378,339) | 23,660,051 | 1,683,027 |
| Special assessment bonds | 1,695,000 | - | (155,000) | - | 1,540,000 | 165,000 |
| Capital leases | 375,024 | 116,632 | (96,044) | - | 395,612 | 103,808 |
| Premium on bonds | 633,468 | 792,026 | (101,307) | (65,547) | 1,258,640 | 101,307 |
| Discount on bonds | (563) | - | 43 | - | (520) | (43) |
| Net pension liability | 3,928,279 | 636,903 | - | - | 4,565,182 | - |
| Compensated absences | 364,702 | 439,852 | (422,227) | - | 382,327 | 382,327 |
| Total governmental activities | 36,837,057 | 10,742,322 | (3,089,243) | (3,443,886) | 41,046,250 | 3,056,886 |
| Business-type activities | | | | | | |
| General obligation refunding bonds | 1,552,174 | 308,091 | (205,222) | - | 1,655,043 | 208,540 |
| Certificates of obligation | 3,531,678 | - | (215,070) | (316,659) | 2,999,949 | 221,974 |
| Capital leases | 122,259 | - | (23,608) | - | 98,651 | 24,697 |
| Premium on bonds | 172,192 | 30,513 | (19,729) | (6,144) | 176,832 | 19,728 |
| Discount on bonds | (2,036) | - | 154 | - | (1,882) | (157) |
| Net pension liability | 474,448 | 33,617 | - | - | 508,065 | - |
| Compensated absences | 40,501 | 54,271 | (52,666) | - | 42,106 | 42,106 |
| Total business-type activities | 5,891,216 | 426,492 | (516,141) | (322,803) | 5,478,764 | 516,888 |
| Total primary government | \$ 42,728,273 | \$ 11,168,814 | \$ (3,605,384) | \$ (3,766,689) | \$ 46,525,014 | \$ 3,573,774 |

For the governmental activities, compensated absences and the net pension liability are liquidated by the general fund. For the business-type activities, the Water and Wastewater fund liquidates the compensated absences and the net pension liability.

General Obligation Bonds and Certificates of Obligation

The general obligation refunding bonds and certificates of obligation have interest rates ranging from 1.0% to 4.8% maturing annually in varying amounts through 2025. Interest for these bonds is payable semi-annually. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. They are payable from property taxes and water/wastewater revenues.

Early in fiscal year 2015, the City executed a current refunding in the amount of \$3,695,000 of series 2006 combination tax and revenue certificates of obligation. The bonds were refunded with \$3,595,000 Series 2014 General Obligation Refunding Bonds dated November 15, 2014, bearing interest rates ranging from 2.00% to 4.00%. The Bonds were issued at a premium of \$356,042 and incurred issuance costs of \$105,584. As a result of the current refunding, the City decreased total debt service payments over the next 10 years by \$337,000, and recorded a deferred loss on refunding of \$78,767.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

The City also issued Series 2014 Combination Tax and Revenue Certificates of Obligation in the amount of \$5,470,000 dated November 15, 2014 bearing interest rates of 2.00% to 4.00%. The Certificates were issued at a premium of \$466,497 and incurred issuance cost of \$135,627. These bonds were issued to 1) construct and improve streets and roads, including related drainage and required utility lines, landscaping, lighting, and signage related thereto; 2) constructing and improving a public parking lot; 3) purchasing a radio communication system for the public safety department; 4) purchasing a new fire apparatus and related equipment for the fire department and 3) for paying fees for legal, fiscal, engineering, architectural and other professional services in connection with these projects.

The annual debt service requirements to maturity for each bond type for the years subsequent to September 30, 2015, are as follows:

General Obligation Bonds:

| Fiscal Year | Governmental Activities | | Business-type Activities | | Total |
|-------------|-------------------------|---------------------|--------------------------|-------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2016 | \$ 621,460 | \$ 296,942 | \$ 208,540 | \$ 71,183 | \$ 1,198,125 |
| 2017 | 636,849 | 280,330 | 213,151 | 64,845 | 1,195,175 |
| 2018 | 655,617 | 263,296 | 219,383 | 58,379 | 1,196,675 |
| 2019 | 1,095,760 | 243,690 | 264,240 | 51,735 | 1,655,425 |
| 2020 | 1,129,854 | 210,410 | 275,146 | 42,065 | 1,657,475 |
| 2021-2025 | 5,105,418 | 504,813 | 474,583 | 49,263 | 6,134,077 |
| | <u>\$ 9,244,958</u> | <u>\$ 1,799,481</u> | <u>\$ 1,655,043</u> | <u>\$ 337,470</u> | <u>\$ 13,036,952</u> |

Certificates of Obligation:

| Fiscal Year | Governmental Activities | | Business-type Activities | | Total |
|-------------|-------------------------|---------------------|--------------------------|-------------------|----------------------|
| | Principal | Interest | Principal | Interest | |
| 2016 | \$ 1,683,027 | \$ 787,483 | \$ 221,974 | \$ 124,471 | \$ 2,816,955 |
| 2017 | 1,737,205 | 734,809 | 232,796 | 114,670 | 2,819,480 |
| 2018 | 1,781,175 | 682,471 | 243,825 | 105,358 | 2,812,829 |
| 2019 | 1,419,550 | 626,449 | 210,450 | 95,605 | 2,352,054 |
| 2020 | 1,459,806 | 585,467 | 220,194 | 87,187 | 2,352,654 |
| 2021-2025 | 9,012,234 | 2,182,834 | 1,247,766 | 294,044 | 12,736,878 |
| 2026-2029 | 6,567,054 | 420,399 | 622,944 | 39,323 | 7,649,720 |
| | <u>\$ 23,660,051</u> | <u>\$ 6,019,912</u> | <u>\$ 2,999,949</u> | <u>\$ 860,658</u> | <u>\$ 33,540,570</u> |

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Special Assessment bonds

In September 2008, the City issued \$2,500,000 in special assessment debt to provide funds for improvements in the Briarwyck Public Improvement district. These bonds will be repaid from amounts levied against the property owners benefited by the improvements. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time that the debt service is due, the government must provide resources to cover the deficit until the assessments are received. The special assessment bonds have interest rates ranging from 4.00% to 4.8% maturing annually in varying amounts through 2023. Debt service requirements of the special assessment bonds for the years subsequent to September 30, 2015, are as follows:

Special Assessment Bonds:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 165,000 | \$ 71,764 | \$ 236,764 |
| 2017 | 170,000 | 64,075 | 234,075 |
| 2018 | 180,000 | 56,153 | 236,153 |
| 2019 | 185,000 | 47,765 | 232,765 |
| 2020 | 195,000 | 39,144 | 234,144 |
| 2021-2023 | <u>645,000</u> | <u>61,046</u> | <u>706,046</u> |
| | <u>\$ 1,540,000</u> | <u>\$ 339,947</u> | <u>\$ 1,879,947</u> |

Note 4: Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located within Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage in the past three years.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 5: Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Nationwide Retirement Solutions. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries, therefore it is not reported in the financial statements of the City.

The plan, available to all full-time 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.

Note 6: Employee Retirement System

Plan Description

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

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

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

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

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

| | |
|---|---------------------------|
| Employee deposit rate | 7.00% |
| Matching ratio (city to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility (expressed as age/years of service) | 60/5, 0/20 |
| Updated service credit | 100% Repeating, Transfers |
| Annuity increase (to retirees) | 70% of CPI Repeating |

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

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 17 |
| Inactive employees entitled to but not yet receiving benefits | 57 |
| Active employees | 119 |
| | <u>193</u> |

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.45% and 16.15% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$1,377,502, and were equal to the required contributions.

Net Pension Liability

The City's net pension liability (NPL) was measured as of December 31, 2014, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Actuarial Assumptions:

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|--|
| Inflation | 3.0% per year |
| Overall payroll growth | 3.0% per year |
| Investment rate of return | 7.0% net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Arithmetic) |
|-----------------------|--------------------------|--|
| Domestic Equity | 17.50% | 4.80% |
| International Equity | 17.50% | 6.05% |
| Core Fixed Income | 30.00% | 1.50% |
| Non-Core Fixed Income | 10.00% | 3.50% |
| Real Return | 5.00% | 1.75% |
| Real Estate | 10.00% | 5.25% |
| Absolute Return | 5.00% | 4.25% |
| Private Equity | 5.00% | 8.50% |
| | <u>100.00%</u> | |

Discount Rate:

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute, and was projected over a period of 100 years. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|--|--|--|
| Balance at October 1, 2014 | \$ 20,469,007 | \$ 16,066,280 | \$ 4,402,727 |
| Changes for the year: | | | |
| Service cost | 1,483,522 | - | 1,483,522 |
| Interest (on the total pension liability) | 1,475,630 | - | 1,475,630 |
| Difference between expected and actual experience | 347,631 | - | 347,631 |
| Benefit payments, including refunds of employee contributions | (260,668) | (260,668) | - |
| Administrative expense | - | (9,596) | 9,596 |
| Contributions - member | - | 591,201 | (591,201) |
| Contributions - employer | - | 1,135,950 | (1,135,950) |
| Net investment income | - | 919,497 | (919,497) |
| Other | - | (789) | 789 |
| Net Changes | <u>3,046,115</u> | <u>2,375,595</u> | <u>670,520</u> |
| Balance at September 30, 2015 | <u>\$ 23,515,122</u> | <u>\$ 18,441,875</u> | <u>\$ 5,073,247</u> |

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| 1% Decrease 6.0% | Current Single Rate Assumption 7.0% | 1% Increase 8.0% |
|------------------|--|------------------|
| \$ 9,675,924 | \$ 5,073,247 | \$ 1,416,239 |

Pension Plan Fiduciary Net Position:

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

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2015 the City recognized pension expense of \$1,345,553.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference in expected and actual experience | \$ 296,803 | \$ - |
| Difference between projected and actual investment earnings on pension plan investments | 164,114 | - |
| Employer contributions subsequent to the measurement date | 1,090,376 | - |
| Total | \$ 1,551,293 | \$ - |

\$1,090,376 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|------------|------------|
| 2016 | \$ 91,857 |
| 2017 | 91,857 |
| 2018 | 91,857 |
| 2019 | 91,855 |
| 2020 | 50,828 |
| Thereafter | 42,663 |
| | \$ 460,917 |

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Note 7: Water Purchase and Wastewater Treatment Contracts

The City has an agreement with the City of Fort Worth under which the City purchases water. The terms of the agreement provide that the City will purchase an amount of treated potable water each year, at rates determined on a periodic basis. The rate is adjusted based on a water rate study, which is conducted about every three years, on behalf of the wholesale water customers with the City of Fort Worth.

