

CITY OF VENUS, TEXAS
SEPTEMBER 30, 2015

TABLE OF CONTENTS

Independent Auditor's Report	3-4
Management's Discussion and analysis.....	5-15
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Fund	21
Statement of Revenues, Expenses and Changes in Fund Net Fund Position – Proprietary Fund	22
Statement of Cash Flows - Proprietary Fund Type.....	23
Notes to Financial Statements	24
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund	45
Schedule of Changes in Net Pension Liability and Related Ratios	46
Schedule of Contributions	47
Notes to Required Supplementary Information	48
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based upon on an Audit of Financial Statements	
Performed in Accordance with <u>Government Auditing Standards</u>	49



Independent Auditor's Report

To the Honorable Mayor and City Council,
City of Venus, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Venus, Texas (the City) as of and for the year then 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, each major fund, and the aggregate remaining fund information of the City of Venus, Texas, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 15, the budgetary comparison information on pages 45 and 48, and the schedule of funding progress for the retirement plan on page 46 and 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2016, on our consideration of the City of Venus, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


Waters, Vollmering & Associates, LLP
September 2, 2016

2015 MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Venus, we offer readers of this financial statement our narrative overview and analysis of the financial activities of the City of Venus for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City of Venus exceeded its liabilities at the close of the most recent fiscal year by \$7,666,273 (net position). Of this amount, \$3,362,713 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Venus' governmental funds reported combined ending fund balances of \$2,962,366. Approximately 87% of this, \$2,578,260, is available for spending at the City's discretion (unreserved fund balance.)
- The City of Venus' total debt obligations decreased by \$254,106 (9.0%) during the current fiscal year. The City's debt position was improved dramatically.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Venus' basic financial statements. The City of Venus' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the City of Venus' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Venus is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City of Venus 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 of Venus include general government, public safety, public works, and culture and recreation. The business-type activities of the City of Venus include a Water and Sewer Fund.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Venus, 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 of Venus can be divided into three categories:

governmental funds, proprietary funds, and fiduciary 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 *balance 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, readers 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 of Venus maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Services Fund, and two special Revenue Funds, all of which are considered to be major funds.



Proprietary funds.

The City of Venus maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Venus uses an enterprise funds to account for its Water and Sewer Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Water and Sewer fund, which is considered to be a major fund of the City of Venus.



Fiduciary funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Venus' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements.

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

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Venus, assets exceeded liabilities by \$7,666,273 at the close of the most recent fiscal year.

53.9% of the City of Venus' *Net Position* is its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Venus uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Venus' 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.

Tracking the Trend in the CITY OF VENUS NET POSITION

	2013 Governmental Activities	2014 Governmental Activities	2015 Governmental Activities	2013 Business Activities	2014 Business Activities	2015 Business Activities	2013 Totals	2014 Totals	2015 Totals
ASSETS									
Current & Other Assets	\$3,256,691	\$3,075,193	\$3,052,369	\$718,946	\$661,177	\$749,195	\$3,975,637	\$3,736,370	\$3,801,564
Capital Assets	\$1,480,180	\$1,495,968	\$1,642,649	\$5,760,975	\$5,542,071	\$5,308,374	\$7,241,155	\$7,038,039	\$6,951,023
Total Assets	\$4,736,871	\$4,571,161	\$4,695,018	\$6,479,921	\$6,203,248	\$6,057,569	\$11,216,792	\$10,774,409	\$10,752,587
LIABILITIES									
Current Liabilities	\$382,229	\$125,261	\$343,402	\$365,938	\$361,316	\$368,287	\$748,167	\$486,577	\$711,689
Long-term Liabilities	\$9,607	\$55,119	\$132,913	\$2,814,150	\$2,554,775	\$2,316,132	\$2,823,757	\$2,609,894	\$2,449,045
Total Liabilities	\$391,836	\$180,380	\$476,315	\$3,180,088	\$2,916,091	\$2,684,419	\$3,571,924	\$3,096,471	\$3,160,734
NET POSITION									
Invested in capital assets									
Net of related debt	\$1,188,869	\$1,212,590	\$1,325,548	\$2,762,809	\$2,796,944	\$2,809,089	\$3,951,678	\$4,009,534	\$4,134,637
Restricted	\$150,629	\$155,185	\$168,923	0	0	0	\$150,629	\$155,185	\$168,923
Unrestricted	\$3,005,537	\$3,023,006	\$2,793,443	\$537,024	\$490,213	\$569,270	\$3,542,561	\$3,513,219	\$3,362,713
TOTAL NET POSITION	\$4,345,035	\$4,390,781	\$4,287,914	\$3,299,833	\$3,287,157	\$3,378,359	\$7,644,868	\$7,677,938	\$7,666,273