The City has an agreement with the Trinity River Authority to provide wastewater treatment at the Denton Creek Regional Wastewater Treatment Facility. Rates are determined annually by the Trinity River Authority.

Note 8: Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position. The amount of ultimate loss, if any, could differ materially.

Note 9: Roanoke Economic Industrial Development Corporation

The REIDC is financed with a voter approved half-cent city sales tax, to aid, promote and further the economic development within the City.

Cash and Investments

Cash and investments for the REIDC as of September 30, 2015, consist of and are classified in the accompanying financial statements as follows:

| | |
|---------------------------------|----------------------------|
| Statement of net position | |
| Cash and cash equivalents | <u>\$ 2,229,988</u> |
| Total cash and cash equivalents | <u><u>\$ 2,229,988</u></u> |

Investments – Because the City provides investment services for the REIDC, the City adheres to its investment policy and all state statutes when investing available cash for the REIDC. The REIDC does not have any investments at this time.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Long-term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2015, is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year | Due within One Year |
|---------------------------|---------------------------------|-------------|---------------------|---------------------------|---------------------------|
| Component unit activities | | | | | |
| Sales tax revenue bonds | \$ 7,050,000 | \$ - | \$ (190,000) | \$ 6,860,000 | \$ 195,000 |
| Total REIDC | <u>\$ 7,050,000</u> | <u>\$ -</u> | <u>\$ (190,000)</u> | <u>\$ 6,860,000</u> | <u>\$ 195,000</u> |

Sales Tax Revenue Bonds

In December 2010, the REIDC issued \$7,050,000 in taxable debt to provide funds for a public water recreation park for the City. The bonds are payable from a one-half of one percent sales and use tax collected within the boundaries of the City. The bonds do not constitute obligations of the City. The sales tax revenue bonds have interest rates ranging from 3.24% to 7.199% maturing annually in varying amounts through 2035. Debt service requirements of the sales tax revenue bonds for the years subsequent to September 30, 2015, are as follows:

| Fiscal Year | Component Units | | Total |
|-------------|---------------------|---------------------|----------------------|
| | Principal | Interest | |
| 2016 | \$ 195,000 | \$ 438,128 | \$ 633,128 |
| 2017 | 205,000 | 431,046 | 636,046 |
| 2018 | 215,000 | 422,677 | 637,677 |
| 2019 | 220,000 | 413,475 | 633,475 |
| 2020 | 235,000 | 402,959 | 637,959 |
| 2021-2025 | 1,360,000 | 1,814,576 | 3,174,576 |
| 2026-2030 | 1,835,000 | 1,336,851 | 3,171,851 |
| 2031-2035 | <u>2,595,000</u> | <u>586,269</u> | <u>3,181,269</u> |
| | <u>\$ 6,860,000</u> | <u>\$ 5,845,981</u> | <u>\$ 12,705,981</u> |

Capital Assets

Capital asset activity for the year ended September 30, 2015, is as follows:

| Component Unit | Balance Beginning of Year | Increase | Decrease | Adjustment/ Transfer | Balance End of Year |
|---|---------------------------------|-------------|-------------|-------------------------|---------------------------|
| | Governmental activities | | | | |
| Capital assets not being depreciated | | | | | |
| Land | \$ 50,000 | \$ - | \$ - | \$ - | \$ 50,000 |
| Governmental activities capital assets, net | <u>\$ 50,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 50,000</u> |

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Operating Lease

In fiscal year 2011, the City contracted with Roanoke Family Entertainment, LLC, (RFE) commonly referred to as Hawaiian Falls, to construct, operate, and maintain the water park. The term of the agreement is for a period of 40 years with two 5-year renewal options succeeding the term of 40 years. The agreement allows RFE to operate and maintain the park by leasing the water park from City. RFE has the right to charge fees to operate and maintain the park. By agreement, RFE acknowledges the title of City in and to land constituting the premises and the real property improvements including appurtenances constructed by either party and agrees never to contest such title. Upon retirement of City's debt incurred to finance the water park, RFE shall have no further obligation to make annual lease payments. The City expects the lessee to lease the entire 40-year term; therefore, there is no expected residual value of the water park to the City.

The minimum lease payments are estimated as follows:

| <u>Fiscal Year</u> | <u>Lease Payment</u> |
|--------------------|----------------------|
| 2016 | \$ 377,000 |
| 2017 | 377,000 |
| 2018 | 377,000 |
| 2019 | 377,000 |
| 2020 | 377,000 |
| 2021-2025 | 1,885,000 |
| 2026-2030 | 1,885,000 |
| 2031-2035 | 1,885,000 |
| Total | <u>\$ 7,540,000</u> |

Note 10: Roanoke Community Economic Development Corporation

The RCEDC is financed with a voter approved half-cent city sales tax, used to fund various public facilities and infrastructure including but not limited to parks, cultural and civic facilities, sports facilities and historic preservation and tourism facilities.

Cash and Investments

Cash and investments for the RCEDC as of September 30, 2015, consist of and are classified in the accompanying financial statements as follows:

| | |
|---------------------------------|---------------------|
| Statement of net position | |
| Cash and cash equivalents | <u>\$ 2,229,988</u> |
| Total cash and cash equivalents | <u>\$ 2,229,988</u> |

Investments – Because the City provides investment services for the RCEDC, the City adheres to its investment policy and all state statutes when investing available cash for the RCEDC. The RCEDC does not have any investments at this time.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Long-term Debt

A summary of long-term debt transactions, including current portion, for the year ended September 30, 2015, is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year | Due within One Year |
|---------------------------|--|------------------|---------------------|------------------------------------|------------------------------------|
| Component unit activities | | | | | |
| Notes payable | \$ 170,902 | \$ - | \$ (121,859) | \$ 49,043 | \$ 30,680 |
| Total RCEDC | <u>\$ 170,902</u> | <u>\$ -</u> | <u>\$ (121,859)</u> | <u>\$ 49,043</u> | <u>\$ 30,680</u> |

Notes Payable – Texas Leverage Fund

In fiscal year 2000, the City through RCEDC purchased 17.52 acres of land by borrowing \$1,089,527 from the State of Texas, Department of Commerce – Texas Leverage Fund to finance and repay the land acquisition. In August 2001, an additional \$345,000 was borrowed from the Texas Leverage Fund for the same land acquisition.

This debt bears interest at a variable rate, which was approximately at 3.30% during fiscal year 2015. The primary source of repayment of this note is from the RCEDC. The future total payments, as well as the principal and interest breakdown, may change with the variable interest rate change in future years. Debt service requirements of the notes payable for the years subsequent to September 30, 2015, are as follows:

Texas Leverage Funds:

| Fiscal Year | Principal | Interest | Total |
|--------------------|------------------|-----------------|------------------|
| 2016 | \$ 30,680 | \$ 1,140 | \$ 31,820 |
| 2017 | <u>18,363</u> | <u>198</u> | <u>18,561</u> |
| | <u>\$ 49,043</u> | <u>\$ 1,338</u> | <u>\$ 50,381</u> |

Note 11: AI & Lula Mae Slaughter Park Foundation

The Slaughter Park Foundation is financed by gifts, legacies, and devices, used to fund public improvements and operations for the AI & Lula Mae Slaughter Park facilities.

City of Roanoke, Texas
Notes to Basic Financial Statements
September 30, 2015

Cash and Investments

Cash and investments for the Slaughter Park Foundation as of September 30, 2015, consist of and are classified in the accompanying financial statements as follows:

| | |
|---------------------------------|--------------------------|
| Statement of net position | |
| Cash and cash equivalents | <u>\$ 396,207</u> |
| Total cash and cash equivalents | <u><u>\$ 396,207</u></u> |

Investments – Because the City provides investment services for the Slaughter Park Foundation, the City adheres to its investment policy and all state statutes when investing available cash for the Slaughter Park Foundation. The Slaughter Park Foundation does not have any investments at this time.

Note 12: Subsequent Events

Changes in Financing

Early in fiscal year 2016, the City executed a current refunding in the amount of \$1,915,000 of series 2006 combination tax and revenue certificates of obligation and \$2,705,000 of series 2007 combination tax and revenue certificates of obligation. The bonds were refunded with \$4,505,000 Series 2015 General Obligation Refunding Bonds dated December 15, 2015, bearing interest rates ranging from 3.00% to 4.00%. The refunding was undertaken to achieve debt service savings.

The City also issued Series 2015 Combination Tax and Revenue Certificates of Obligation in the amount of \$3,750,000 dated December 1, 2015, bearing interest rates of 3.00% to 4.00%. These bonds were issued to (1) construct and improve streets and roads, including related drainage and required utility lines, landscaping, lighting, and signage related thereto and (5) for paying fees for legal, fiscal, engineering, architectural, and other professional services in connection with these project and to pay the costs of issuance of the Certificates.

Other

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be a large as originally projected. While the actual impact on the City’s valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change. Accordingly, the City has included in its approved fiscal year 2016 budget to continue to fund pension contributions above the required ADC, which will help smooth impacts of any increases in the required ADC for fiscal year 2017.



Required Supplementary Information

City of Roanoke, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
September 30, 2015

| | Measurement Year 2014 |
|---|----------------------------------|
| Total pension liability: | |
| Service cost | \$ 1,483,522 |
| Interest (on the Total Pension Liability) | 1,475,630 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | 347,631 |
| Change in assumptions | - |
| Benefit payments, including refunds of employee contributions | (260,668) |
| Net change in total pension liability | 3,046,115 |
| Total pension liability – beginning | 20,469,007 |
| Total pension liability – ending (a) | \$ 23,515,122 |
| Plan fiduciary net position: | |
| Contributions – employer | \$ 1,135,950 |
| Contributions – employee | 591,201 |
| Net investment income | 919,497 |
| Benefit payments, including refunds of employee contributions | (260,668) |
| Administrative expense | (9,596) |
| Other | (789) |
| City’s net change in plan fiduciary net position | 2,375,595 |
| Plan fiduciary net position – beginning | 16,066,280 |
| Plan fiduciary net position – ending (b) | \$ 18,441,875 |
| City’s net pension liability – ending (a) – (b) | \$ 5,073,247 |
| Plan fiduciary net position as a percentage of total pension liability | 78.43% |
| Covered employee payroll | \$ 8,445,726 |
| City’s net pension liability as a percentage of covered employee payroll | 60.07% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City’s measurement date (December 31).

City of Roanoke, Texas
Schedule of Contributions
Texas Municipal Retirement System
September 30, 2015

| | Fiscal Year 2014 | Fiscal Year 2015 |
|---|-----------------------------|-----------------------------|
| Actuarially determined contribution | \$ 1,100,637 | \$ 1,377,502 |
| Contribution in relation of the actuarially determined contribution | 1,100,637 | 1,377,502 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Covered employee payroll | \$ 8,315,841 | \$ 8,886,331 |
| Contributions as a percentage of covered employee payroll | 13.24% | 15.50% |

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 12 months and one day later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|--|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Payroll, Closed |
| Remaining Amortization Period | 30 years |
| Asset Valuation Method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 3.00% |
| Salary Increases | 3.50% to 12.00%, including inflation |
| Investment Rate of Return | 7.00% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009 |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB |

Other Information:

Notes There were no benefit changes during the year

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the the City's most recent fiscal year-end (September 30).

City of Roanoke, Texas
Schedule of Revenues, Expenditures and Changes In Fund Balances
Budget to Actual – General Fund
For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - Positive(Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| General property tax | \$2,201,985 | \$2,201,985 | \$ 2,277,740 | \$ 75,755 |
| General sales tax | 6,825,000 | 6,825,000 | 6,290,680 | (534,320) |
| Gross receipts tax | 1,403,592 | 1,403,592 | 1,332,495 | (71,097) |
| Licenses and permits | 864,000 | 864,000 | 1,307,092 | 443,092 |
| Intergovernmental | 41,200 | 41,200 | 56,412 | 15,212 |
| Charges for services | 1,058,000 | 1,058,000 | 1,123,389 | 65,389 |
| Grants and contributions | 2,980,000 | 2,980,000 | 2,980,000 | - |
| Fines and fees | 608,000 | 608,000 | 1,265,612 | 657,612 |
| Investment income | 5,000 | 5,000 | 3,923 | (1,077) |
| Donations | 5,000 | 5,000 | 48,308 | 43,308 |
| Other revenue | 426,726 | 426,726 | 500,446 | 73,720 |
| Total revenues | <u>16,418,503</u> | <u>16,418,503</u> | <u>17,186,097</u> | <u>767,594</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,691,753 | 3,713,277 | 3,703,378 | 9,899 |
| Public safety | 7,683,574 | 7,683,574 | 7,559,451 | 124,123 |
| Cultural and recreation | 3,446,731 | 3,446,731 | 3,112,546 | 334,185 |
| Public works | 1,010,713 | 1,216,047 | 1,161,517 | 54,530 |
| Debt service: | | | | |
| Principal | 67,079 | 67,079 | 96,044 | (28,965) |
| Interest and fiscal charges | 11,619 | 11,619 | 18,339 | (6,720) |
| Capital outlay | 438,832 | 438,832 | 306,659 | 132,173 |
| Total expenditures | <u>16,350,301</u> | <u>16,577,159</u> | <u>15,957,934</u> | <u>619,225</u> |
| Excess of revenues over expenditures | <u>68,202</u> | <u>(158,656)</u> | <u>1,228,163</u> | <u>1,386,819</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Capital lease | - | - | 116,632 | (116,632) |
| Transfers in | 70,000 | 70,000 | 70,000 | - |
| Transfers out | (3,273,070) | (3,046,212) | (2,943,212) | (103,000) |
| Total other financing sources (uses), net | <u>(3,203,070)</u> | <u>(2,976,212)</u> | <u>(2,756,580)</u> | <u>(219,632)</u> |
| Net changes in fund balances | <u>(3,134,868)</u> | <u>(3,134,868)</u> | <u>(1,528,417)</u> | <u>1,167,187</u> |
| Fund Balances, Beginning of Year | <u>8,183,261</u> | <u>8,183,261</u> | <u>8,183,261</u> | <u>-</u> |
| Fund Balances, End of Year | <u>\$ 5,048,393</u> | <u>\$ 5,048,393</u> | <u>\$ 6,654,844</u> | <u>\$ 1,167,187</u> |

Nonmajor Governmental Funds

Special Revenue Funds

HOTEL/MOTEL FUND – to account for funds received from the hotel/motel tax. This fund promotes tourism and historical preservation.

VEHICLE REPLACEMENT FUND – to account for funds to purchase replacement equipment and vehicles.

FIRE GRANTS FUND – to account for grants to assist in the purchase of fire department equipment and related expenses.

COMPUTER REPLACEMENT FUND – to account for funds to purchase replacement computers and peripherals.

POLICE GRANTS FUND – to account for grant funds for police operations and projects.

POLICE SEIZURE FUND – to account for monies received due to the sale and/or seizure of assets from police investigations of criminal activities.

City of Roanoke, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

| | Special Revenue Funds | | | | | | Total |
|-------------------------------------|-----------------------|------------------------|-----------------|-------------------------|------------------|-------------------|-----------------------------------|
| | Hotel Motel | Vehicle Replacement | Fire Grants | Computer Replacement | Police Grants | Police Seizure | Nonmajor Governmental Funds |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 144,276 | \$ 767,174 | \$ 8,050 | \$ 48,427 | \$ 2,558 | \$ 23,705 | \$ 994,190 |
| Accounts receivable | 35,423 | - | - | - | - | - | 35,423 |
| Prepaid items | 1,200 | - | - | - | - | - | 1,200 |
| Total assets | <u>180,899</u> | <u>767,174</u> | <u>8,050</u> | <u>48,427</u> | <u>2,558</u> | <u>23,705</u> | <u>1,030,813</u> |
| LIABILITIES | | | | | | | |
| Other accrued liabilities | - | - | - | - | - | 8,925 | 8,925 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>8,925</u> | <u>8,925</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 1,200 | - | - | - | - | - | 1,200 |
| Restricted: | | | | | | | |
| Tourism, convention centers, arts | 179,699 | - | - | - | - | - | 179,699 |
| Public safety | - | - | 8,050 | - | 2,558 | 14,780 | 25,388 |
| Committed | - | 767,174 | - | 48,427 | - | - | 815,601 |
| Total fund balances | <u>180,899</u> | <u>767,174</u> | <u>8,050</u> | <u>48,427</u> | <u>2,558</u> | <u>14,780</u> | <u>1,021,888</u> |
| Total liabilities and fund balances | <u>\$ 180,899</u> | <u>\$ 767,174</u> | <u>\$ 8,050</u> | <u>\$ 48,427</u> | <u>\$ 2,558</u> | <u>\$ 23,705</u> | <u>\$ 1,030,813</u> |

City of Roanoke, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2015

| | Special Revenue Funds | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|------------------------|-----------------|-------------------------|------------------|-------------------|--|
| | Hotel Motel | Vehicle Replacement | Fire Grants | Computer Replacement | Police Grants | Police Seizure | |
| REVENUES | | | | | | | |
| Gross receipts tax | \$ 189,692 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 189,692 |
| Grants | - | - | 11,263 | - | 8,515 | - | 19,778 |
| Other revenue | - | 6,419 | - | - | - | - | 6,419 |
| Investment income | 41 | - | - | - | - | 7 | 48 |
| Total revenues | <u>189,733</u> | <u>6,419</u> | <u>11,263</u> | <u>-</u> | <u>8,515</u> | <u>7</u> | <u>215,937</u> |
| EXPENDITURES | | | | | | | |
| General government | 90,690 | 8,020 | - | 32,256 | - | - | 130,966 |
| Public safety | - | - | 10,092 | - | 13,041 | 103 | 23,236 |
| Capital outlay | - | 152,678 | - | - | - | - | 152,678 |
| Total expenditures | <u>90,690</u> | <u>160,698</u> | <u>10,092</u> | <u>32,256</u> | <u>13,041</u> | <u>103</u> | <u>306,880</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>99,043</u> | <u>(154,279)</u> | <u>1,171</u> | <u>(32,256)</u> | <u>(4,526)</u> | <u>(96)</u> | <u>(90,943)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | - | 308,139 | - | 43,000 | - | - | 351,139 |
| Transfers out | (70,000) | - | - | - | - | - | (70,000) |
| Sale of general capital assets | - | 9,199 | - | - | - | - | 9,199 |
| Total other financing sources (uses) | <u>(70,000)</u> | <u>317,338</u> | <u>-</u> | <u>43,000</u> | <u>-</u> | <u>-</u> | <u>290,338</u> |
| Net change in fund balances | 29,043 | 163,059 | 1,171 | 10,744 | (4,526) | (96) | 199,395 |
| Fund balances, beginning of year | <u>151,856</u> | <u>604,115</u> | <u>6,879</u> | <u>37,683</u> | <u>7,084</u> | <u>14,876</u> | <u>822,493</u> |
| Fund balances, end of year | <u>\$ 180,899</u> | <u>\$ 767,174</u> | <u>\$ 8,050</u> | <u>\$ 48,427</u> | <u>\$ 2,558</u> | <u>\$ 14,780</u> | <u>\$ 1,021,888</u> |

DISCRETELY PRESENTED COMPONENT UNITS

ROANOKE ECONOMIC INDUSTRIAL DEVELOPMENT CORPORATION – to aid, promote and further economic development within the City.

ROANOKE COMMUNITY ECONOMIC DEVELOPMENT CORPORATION – to fund public projects to maintain or enhance the quality of life in the City.

AL & LULA MAE SLAUGHTER PARK FOUNDATION – to provide funding for the construction, improvements and maintenance of Slaughter Park.

City of Roanoke, Texas
Balance Sheet
Roanoke Economic Industrial Development Corporation
September 30, 2015

| | REIDC |
|---|--------------|
| ASSETS | |
| Cash and cash equivalents | \$ 2,229,988 |
| Receivables: | |
| Sales taxes | 546,498 |
| Other miscellaneous receivables | 3,973 |
| Total assets | 2,780,459 |
| LIABILITIES | |
| Accounts payable | 77,823 |
| Total liabilities | 77,823 |
| FUND BALANCES | |
| Assigned | 2,702,636 |
| Total fund balances | 2,702,636 |
| Total liabilities and fund balances | \$ 2,780,459 |

City of Roanoke, Texas
Reconciliation of the Balance Sheet
to the Statement of Net Position
Roanoke Economic Industrial Development Corporation
September 30, 2015

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

| | | |
|---|----|---------------------------|
| Total fund balance – governmental fund | \$ | 2,702,636 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. | | 50,000 |
| Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet. | | (54,766) |
| Due to primary government is not due and payable in the current period, and, therefore, is not reported in the governmental funds balance sheet. | | (165,566) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the governmental funds financial statements. | | <u>(6,860,000)</u> |
| Net position of governmental activities | \$ | <u><u>(4,327,696)</u></u> |

City of Roanoke, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Roanoke Economic Industrial Development Corporation
For the Year Ended September 30, 2015

| | REIDC |
|---|--------------|
| REVENUES | |
| Sales and use taxes | \$ 3,145,340 |
| Investment income | 710 |
| Rents and royalties | 242,300 |
| Total revenues | 3,388,350 |
| EXPENDITURES | |
| Economic development | 2,233,095 |
| Debt service: | |
| Repayment of due to primary government | 50,000 |
| Principal | 190,000 |
| Interest and fiscal charges | 444,684 |
| Total expenditures | 2,917,779 |
| Net change in fund balances | 470,571 |
| Fund Balances, Beginning of Year | 2,232,065 |
| Fund Balances, End of Year | \$ 2,702,636 |