The \$3,362,713, *Unrestricted Net Position* portion of the City of Venus' Net Position, may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Venus is able to report positive balances both categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

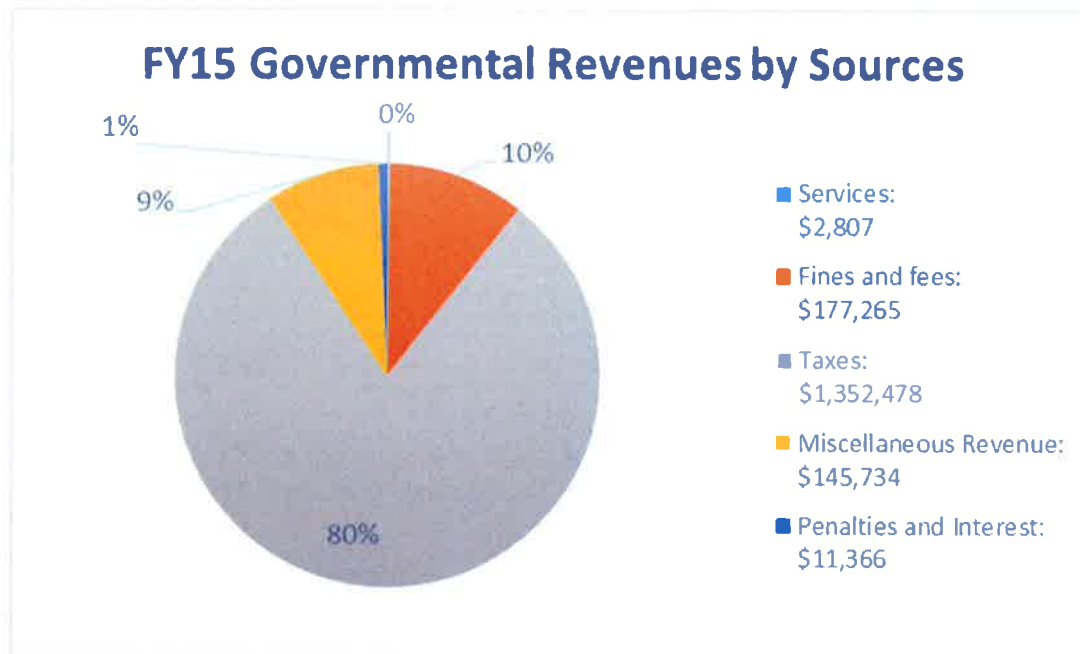
TRACKING CHANGES IN NET ASSETS

	Governmental Activities			Business-Type Activities			Totals		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
REVENUES									
Services	\$1,317	\$4,060	\$2,807	\$1,395,528	\$1,466,984	\$1,632,634	\$1,396,845	\$1,471,044	\$1,635,441
Fines and fees	\$269,368	\$221,225	\$177,265				\$269,368	\$221,225	\$177,265
Taxes	\$1,188,809	\$1,282,632	\$1,352,478				\$1,188,809	\$1,282,632	\$1,352,478
Miscellaneous Revenue	\$74,033	\$73,810	\$145,734	\$38,377	\$9,073	\$9,885	\$112,410	\$82,883	\$155,619
Intergovernmental	\$235,379		\$0				\$235,379		\$0
Penalties and Interest	\$242	\$7,322	\$11,366	\$15,866	\$18,690	\$26,218	\$16,108	\$26,012	\$37,584
Total Revenues	\$1,769,148	\$1,589,049	\$1,689,650	\$1,449,771	\$1,494,747	\$1,668,737	\$3,218,919	\$3,083,796	\$3,358,387
EXPENDITURES									
Current-									
Administrative	\$400,646	\$364,095	\$459,533				\$400,646	\$364,095	\$459,533
Police Department	\$419,678	\$459,526	\$568,821				\$419,678	\$459,526	\$568,821
Municipal Court	\$95,786	\$110,735	\$120,311				\$95,786	\$110,735	\$120,311
Public Works	\$508,391	\$545,824	\$537,497	\$1,269,766	\$1,341,824	\$1,408,243	\$1,778,157	\$1,887,648	\$1,945,740
Debt Service-									
Principal Retirement	\$26,000	\$28,000	\$0			\$0	\$26,000	\$28,000	\$0