City of Roanoke, Texas
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
Roanoke Economic Industrial Development Corporation
For the Year Ended September 30, 2015

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

| | | |
|--|----|-----------------------|
| Net change in fund balances – total governmental funds | \$ | 470,571 |
| The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position. | | 190,000 |
| The repayment of due to primary government consumes the current financial resources of governmental funds, but has no effect on net position. | | 50,000 |
| Current year changes in accrued interest payables do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds. | | <u>770</u> |
| Change in net position of governmental activities | \$ | <u><u>711,341</u></u> |

City of Roanoke, Texas
Balance Sheet
Roanoke Community Economic Development Corporation
September 30, 2015

| | RCEDC |
|-------------------------------------|--------------|
| ASSETS | |
| Cash and cash equivalents | \$ 2,349,524 |
| Sales tax receivable | 546,498 |
| Prepaid items | 51,274 |
| Total assets | 2,947,296 |
| LIABILITIES | |
| Accounts payable | 72,534 |
| Total liabilities | 72,534 |
| FUND BALANCES | |
| Nonspendable | 51,274 |
| Assigned | 2,823,488 |
| Total fund balances | 2,874,762 |
| Total liabilities and fund balances | \$ 2,947,296 |

City of Roanoke, Texas
Reconciliation of the Balance Sheet
to the Statement of Net Position
Roanoke Community Economic Development Corporation
September 30, 2015

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

| | |
|--|----------------------------|
| Total fund balance – governmental fund | \$ 2,874,762 |
| Long-term liabilities, including notes payable, are not due and payable in the current period, therefore are not reported in the governmental fund financial statements. | <u>(49,043)</u> |
| Net position of governmental activities | <u><u>\$ 2,825,719</u></u> |

City of Roanoke, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Roanoke Community Economic Development Corporation
For the Year Ended September 30, 2015

| | RCEDC |
|---|------------------|
| REVENUES | |
| Sales and use taxes | \$ 3,145,340 |
| Investment income | 655 |
| Total revenues | 3,145,995 |
| EXPENDITURES | |
| Economic development | 2,139,182 |
| Debt service: | |
| Principal | 121,859 |
| Interest and fiscal charges | 3,624 |
| Total expenditures | 2,264,665 |
| Net change in fund balances | 881,330 |
| Fund Balances, Beginning of Year | 1,993,432 |
| Fund Balances, End of Year | \$ 2,874,762 |

City of Roanoke, Texas
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances
to the Statement of Activities
Roanoke Community Economic Development Corporation
For the Year Ended September 30, 2015

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

| | | |
|---|----|-----------|
| Net change in fund balances – total governmental funds | \$ | 881,330 |
| The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position. | | 121,859 |
| Change in net position of governmental activities | \$ | 1,003,189 |

City of Roanoke, Texas
Balance Sheet
Al and Lula Mae Slaughter Park Foundation
September 30, 2015

| | Slaughter Park Foundation |
|---------------------------------------|--------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 396,207 |
| Other miscellaneous receivables | 127 |
| Total assets | 396,334 |
| FUND BALANCES/NET POSITION | |
| Assigned/Unrestricted | 396,334 |
| Total fund balances/net position | \$ 396,334 |

City of Roanoke, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances/Net Position
Al and Lula Mae Slaughter Park Foundation
For the Year Ended September 30, 2015

| | Slaughter Park Foundation |
|--|--------------------------------------|
| REVENUES | |
| Rents and royalties | \$ 384 |
| Investment income | 126 |
| Total revenues | 510 |
| EXPENDITURES | |
| General government | 756 |
| Total expenditures | 756 |
| Net change in fund balances/net position | (246) |
| Fund Balances/Net Position, Beginning of Year | 396,580 |
| Fund Balances/Net Position, End of Year | \$ 396,334 |



Statistical Section



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STATISTICAL SECTION

This part of the City of Roanoke’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government’s overall financial health.

| Contents | Page |
|--|-------------|
| Financial Trends | 80-84 |
| These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time. | |
| Revenue Capacity | 85-88 |
| These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax. | |
| Debt Capacity | 89-93 |
| These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future. | |
| Demographic and Economic Information | 94-95 |
| These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place. | |
| Operating Information | 96-98 |
| These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs. | |
| Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. | |

City of Roanoke, Texas
Net Position by Component – Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited)

Table 1

| | Fiscal Year | | | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 (a) |
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 6,936,783 | \$ 1,469,813 | \$ 2,811,859 | \$ 7,361,797 | \$ 12,611,396 | \$ 20,484,900 | \$ 21,700,296 | \$ 29,503,588 | \$ 31,686,704 | \$ 31,687,171 |
| Restricted | 3,160,803 | 10,177,592 | 13,257,088 | 9,116,153 | 5,309,986 | 8,991,311 | 7,612,427 | 3,398,251 | 1,129,768 | 1,540,759 |
| Unrestricted | 284,757 | 133,180 | 497,056 | 1,676,328 | 1,320,173 | 1,320,336 | 2,056,435 | 8,461,426 | 10,531,484 | 7,914,595 |
| Total governmental activities net position | <u>\$ 10,382,343</u> | <u>\$ 11,780,585</u> | <u>\$ 16,566,003</u> | <u>\$ 18,154,278</u> | <u>\$ 19,241,555</u> | <u>\$ 30,796,547</u> | <u>\$ 31,369,158</u> | <u>\$ 41,363,265</u> | <u>\$ 43,347,956</u> | <u>\$ 41,142,525</u> |
| Business-type Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 6,929,702 | \$ 5,516,230 | \$ 5,467,955 | \$ 7,978,558 | \$ 8,249,596 | \$ 7,994,245 | \$ 7,693,934 | \$ 11,213,677 | \$ 11,104,686 | \$ 11,100,468 |
| Restricted | 114,393 | 912,705 | 2,727,722 | 493,436 | 74,448 | 7,549 | 32,615 | 285,117 | 422,658 | 627,433 |
| Unrestricted | (78,213) | (104,897) | 523,962 | (361,379) | (762,150) | (370,229) | 167,322 | 621,404 | 480,702 | 504,474 |
| Total business-type activities net position | <u>\$ 6,965,882</u> | <u>\$ 6,324,038</u> | <u>\$ 8,719,639</u> | <u>\$ 8,110,615</u> | <u>\$ 7,561,894</u> | <u>\$ 7,631,565</u> | <u>\$ 7,893,871</u> | <u>\$ 12,120,198</u> | <u>\$ 12,008,046</u> | <u>\$ 12,232,375</u> |
| Primary Government Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 13,866,485 | \$ 6,986,043 | \$ 8,279,814 | \$ 15,340,355 | \$ 20,860,992 | \$ 28,479,145 | \$ 29,394,230 | \$ 40,717,265 | \$ 42,791,390 | \$ 42,787,639 |
| Restricted | 3,275,196 | 11,090,297 | 15,984,810 | 9,609,589 | 5,384,434 | 8,998,860 | 7,645,042 | 3,683,368 | 1,552,426 | 2,168,192 |
| Unrestricted | 206,544 | 28,283 | 1,021,018 | 1,314,949 | 558,023 | 950,107 | 2,223,757 | 9,082,830 | 11,012,186 | 8,419,069 |
| Total primary governmental activities net position | <u>\$ 17,348,225</u> | <u>\$ 18,104,623</u> | <u>\$ 25,285,642</u> | <u>\$ 26,264,893</u> | <u>\$ 26,803,449</u> | <u>\$ 38,428,112</u> | <u>\$ 39,263,029</u> | <u>\$ 53,483,463</u> | <u>\$ 55,356,002</u> | <u>\$ 53,374,900</u> |

Source: Comprehensive Annual Financial Reports

Note: (a) Beginning amounts for 2015 were restated as per GASB 68

City of Roanoke, Texas
Changes in Net Position by Component – Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited)

Table 2

| | Fiscal Year | | | | | | | | | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|----------------------|------------------------|----------------------|------------------------|------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| General government | \$ 1,617,067 | \$ 1,723,626 | \$ 2,239,034 | \$ 2,151,342 | \$ 2,362,257 | \$ 2,371,123 | \$ 2,701,075 | \$ 4,583,873 | \$ 4,901,738 | \$ 6,306,915 |
| Public Safety | 4,513,411 | 5,103,669 | 5,565,576 | 5,890,444 | 6,237,787 | 6,249,662 | 7,056,489 | 6,983,951 | 7,728,245 | 8,248,352 |
| Cultural and recreation | 2,288,182 | 2,493,625 | 2,833,632 | 3,090,806 | 3,192,716 | 3,229,804 | 4,010,026 | 3,708,246 | 3,618,977 | 3,906,258 |
| Public works | 839,798 | 885,933 | 952,068 | 1,237,478 | 1,319,586 | 1,363,265 | 1,814,679 | 1,525,117 | 1,720,389 | 2,265,043 |
| Interest and fiscal charges | 788,801 | 1,109,311 | 862,460 | 1,321,133 | 1,211,878 | 1,100,821 | 1,125,864 | 1,621,281 | 1,244,945 | 1,313,299 |
| Total governmental activities expenses | <u>10,047,259</u> | <u>11,316,164</u> | <u>12,452,770</u> | <u>13,691,203</u> | <u>14,324,224</u> | <u>14,314,675</u> | <u>16,708,133</u> | <u>18,422,468</u> | <u>19,214,294</u> | <u>22,039,867</u> |
| Business-type activities | | | | | | | | | | |
| Water and Wastewater | 3,345,463 | 3,422,882 | 3,804,238 | 4,084,247 | 4,341,602 | 4,834,989 | 4,775,631 | 5,725,076 | 6,264,083 | 6,614,508 |
| Sanitation | - | 31,920 | 32,569 | 40,834 | 59,364 | 34,168 | 26,440 | 24,541 | 23,747 | 20,294 |
| Total business-type activities expenses | <u>3,345,463</u> | <u>3,454,802</u> | <u>3,836,807</u> | <u>4,125,081</u> | <u>4,400,966</u> | <u>4,869,157</u> | <u>4,802,071</u> | <u>5,749,617</u> | <u>6,287,830</u> | <u>6,634,802</u> |
| Total primary government expenses | <u>\$ 13,392,722</u> | <u>\$ 14,770,966</u> | <u>\$ 16,289,577</u> | <u>\$ 17,816,284</u> | <u>\$ 18,725,190</u> | <u>\$ 19,183,832</u> | <u>\$ 21,510,204</u> | <u>\$ 24,172,085</u> | <u>\$ 25,502,124</u> | <u>\$ 28,674,669</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| General government | \$ 1,013,062 | \$ 972,566 | \$ 1,469,128 | \$ 1,279,678 | \$ 1,298,060 | \$ 1,313,572 | \$ 1,526,045 | \$ 87,097 | \$ 18,100 | \$ 6,330 |
| Public Safety | 254,156 | 312,589 | 333,190 | 380,195 | 389,440 | 444,612 | 413,941 | 1,363,906 | 1,014,255 | 1,720,909 |
| Cultural and recreation | 353,031 | 510,724 | 609,799 | 702,883 | 627,221 | 609,625 | 656,096 | 847,805 | 693,895 | 744,977 |
| Public works | - | - | - | - | 6,285 | - | 9,596 | 1,096,788 | 1,088,105 | 1,307,092 |
| Operating grants and contributions | 146,760 | 147,663 | 87,799 | 373,390 | 437,531 | 478,518 | 379,991 | 3,591,655 | 3,044,370 | 3,048,086 |
| Capital grants and contributions | 1,563,291 | 2,458,161 | 4,564,206 | 2,157,763 | 2,988,451 | 13,290,690 | 2,983,606 | 7,697,743 | 849,421 | 1,924,943 |
| Total governmental activities program revenues | <u>3,330,300</u> | <u>4,401,703</u> | <u>7,064,122</u> | <u>4,893,909</u> | <u>5,746,988</u> | <u>16,137,017</u> | <u>5,969,275</u> | <u>14,684,994</u> | <u>6,708,146</u> | <u>8,752,337</u> |
| Business-type activities | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Water and Wastewater | 2,498,590 | 2,204,357 | 3,293,431 | 2,818,752 | 2,660,458 | 3,836,029 | 3,942,610 | 4,304,793 | 5,295,707 | 5,907,615 |
| Sanitation | - | - | - | - | 2,230 | 1,690 | 1,705 | 1,010 | 890 | 940 |
| Capital grants and contributions | 500,000 | 340,000 | 2,597,804 | 900,000 | 800,000 | 798,087 | 828,087 | 4,300,023 | 828,910 | 1,240,987 |
| Total business-type activities program revenues | <u>2,998,590</u> | <u>2,544,357</u> | <u>5,891,235</u> | <u>3,718,752</u> | <u>3,462,688</u> | <u>4,635,806</u> | <u>4,772,402</u> | <u>8,605,826</u> | <u>6,125,507</u> | <u>7,149,542</u> |
| Total primary government program revenues | <u>\$ 6,328,890</u> | <u>\$ 6,946,060</u> | <u>\$ 12,955,357</u> | <u>\$ 8,612,661</u> | <u>\$ 9,209,676</u> | <u>\$ 20,772,823</u> | <u>\$ 10,741,677</u> | <u>\$ 23,290,820</u> | <u>\$ 12,833,653</u> | <u>\$ 15,901,879</u> |
| Net (Expenses) Revenue | | | | | | | | | | |
| Governmental activities | \$ (6,716,959) | \$ (6,914,461) | \$ (5,388,648) | \$ (8,797,294) | \$ (8,577,236) | \$ 1,822,342 | \$ (10,738,858) | \$ (3,737,474) | \$ (12,506,148) | \$ (13,287,530) |
| Business-type activities | (346,873) | (910,445) | 2,054,429 | (406,329) | (938,278) | (233,351) | (29,669) | 2,856,209 | (162,323) | 514,740 |
| Total primary government net expense | <u>\$ (7,063,832)</u> | <u>\$ (7,824,906)</u> | <u>\$ (3,334,219)</u> | <u>\$ (9,203,623)</u> | <u>\$ (9,515,514)</u> | <u>\$ 1,588,991</u> | <u>\$ (10,768,527)</u> | <u>\$ (881,265)</u> | <u>\$ (12,668,471)</u> | <u>\$ (12,772,790)</u> |

City of Roanoke, Texas
Changes in Net Position by Component – Last Ten Fiscal Years
Accrual Basis of Accounting (Unaudited) (Continued)

Table 2

| | Fiscal Year | | | | | | | | | |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Revenues | | | | | | | | | | |
| and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Taxes | | | | | | | | | | |
| Property taxes | \$ 3,046,689 | \$ 3,517,747 | \$ 4,765,642 | \$ 5,023,619 | \$ 4,997,327 | \$ 4,472,864 | \$ 4,721,841 | \$ 4,986,506 | \$ 5,397,439 | \$ 5,944,469 |
| Sales taxes | 3,390,989 | 3,637,391 | 4,377,361 | 3,984,894 | 3,925,739 | 4,339,834 | 5,557,572 | 6,868,566 | 7,067,815 | 6,290,680 |
| Gross receipt taxes | 686,930 | 753,838 | 889,660 | 1,050,036 | 1,078,191 | 1,169,773 | 1,276,645 | 1,531,850 | 1,505,456 | 1,522,187 |
| Other taxes | 13,716 | 15,096 | 16,957 | 17,514 | 21,787 | 30,911 | 30,867 | 40,785 | 44,238 | 56,412 |
| Investment income | 252,601 | 606,707 | 314,143 | 92,044 | 30,054 | 21,904 | 15,963 | 11,862 | 8,942 | 6,892 |
| Extraordinary item – Marshall Creek | - | - | 11,626 | - | - | - | - | - | - | - |
| Gain/(loss) on sale of assets | - | - | - | - | - | - | - | 5,725 | - | 39,199 |
| Miscellaneous | - | - | - | - | - | - | - | 179,406 | 515,239 | 485,259 |
| Transfers | (7,108) | (218,076) | (201,323) | 217,462 | (388,585) | (302,636) | (291,419) | 106,881 | (48,290) | (92,073) |
| Total governmental activities | <u>7,383,817</u> | <u>8,312,703</u> | <u>10,174,066</u> | <u>10,385,569</u> | <u>9,664,513</u> | <u>9,732,650</u> | <u>11,311,469</u> | <u>13,731,581</u> | <u>14,490,839</u> | <u>14,253,025</u> |
| Business-type activities | | | | | | | | | | |
| Impact Fees | - | - | - | - | - | - | - | 327,937 | - | - |
| Investment income | 9,942 | 48,025 | 88,202 | 14,767 | 972 | 386 | 556 | 802 | 881 | 493 |
| Extraordinary item – Marshall Creek | - | - | 51,647 | - | - | - | - | - | 1,000 | - |
| Transfers | 7,108 | 218,076 | 201,323 | (217,462) | 388,585 | 302,636 | 291,419 | 312,413 | 48,290 | 92,073 |
| Total business-type activities | <u>17,050</u> | <u>266,101</u> | <u>341,172</u> | <u>(202,695)</u> | <u>389,557</u> | <u>303,022</u> | <u>291,975</u> | <u>641,152</u> | <u>50,171</u> | <u>92,566</u> |
| Total primary government | <u>\$ 7,400,867</u> | <u>\$ 8,578,804</u> | <u>\$ 10,515,238</u> | <u>\$ 10,182,874</u> | <u>\$ 10,054,070</u> | <u>\$ 10,035,672</u> | <u>\$ 11,603,444</u> | <u>\$ 14,372,733</u> | <u>\$ 14,541,010</u> | <u>\$ 14,345,591</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 666,858 | \$ 1,398,242 | \$ 4,785,418 | \$ 1,588,275 | \$ 1,087,277 | \$ 11,554,992 | \$ 572,611 | \$ 9,994,107 | \$ 1,984,691 | \$ 965,495 |
| Business-type activities | (329,823) | (644,344) | 2,395,601 | (609,024) | (548,721) | 69,671 | 262,306 | 3,497,361 | (112,152) | 607,306 |
| Total primary government | <u>\$ 337,035</u> | <u>\$ 753,898</u> | <u>\$ 7,181,019</u> | <u>\$ 979,251</u> | <u>\$ 538,556</u> | <u>\$ 11,624,663</u> | <u>\$ 834,917</u> | <u>\$ 13,491,468</u> | <u>\$ 1,872,539</u> | <u>\$ 1,572,801</u> |

Source: Comprehensive Annual Financial Reports

City of Roanoke, Texas
Fund Balances, Governmental Funds – Last Ten Fiscal Years
Modified Accrual Basis of Accounting (Unaudited)

Table 3

| | Fiscal Year | | | | | | | | | |
|---|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 53,990 | \$ 24,165 | \$ 91,214 | \$ 80,847 | \$ 61,128 | \$ 155,730 | \$ 37,056 | \$ 81,054 | \$ 90,327 | \$ 38,254 |
| Restricted | - | - | - | - | - | - | - | - | 241,990 | 379,182 |
| Committed | - | - | - | - | - | - | - | - | 10,868 | 11,810 |
| Assigned | - | - | - | - | - | - | - | 65,939 | 2,598,030 | 630,375 |
| Unassigned | 803,048 | 827,523 | 3,043,511 | 4,526,217 | 3,345,456 | 2,777,860 | 3,816,764 | 5,697,784 | 5,242,046 | 5,595,223 |
| Total general fund | <u>\$ 857,038</u> | <u>\$ 851,688</u> | <u>\$ 3,134,725</u> | <u>\$ 4,607,064</u> | <u>\$ 3,406,584</u> | <u>\$ 2,933,590</u> | <u>\$ 3,853,820</u> | <u>\$ 5,844,777</u> | <u>\$ 8,183,261</u> | <u>\$ 6,654,844</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,200 |
| Restricted | 3,296,061 | 10,339,622 | 13,408,469 | 8,918,751 | 5,309,986 | 6,089,515 | 5,938,841 | 3,317,197 | 4,397,476 | 3,239,780 |
| Committed | - | - | - | - | - | 3,293,740 | 1,673,586 | 165,486 | 2,550,263 | 4,387,106 |
| Assigned | 172,328 | 170,677 | 113,374 | 143,033 | 233,805 | 267,953 | 378,314 | 2,789,772 | - | - |
| Total all other governmental funds | <u>\$ 3,468,389</u> | <u>\$ 10,510,299</u> | <u>\$ 13,521,843</u> | <u>\$ 9,061,784</u> | <u>\$ 5,543,791</u> | <u>\$ 9,651,208</u> | <u>\$ 7,990,741</u> | <u>\$ 6,272,455</u> | <u>\$ 6,947,739</u> | <u>\$ 7,628,086</u> |

Source: Comprehensive Annual Financial Reports

City of Roanoke, Texas
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years
Modified Accrual Basis of Accounting (Unaudited)