Interest and Fiscal Charges	\$8,790	\$2,649	\$2,690	\$178,339	\$165,599	\$152,161	\$187,129	\$168,248	\$154,851
Capital Leases	\$44,085	\$22,506	\$48,848			\$0	\$44,085	\$22,506	\$48,848
Capital Outlay	\$22,369	\$134,695	\$180,162			\$0	\$22,369	\$134,695	\$180,162
Total Expenditures	\$1,525,745	\$1,688,030	\$1,917,862	\$1,448,105	\$1,507,423	\$1,560,404	\$2,973,850	\$3,175,453	\$3,326,418
Excess (deficiency) of Revenues Over (Under) Expenditures	\$243,403	\$22,025	(\$228,212)	\$1,666	(\$12,676)	\$108,333	\$245,069	\$9,349	(\$240,599)
OTHER FINANCING SOURCES (USES)									
Operating Transfers-In	\$269,056	\$248,674	\$289,257	\$212,188		\$0	\$481,244	\$248,674	\$289,257
Operating Transfers-Out	(\$481,244)	(\$248,674)	(\$276,870)			(\$12,387)	(\$481,244)	(\$248,674)	(\$276,870)
Total Other Sources (uses)									
Net Change in Fund Balances	\$31,215	\$22,025	(\$215,825)	\$213,854	-\$12,676	\$95,946	\$245,069	\$9,349	(\$119,879)
Fund Balances-Beginning	\$3,124,951	\$3,156,166	\$3,178,191	\$3,085,979	\$3,299,833	\$3,282,413	\$6,210,930	\$6,455,999	\$6,460,604
Fund Balances-Ending	\$3,156,166	\$3,178,191	\$2,962,366	\$3,299,833	\$3,287,157	\$3,378,359	\$6,455,999	\$6,465,348	\$6,340,725

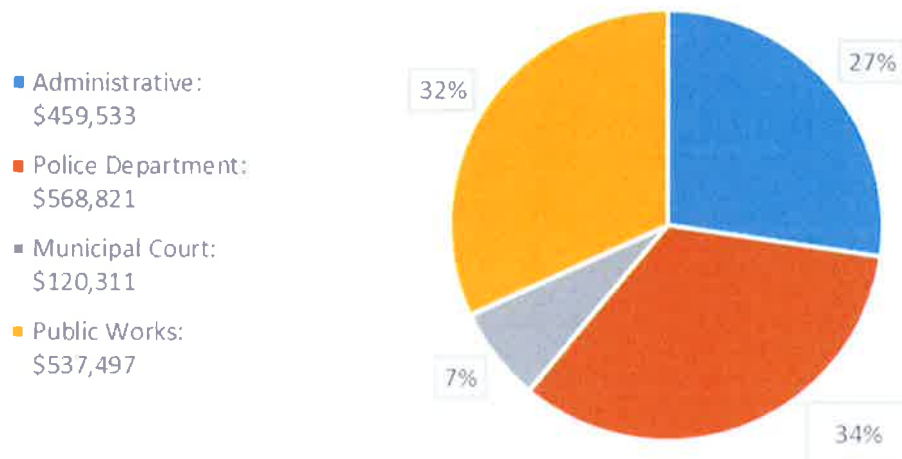
GOVERNMENTAL ACTIVITIES

The City's revenues increased 6.3% over the prior year by \$100,601. The primary reason for this increase was shown in taxes and miscellaneous revenue collected.

Governmental activities decreased the City of Venus' net fund balances by \$215,825.