Table 4

| | Fiscal Year | | | | | | | | | |
|---|--------------|--------------|--------------|----------------|----------------|--------------|--------------|--------------|--------------|--------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 3,004,001 | \$ 3,517,747 | \$ 4,765,642 | \$ 5,023,619 | \$ 4,997,327 | \$ 4,472,773 | \$ 4,721,841 | \$ 4,891,984 | \$ 5,363,030 | \$ 5,921,763 |
| Sales taxes | 3,390,989 | 3,637,391 | 4,377,361 | 3,984,894 | 3,925,739 | 4,339,834 | 5,557,572 | 6,868,566 | 7,067,815 | 6,290,680 |
| Gross receipts tax | 700,646 | 768,934 | 906,617 | 1,067,550 | 1,099,978 | 1,200,684 | 1,307,512 | 1,531,850 | 1,505,456 | 1,522,187 |
| Licenses and permits | 213,790 | 309,548 | 634,119 | 541,148 | 679,342 | 493,096 | 738,546 | 1,096,788 | 1,088,105 | 1,307,092 |
| Intergovernmental | - | - | - | - | - | - | - | 40,785 | 44,238 | 56,412 |
| Charges for services | 789,853 | 1,029,202 | 1,181,591 | 1,341,420 | 1,252,511 | 1,408,448 | 1,377,016 | 1,120,448 | 1,067,727 | 1,123,389 |
| Grants and contributions | 1,643,942 | 2,582,215 | 2,590,306 | 2,307,749 | 3,173,806 | 9,975,956 | 3,254,366 | 6,160,111 | 3,344,699 | 3,341,492 |
| Fines and fees | 483,084 | 405,399 | 439,558 | 396,251 | 338,211 | 413,983 | 435,748 | 934,286 | 791,614 | 1,265,612 |
| Investment income | 252,601 | 606,707 | 314,143 | 92,044 | 30,054 | 21,904 | 15,963 | 11,861 | 8,942 | 6,892 |
| Donations | 56,717 | 23,609 | 44,831 | 18,343 | 55,624 | 136,434 | 40,953 | 55,889 | 49,671 | 48,308 |
| Other revenue | 58,008 | 65,018 | 168,475 | 83,937 | 46,741 | 102,281 | 54,368 | 566,240 | 499,417 | 535,259 |
| Total revenues | 10,593,631 | 12,945,770 | 15,422,643 | 14,856,955 | 15,599,333 | 22,565,393 | 17,503,885 | 23,278,808 | 20,830,714 | 21,419,086 |
| EXPENDITURES | | | | | | | | | | |
| General government | 1,606,246 | 1,698,848 | 2,176,979 | 2,070,739 | 2,309,722 | 2,262,399 | 2,593,559 | 2,666,932 | 2,929,626 | 4,316,851 |
| Public safety | 4,450,986 | 5,271,340 | 5,278,614 | 5,952,481 | 6,005,300 | 5,918,552 | 6,790,657 | 6,426,758 | 7,135,108 | 7,582,687 |
| Cultural and recreation | 1,952,874 | 1,984,221 | 2,211,828 | 2,480,706 | 2,562,665 | 2,530,201 | 2,824,185 | 3,246,525 | 2,945,625 | 3,112,546 |
| Public works | 675,264 | 611,407 | 577,679 | 730,965 | 764,109 | 788,898 | 859,262 | 1,022,449 | 933,965 | 1,241,798 |
| Debt service: | | | | | | | | | | |
| Principal | 665,000 | 872,094 | 945,731 | 1,133,953 | 8,367,095 | 1,334,622 | 1,560,625 | 1,721,780 | 2,112,691 | 2,565,752 |
| Interest and fiscal charges | 788,801 | 812,017 | 863,763 | 1,321,133 | 1,185,513 | 1,116,078 | 1,103,317 | 1,346,668 | 1,125,893 | 1,172,979 |
| Bond issuance costs | - | - | - | - | - | - | - | 110,850 | 173,253 | 223,469 |
| Capital outlay | 2,321,261 | 2,256,061 | 6,541,874 | 4,510,421 | 6,802,180 | 13,164,901 | 6,116,098 | 6,265,828 | 4,381,123 | 8,147,371 |
| Total expenditures | 12,460,432 | 13,505,988 | 18,596,468 | 18,200,398 | 27,996,584 | 27,115,651 | 21,847,703 | 22,807,790 | 21,737,284 | 28,363,453 |
| Excess (deficiency) of revenues over (under) expenditures | (1,866,801) | (560,218) | (3,173,825) | (3,343,443) | (12,397,251) | (4,550,258) | (4,343,818) | 471,018 | (906,570) | (6,944,367) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Issuance of long-term debt | 3,345,000 | 7,814,854 | 7,224,559 | - | 1,390,000 | 4,945,000 | 3,895,000 | - | 3,650,000 | 5,470,000 |
| Refunding bonds issued | - | - | - | - | 7,092,929 | - | - | - | 2,600,000 | 3,286,909 |
| Premium on issuance of debt | - | - | - | - | - | - | - | 114,066 | 287,301 | 792,026 |
| Payment to bond escrow agent | - | - | - | - | - | - | - | - | (2,656,983) | (3,516,396) |
| Capital leases | - | - | 543,864 | 138,261 | - | - | - | - | 72,110 | 116,632 |
| Sale of general capital assets | - | - | - | - | - | - | - | - | 16,200 | 39,199 |
| Capital contributions | - | - | - | - | - | 3,542,317 | - | - | - | - |
| Transfers in | 628,625 | 711,614 | 1,607,152 | 6,794,000 | 2,580,806 | 1,214,812 | 856,740 | 5,732,872 | 914,299 | 2,931,628 |
| Transfers out | (635,733) | (929,690) | (1,808,475) | (6,576,538) | (3,384,957) | (1,517,448) | (1,148,159) | (6,045,285) | (962,589) | (3,023,701) |
| Total other financing sources | 3,337,892 | 7,596,778 | 7,567,100 | 355,723 | 7,678,778 | 8,184,681 | 3,603,581 | (198,347) | 3,920,338 | 6,096,297 |
| Net change in fund balances | \$ 1,471,091 | \$ 7,036,560 | \$ 4,393,275 | \$ (2,987,720) | \$ (4,718,473) | \$ 3,634,423 | \$ (740,237) | \$ 272,671 | \$ 3,013,768 | \$ (848,070) |
| Debt service as a percentage of noncapital expenditures | 14% | 15% | 15% | 18% | 45% | 18% | 17% | 19% | 19% | 18% |

Source: Comprehensive Annual Financial Reports

City of Roanoke, Texas
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Table 5

| Fiscal Year | Real Property | | Land and Property | Less: | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Assessed Value as a Percentage of Actual Value |
|-------------|----------------------|---------------------|-------------------|--------------------------|------------------------------|-----------------------|--------------------------------|--|
| | Residential Property | Commercial Property | | Tax Exempt Real Property | | | | |
| 2006 | \$ 93,260,333 | \$ 225,514,919 | \$ 719,019,304 | \$ (265,249,046) | \$ 772,545,510 | 0.37512 | \$ 772,545,510 | 100% |
| 2007 | 97,263,339 | 270,989,617 | 876,857,349 | (314,799,070) | 930,311,235 | 0.37512 | 930,311,235 | 100% |
| 2008 | 96,167,599 | 290,573,653 | 1,228,448,645 | (403,790,871) | 1,211,399,026 | 0.37512 | 1,211,399,026 | 100% |
| 2009 | 100,696,430 | 314,695,952 | 1,224,687,859 | (410,215,074) | 1,229,865,167 | 0.37512 | 1,229,865,167 | 100% |
| 2010 | 121,914,441 | 310,763,191 | 1,281,484,190 | (606,445,156) | 1,107,716,666 | 0.37512 | 1,107,716,666 | 100% |
| 2011 | 132,825,158 | 278,591,403 | 1,082,850,845 | (526,770,172) | 967,497,234 | 0.37512 | 967,497,234 | 100% |
| 2012 | 145,779,023 | 309,972,066 | 1,102,134,690 | (450,713,717) | 1,107,172,062 | 0.37512 | 1,107,172,062 | 100% |
| 2013 | 155,728,169 | 316,936,378 | 1,297,816,119 | (589,117,345) | 1,181,363,321 | 0.37512 | 1,181,363,321 | 100% |
| 2014 | 170,872,779 | 342,424,026 | 1,355,629,283 | (605,015,164) | 1,263,910,924 | 0.37512 | 1,263,910,924 | 100% |
| 2015 | 217,246,863 | 369,321,105 | 1,535,687,929 | (654,170,039) | 1,468,085,858 | 0.37512 | 1,468,085,858 | 100% |

Source: Denton County Appraisal District and Tarrant Appraisal District (includes taxable values of frozen properties)

Note: Beginning in FY 2009, a portion of Denton County fell under Tarrant County. Property is reassessed annually. The counties assesses property at 100% of it's market value. Tax rates are per \$100 of assessed value.

City of Roanoke, Texas
Direct and Overlapping Property Tax Rates (Per \$100 of Assessed Value)
Last Ten Fiscal Years (Unaudited)

Table 6

| Fiscal Year | City Direct Rates | | | Overlapping Rates | | |
|-------------|-----------------------|-----------------|-----------------|---|------------------|-------------------|
| | Operating/ General | Debt Service | Total Direct | Northwest Independent School District | Denton County | Tarrant County |
| 2006 | 0.25239 | 0.12273 | 0.37512 | 1.81930 | 0.24648 | n/a |
| 2007 | 0.18872 | 0.18640 | 0.37512 | 1.66500 | 0.23192 | n/a |
| 2008 | 0.22682 | 0.14830 | 0.37512 | 1.33505 | 0.23589 | n/a |
| 2009 | 0.20913 | 0.16599 | 0.37512 | 1.33500 | 0.23577 | 0.26400 |
| 2010 | 0.17902 | 0.19610 | 0.37512 | 1.35500 | 0.24980 | 0.26400 |
| 2011 | 0.15517 | 0.21995 | 0.37512 | 1.37500 | 0.27390 | 0.26400 |
| 2012 | 0.14887 | 0.22625 | 0.37512 | 1.37500 | 0.27736 | 0.26400 |
| 2013 | 0.14913 | 0.22599 | 0.37512 | 1.37500 | 0.28287 | 0.26400 |
| 2014 | 0.15931 | 0.21581 | 0.37512 | 1.45250 | 0.27220 | 0.26400 |
| 2015 | 0.15102 | 0.22410 | 0.37512 | 1.45250 | 0.26200 | 0.26400 |

Source: Denton County Appraisal District and Tarrant Appraisal District
City of Roanoke Ordinances

Note: Beginning in FY 2009, a portion of Denton County was redistributed to Tarrant County.

City of Roanoke, Texas
Principal Property Taxpayers
Current Year and Ten Years Ago (Unaudited)

Table 7

| Fiscal Year 2015 | | | Fiscal Year 2006 | | |
|----------------------------|------------------------|---|------------------------------|------------------------|---|
| Taxpayer | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value (1) | Taxpayer | Taxable Assessed Value | Percentage of Total City Taxable Assessed Value (2) |
| Amerisource Bergen | \$185,032,866 | 12.60% | Cardinal Health | \$92,439,145 | 11.97% |
| Bell Helicopter Textron | 121,878,146 | 8.30% | Honeywell International Inc. | 53,869,653 | 6.97% |
| Cardinal Health 411 Inc | 59,989,992 | 4.09% | Alliance No. 3 LP | 44,301,635 | 5.73% |
| WW Grainger Inc. | 46,564,030 | 3.08% | Randall's Food Market | 36,049,859 | 4.67% |
| AT Industrial Owner 4, LLC | 45,168,000 | 3.17% | Bell Helicopter Textron | 33,071,197 | 4.28% |
| Citicorp Technology Inc. | 39,410,691 | 2.68% | Citicorp North America Inc. | 32,879,616 | 4.26% |
| IBM Credit, LLC | 31,950,979 | 2.18% | Alliance No. 2 LP | 31,195,616 | 4.04% |
| Mid America Apartments LP | 31,609,133 | 2.15% | Alliance No. 1 LP | 31,150,179 | 4.03% |
| AT Industrial Owner 7, LLC | 21,368,794 | 1.46% | Amerisource Bergen | 30,200,340 | 3.91% |
| Behr Process Corp | 20,406,099 | 1.39% | WW Grainger Inc | 27,817,488 | 3.60% |
| Totals | <u>\$ 603,378,730</u> | <u>28.50%</u> | Totals | <u>\$ 412,974,728</u> | <u>41.49%</u> |

Source: Denton County Appraisal District

City of Roanoke, Texas
Ad Valorem Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Table 8

| Fiscal Year | Taxes Levied | | | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections | | Delinquent Taxes | |
|-------------|------------------------------------|---|---|--|--------------------|---------------------------------|-------------------|--------------------|------------------|--------------------|
| | within the Fiscal Year of the levy | Adjustments to levy in subsequent years | Adjusted taxes levied for the fiscal year | Amount | Percentage of levy | | Amount | Percentage of levy | Amount | Percentage of levy |
| 2006 | \$ 2,982,819 | \$ 17,468 | \$ 3,000,287 | \$ 2,970,893 | 99.02% | \$ 26,990 | \$ 2,997,883 | 99.92% | \$ 2,404 | 0.08% |
| 2007 | 3,530,095 | 289,168 | 3,819,263 | 3,477,088 | 91.04% | 340,574 | 3,817,662 | 99.96% | 1,601 | 0.04% |
| 2008 | 4,382,386 | 7,102 | 4,389,488 | 4,375,002 | 99.67% | 12,766 | 4,387,768 | 99.96% | 1,720 | 0.04% |
| 2009 | 5,023,105 | 12,010 | 5,035,115 | 5,007,204 | 99.45% | 25,748 | 5,032,952 | 99.96% | 2,163 | 0.04% |
| 2010 | 4,639,556 | 18,916 | 4,658,472 | 4,618,124 | 99.13% | 38,861 | 4,656,985 | 99.97% | 1,487 | 0.03% |
| 2011 | 4,176,330 | 16,861 | 4,193,191 | 4,137,018 | 98.66% | 54,600 | 4,191,618 | 99.96% | 1,573 | 0.04% |
| 2012 | 4,370,727 | 17,072 | 4,387,799 | 4,363,079 | 99.44% | 23,202 | 4,386,281 | 99.97% | 1,518 | 0.03% |
| 2013 | 4,591,041 | 10,562 | 4,601,603 | 4,583,877 | 99.61% | 15,160 | 4,599,037 | 99.94% | 2,567 | 0.06% |
| 2014 | 5,070,797 | 3,319 | 5,074,116 | 5,062,406 | 99.77% | 8,810 | 5,071,216 | 99.94% | 2,900 | 0.06% |
| 2015 | 5,652,731 | - | 5,652,731 | 5,607,620 | 99.20% | - | 5,607,620 | 99.20% | 45,111 | 0.80% |

Source: Denton County Tax Assessor and Collector

City of Roanoke, Texas
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

Table 9

| Fiscal Year | Governmental Activities | | | | | Business-type Activities | | | Total Primary Government | Percentage of Personal Income (a) | Per Capita (a) |
|-------------|--------------------------|----------------------------|---|---------------------------------------|-------------------|-----------------------------------|---------------------------------------|-------------------|--------------------------|-----------------------------------|----------------|
| | General Obligation Bonds | Certificates of Obligation | Special Assessment Certificates of Obligation | Net Premium / (Discount) on Bonds (c) | Other Obligations | Water and Sewer Revenue Bonds (b) | Net Premium / (Discount) on Bonds (c) | Other Obligations | | | |
| 2006 | \$ 3,325,000 | \$ 17,138,543 | \$ - | \$ - | \$ 1,891,161 | \$ 3,591,457 | \$ - | \$ 56,625 | \$ 26,002,786 | 20.87% | \$ 4,602 |
| 2007 | 2,955,000 | 17,537,755 | - | - | 1,641,598 | 6,687,245 | - | 37,750 | 28,859,348 | 22.56% | 4,976 |
| 2008 | 2,535,000 | 21,736,583 | 2,500,000 | - | 1,883,765 | 7,068,417 | - | 18,834 | 35,742,599 | 26.14% | 5,765 |
| 2009 | 2,065,000 | 21,192,630 | 2,380,000 | - | 1,718,956 | 6,782,370 | - | 225,568 | 34,364,524 | 22.42% | 4,945 |
| 2010 | 8,517,455 | 14,981,010 | 2,255,000 | - | 1,438,987 | 6,501,535 | - | 206,727 | 33,900,714 | 19.46% | 4,291 |
| 2011 | 7,758,091 | 19,480,750 | 2,125,000 | - | 1,182,787 | 6,166,159 | - | 187,017 | 36,899,804 | 16.98% | 4,641 |
| 2012 | 6,947,542 | 22,765,674 | 1,985,000 | - | 910,285 | 5,806,784 | - | 166,397 | 38,581,682 | 17.22% | 4,705 |
| 2013 | 4,873,018 | 23,230,816 | 1,845,000 | - | 372,918 | 5,466,165 | - | 144,826 | 35,932,743 | 15.65% | 4,278 |
| 2014 | 6,592,827 | 23,248,320 | 1,695,000 | - | 375,024 | 5,083,852 | - | 122,259 | 37,117,282 | 15.98% | 4,367 |
| 2015 | 9,244,958 | 23,660,051 | 1,540,000 | 1,258,120 | 395,612 | 4,654,992 | 174,950 | 98,651 | 41,027,334 | 17.66% | 4,827 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Table 14 for personal income and population data

(b) Revenue supported portion of certificates of obligation and general obligation bonds

(c) Net premium/discount on bonds payable is presented starting with fiscal year 2015

City of Roanoke, Texas
Ratio of General Bonded Debt Outstanding
Last Ten Fiscal Years (Unaudited)

Table 10

| Fiscal Year | General Obligation Bonds | Certificates of Obligation | Total | Estimated Population (1) | Taxable Assessed Value (2) | Debt to Taxable Assessed Value | Debt Per Capita |
|----------------|--------------------------------|----------------------------------|---------------|-----------------------------|----------------------------------|---|-----------------------|
| 2006 | \$ 3,325,000 | \$ 17,138,543 | \$ 20,463,543 | 5,650 | \$ 772,545,510 | 2.65% | \$ 3,622 |
| 2007 | 2,955,000 | 17,537,755 | 20,492,755 | 5,800 | 930,311,235 | 2.20% | 3,533 |
| 2008 | 2,535,000 | 21,736,583 | 24,271,583 | 6,200 | 1,211,399,026 | 2.00% | 3,915 |
| 2009 | 2,065,000 | 21,192,630 | 23,257,630 | 6,950 | 1,229,865,167 | 1.89% | 3,346 |
| 2010 | 8,517,455 | 14,981,010 | 23,498,465 | 7,900 | 1,107,716,666 | 2.12% | 2,974 |
| 2011 | 7,758,091 | 19,480,750 | 27,238,841 | 7,950 | 967,497,234 | 2.82% | 3,426 |
| 2012 | 6,947,542 | 22,765,674 | 29,713,216 | 8,200 | 1,107,172,062 | 2.68% | 3,624 |
| 2013 | 4,873,018 | 23,230,816 | 28,103,834 | 8,400 | 1,181,363,321 | 2.38% | 3,346 |
| 2014 | 6,592,827 | 23,248,320 | 29,841,147 | 8,500 | 1,263,910,924 | 2.36% | 3,511 |
| 2015 | 9,244,958 | 23,660,051 | 32,905,009 | 8,500 | 1,468,085,858 | 2.24% | 3,871 |

Source: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
Total does not include debt paid by the proprietary funds.

Note: (1) City of Roanoke
(2) Denton County Appraisal District and Tarrant Appraisal District

City of Roanoke, Texas
Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)

Table 11

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Tax Rate Limit | \$ 2.50000 | \$ 2.50000 | \$ 2.50000 | \$ 2.50000 | \$ 2.50000 | \$ 2.50000 | \$ 2.50000 | \$ 2.50000 | \$ 2.50000 |
| Current Tax Rate | <u>0.37512</u> |
| Available Tax Rate | <u>\$ 2.12488</u> |

City of Roanoke, Texas
Direct And Overlapping Governmental Activities Debt
As of September 30, 2015 (Unaudited)

Table 12

| Governmental Unit | Gross Bonded Debt | Estimated Percentage Applicable (a) | Roanoke Share of Overlapping Debt |
|--|------------------------------|--|--|
| Debt Repaid with Property Taxes | | | |
| Denton County | \$634,275,000 | 2.31% | \$ 14,642,320 |
| Tarrant County | 333,795,000 | 1.10% | 3,685,286 |
| Northwest Independent School District | <u>765,546,815</u> | 12.64% | <u>96,745,755</u> |
| Subtotal, overlapping debt | <u>1,733,616,815</u> | | <u>115,073,361</u> |
| City of Roanoke (Direct Debt) | \$ 36,098,741 | 100.00% | <u>36,098,741</u> |
| Total Direct and Overlapping Debt | | | <u><u>\$ 151,172,102</u></u> |

Source: Assessed value data used to estimate applicable percentages provided by Denton County Appraisal District and Tarrant Appraisal District. Debt outstanding data provided by the Municipal Advisory Council as of September 30, 2015.