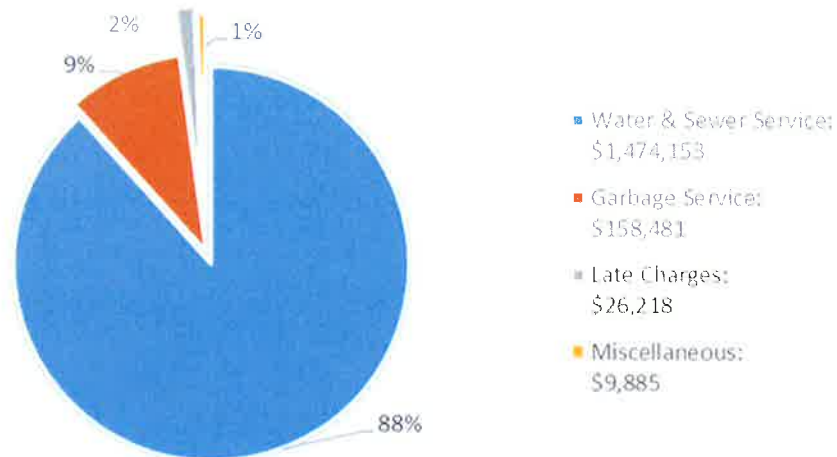
FY15 Governmental Expenditures by Source



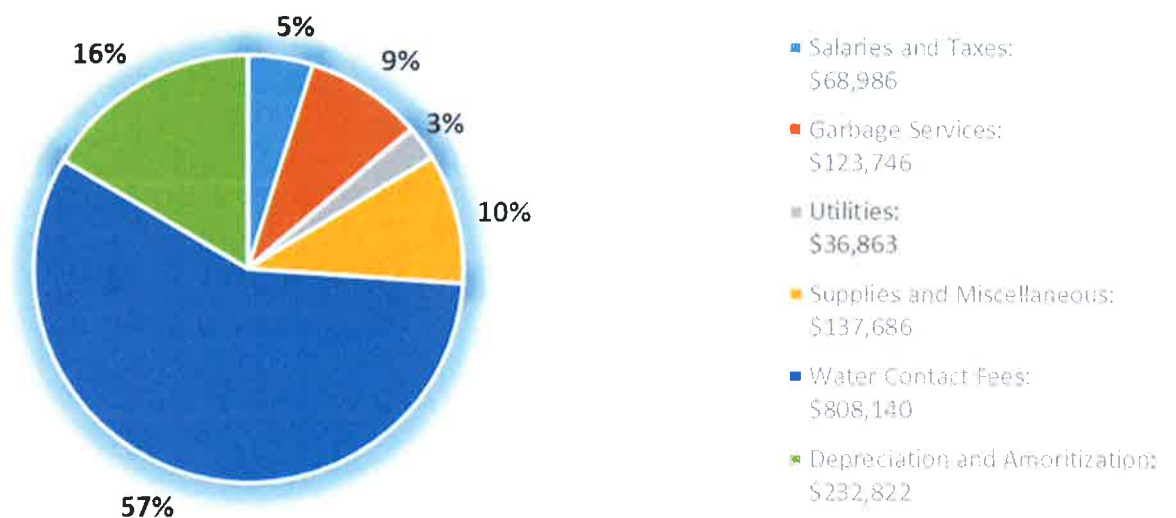
BUSINESS TYPE ACTIVITIES

Revenues of the City's business-type activities were \$1,668,737 for the fiscal year ending September 30, 2015. Expenses for the City's business-type activities were \$1,560,404 for the fiscal year, resulting in a positive income of \$108,333 before transfers out of \$12,387.

FY15 Water and Sewer Fund Revenues



FY15 Water and Sewer Fund Expenditures



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Venus uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City of Venus' governmental funds reported combined ending fund balances of \$2,962,366, a decrease of \$215,825 in comparison with the prior year. Approximately 87% percent of this total amount, \$2,578,260 constitutes *unrestricted fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City of Venus. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,578,260. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The fund balance of the City of Venus' general fund decreased by \$215,825 during fiscal year 2015.