(a) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

City of Roanoke, Texas
Pledged Revenue Coverage
Last Ten Fiscal Years (Unaudited)

Table 13

| <u>Water and Sewer Revenue Bonds</u> | | | | | |
|--------------------------------------|-----------------------|---------------------------|--------------------------|---------------------------|-------------------|
| Less: | | | | | |
| Fiscal Year | Total Revenues (a) | Operating Expenses (b) | Net Available Revenue | Annual Requirement (c) | Times Coverage |
| 2006 | \$ 3,272,919 | \$ 2,836,748 | \$ 436,171 | \$ 267,221 (d) | 1.63 |
| 2007 | 2,799,458 | 2,650,785 | 148,673 | 325,236 (d) | 0.46 |
| 2008 | 6,217,407 | 2,881,124 | 3,336,283 | 552,169 (d) | 6.04 |
| 2009 | 4,061,963 | 3,130,651 | 931,312 | 590,970 (d) | 1.58 |
| 2010 | 3,795,174 | 3,350,132 | 445,042 | 613,363 (d) | 0.73 |
| 2011 | 4,634,116 | 3,814,212 | 819,904 | 571,516 (d) | 1.43 |
| 2012 | 4,770,697 | 3,762,448 | 1,008,249 | 582,873 (d) | 1.73 |
| 2013 | 8,991,045 | 4,719,483 | 4,271,562 | 587,712 (d) | 7.27 |
| 2014 | 5,297,581 | 5,151,000 | 146,581 | 631,385 (d) | 0.23 |
| 2015 | 7,061,180 | 5,529,570 | 1,531,610 | 619,063 (d) | 2.47 |

Note: (a) Includes operating and nonoperating revenues
(b) Includes operating expenses minus depreciation
(c) Includes Principal and Interest
(d) Includes certificates of obligation and general obligation - revenue supported portion

City of Roanoke, Texas
Demographic and Economic Statistics
Last Ten Fiscal Years (Unaudited)

Table 14

| Fiscal Year | Estimated Population (a) | Per Capita | | Median Age (b) | Median | | Unemployment Rate (d) |
|-------------|--------------------------|---------------------|-----------------|----------------|----------------------|-----------------------|-----------------------|
| | | Personal Income (b) | Personal Income | | Household Income (b) | School Enrollment (c) | |
| 2006 | 5,650 | \$ 22,051 | \$ 124,588,150 | 30.6 | \$ 48,107 | 8,705 | 3.7% |
| 2007 | 5,800 | 22,051 | 127,895,800 | 30.6 | 48,107 | 10,334 | 4.0% |
| 2008 | 6,200 | 22,051 | 136,716,200 | 30.6 | 48,107 | 11,824 | 4.8% |
| 2009 | 6,950 | 22,051 | 153,254,450 | 30.6 | 48,107 | 12,935 | 7.7% |
| 2010 | 7,900 | 22,051 | 174,202,900 | 30.6 | 48,107 | 14,088 | 7.1% |
| 2011 | 7,950 | 27,327 | 217,249,650 | 32.0 | 65,942 | 15,293 | 7.5% |
| 2012 | 8,200 | 27,327 | 224,081,400 | 32.0 | 65,942 | 16,556 | 6.3% |
| 2013 | 8,400 | 27,327 | 229,546,800 | 32.0 | 65,942 | 17,752 | 6.1% |
| 2014 | 8,500 | 27,327 | 232,279,500 | 32.0 | 65,942 | 18,893 | 4.9% |
| 2015 | 8,500 | 27,327 | 232,279,500 | 32.0 | 65,942 | 19,760 | 3.6% |

Sources: (a) City of Roanoke.
(b) U.S. Census Bureau (Compiled every ten years)
(c) Northwest Independent School District
(d) Texas Workforce Commission, Denton County

Note: Personal income is calculated by multiplying estimated population by per capita personal income

City of Roanoke, Texas
Principal Employers
Current Year and Ten Years Ago (Unaudited)

Table 15

| 2015 | | 2006 | |
|-------------------------|-----------|------------------------------|-----------|
| Employer | Employees | Employer | Employees |
| WW Grainger | 300-500 | WW Grainger | 300-500 |
| Martin Brower | 300-500 | Randalls/Tom Thumb | 300-500 |
| Randalls/Tom Thumb | 300-500 | Walmart | 200-400 |
| Walmart | 200-400 | Home Depot | 200-400 |
| Home Depot | 200-400 | General Motors | 200-400 |
| Bridgestone/Firestone | 100-250 | Applied Industrial Tech Inc. | 100-250 |
| Excel/Lego Systems Inc. | 100-250 | Ryder Logistics | 100-250 |
| Saddle Creek Logistics | 100-250 | Honeywell Aviation | 100-250 |
| Heritage Bag | 100-250 | Bridgestone/Firestone | 100-250 |
| Amerisource Bergen | 100-250 | Albertson's | 100-250 |

Source: Hillwood Development Company, LLC

City of Roanoke, Texas
Full-time Equivalent City Government Employees
By Function/Program
Last Ten Fiscal Years (Unaudited)

Table 16

| <u>Function/Program</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Administration | 9.0 | 10.0 | 9.0 | 9.5 | 10.5 | 10.5 | 11.0 | 12.5 | 12.5 | 10.5 |
| Visitor Center and Museum | 0.0 | 0.0 | 2.5 | 2.5 | 3.3 | 3.3 | 3.3 | 3.8 | 3.8 | 3.8 |
| Building Inspection | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| Fire & EMS | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 19.0 | 20.0 |
| Municipal Court | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Streets | 4.0 | 4.0 | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Police | 35.0 | 36.0 | 38.0 | 38.0 | 39.0 | 39.0 | 39.0 | 39.0 | 39.0 | 40.0 |
| Library | 5.5 | 6.0 | 7.0 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Parks and Recreation | 20.0 | 22.0 | 24.0 | 24.5 | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 |
| Water/wastewater | 8.0 | 9.0 | 9.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 10.0 | 12.0 |
| Total | <u>106.5</u> | <u>113.0</u> | <u>119.5</u> | <u>123.0</u> | <u>126.5</u> | <u>126.5</u> | <u>127.0</u> | <u>129.0</u> | <u>129.0</u> | <u>131.0</u> |

Source: City payroll records and budget book

City of Roanoke, Texas
Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Table 17

| Function/Program | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Police | | | | | | | | | |
| Number of police personnel | 36 | 38 | 39 | 39 | 39 | 39 | 39 | 39 | 39 |
| Number of citations | 3,971 | 5,220 | 4,818 | 3,933 | 4,834 | 5,124 | 6,731 | 5,924 | 7,134 |
| Fire | | | | | | | | | |
| Number of fire personnel | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Number of fire suppression runs | 388 | 493 | 492 | 572 | 737 | 705 | 631 | 705 | 665 |
| Number of EMS runs | 825 | 759 | 686 | 674 | 595 | 652 | 671 | 626 | 687 |
| Development | | | | | | | | | |
| Construction permits issued (a) | 72 | 47 | 195 | 189 | 186 | 201 | 193 | 193 | 327 |
| Estimated valuation | \$ 15,297,198 | \$ 18,700,608 | \$ 37,605,599 | \$ 30,036,191 | \$ 55,321,621 | \$ 22,928,476 | \$ 45,216,571 | \$ 45,216,571 | \$ 92,898,206 |
| Public Works | | | | | | | | | |
| Streets paved (miles) | 12.50 | 12.50 | 18.68 | 18.68 | 18.68 | 18.68 | 18.68 | 18.68 | 19.60 |
| Parks Maintenance | | | | | | | | | |
| Number of parks maintenance personnel | 4 | 5 | 7 | 7 | 8 | 8 | 8 | 8 | 8 |
| Number of acres maintained | 49 | 49 | 49 | 58 | 58 | 51 | 51 | 56 | 56 |
| Public parks | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 10 | 10 |
| Library | | | | | | | | | |
| Number of volumes (b) | 42,339 | 50,659 | 53,300 | 42,047 | 44,539 | 47,675 | 51,503 | 38,011 | 37,348 |
| Annual circulation | 56,876 | 65,252 | 82,764 | 54,830 | 60,586 | 63,133 | 86,729 | 100,899 | 110,382 |
| Water and wastewater | | | | | | | | | |
| Number of water customers | 1,356 | 1,381 | 1,651 | 1,749 | 1,805 | 1,900 | 1,961 | 2,127 | 2,297 |
| Daily average consumption (million gallons) | 1.17 | 0.94 | 1.13 | 1.15 | 1.23 | 1.35 | 1.79 | 1.79 | 1.69 |
| Storage capacity (gallons) | 2,400,000 | 2,400,000 | 2,400,000 | 2,400,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |

Source: City Departments

(a) includes residential, commercial and miscellaneous permits

(b) includes books and media

City of Roanoke, Texas
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

Table 18

| Function/Program | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Works | | | | | | | | | | |
| Streets paved (miles) | 12.50 | 12.50 | 18.68 | 18.68 | 18.68 | 18.68 | 18.68 | 18.68 | 19.60 | 24.08 |
| Streets graded (miles) | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Streetlights | 163 | 163 | 211 | 211 | 211 | 211 | 211 | 211 | 230 | 286 |
| Parks and Recreation | | | | | | | | | | |
| Park Acreage | 42 | 42 | 42 | 42 | 177 | 191 | 191 | 210 | 210 | 210 |
| Public parks | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 10 | 10 | 10 |
| Community center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Recreation center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public swimming pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Baseball fields | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Soccer fields | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 3 | 3 |
| Tennis courts | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Sand volleyball courts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 |
| Skatepark | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Splashparks | 0 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Library | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Water and Wastewater | | | | | | | | | | |
| Water lines (miles) | 16.50 | 16.50 | 22.10 | 22.10 | 22.10 | 22.10 | 22.10 | 22.10 | 22.51 | 25.69 |
| Fire Hydrants | 265 | 265 | 282 | 282 | 282 | 282 | 282 | 282 | 293 | 531 |
| Stormsewer (miles) | 0.25 | 0.25 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 0.75 | 1.87 | 3.68 |
| Sanitary sewer (miles) | 12.75 | 12.75 | 17.25 | 17.25 | 17.25 | 17.25 | 17.25 | 17.25 | 18.49 | 20.82 |

Source: City Departments

**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and Members of the City Council
City of Roanoke, Texas
Roanoke, Texas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Roanoke, Texas (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 4, 2016, which contained an Emphasis of Matter paragraph regarding a change in accounting principle.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the basic financial statements, we considered the City's 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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We noted certain matters that we reported to the City's management in a separate letter dated March 4, 2016.

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.

BKD, LLP

Dallas, Texas
March 4, 2016



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