Proprietary funds. The City of Venus' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer fund at the end of the fiscal year amounted to \$569,270 a 16% increase over the previous year. The most significant factor affecting the performance of these activities is the increase in Investment in Capital Assets.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Venus' investment in capital assets for its governmental and business type activities as of September 30, 2015, amounts to \$6,690,612 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and other facilities.

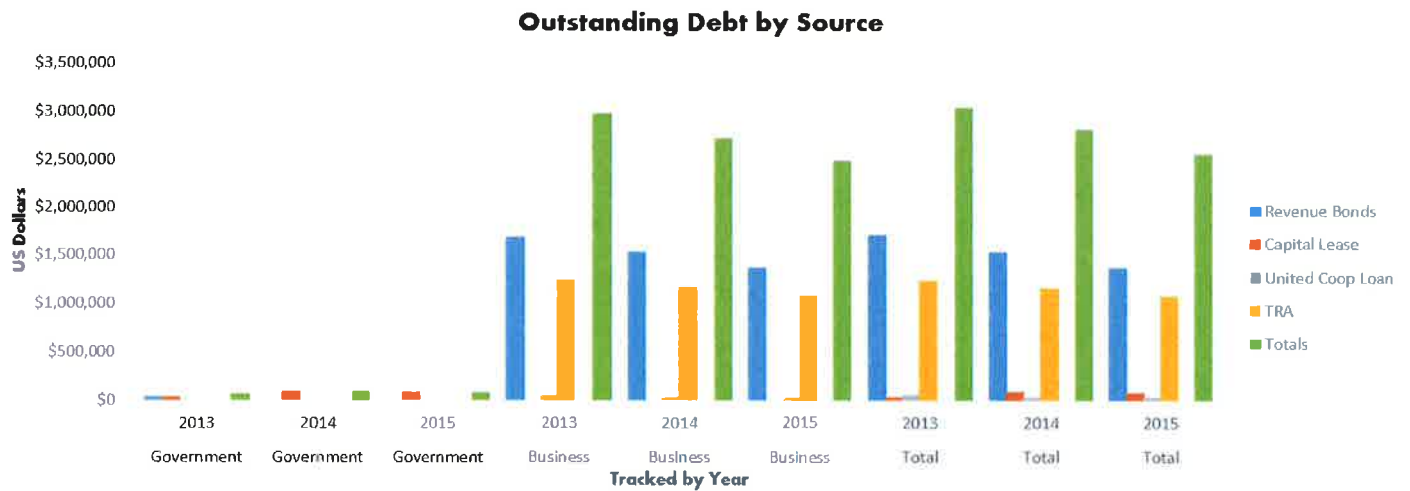
Capital Assets	<u>2013</u>	<u>2014</u>	<u>2015</u>
Land	\$100,970	\$100,970	\$179,840
Building Improvements	\$1,575,243	\$1,556,387	\$1,641,804
Vehicles and Equipment	\$567,100	\$717,871	\$796,332
Computer Equipment	\$245,717	\$264,415	\$264,415
Other Equipment	\$29,700	\$32,789	\$33,844
Water and Sewer System	\$6,039,128	\$6,057,097	\$6,060,397
Mountain Creed Waste Water Contract	<u>\$2,014,700</u>	<u>\$2,014,700</u>	<u>\$2,014,700</u>
 Total Fixed Assets	 \$10,572,558	 \$10,744,229	 \$10,991,332
 Less Depreciation	 \$3,585,768	 \$3,951,845	 \$4,300,720
 Net Fixed Assets	 <u><u>\$6,986,790</u></u>	 <u><u>\$6,792,384</u></u>	 <u><u>\$6,690,612</u></u>

For additional information on the City of Venus' capital assets, see page 34 of the basic financial statements.

Long-term debt. At the end of the current fiscal year, the City of Venus had total bonded debt outstanding of \$2,810,081. Of this amount, \$1,290,000 comprises debt backed by the full faith and credit of the government. The remainder of the City of Venus' debt is primarily bonds secured solely by specified revenue sources (i.e. revenue bonds).

CITY OF VENUS OUTSTANDING DEBT BY SOURCE

	Government 2013	Government 2014	Government 2015	Business 2013	Business 2014	Business 2015	Total 2013	Total 2014	Total 2015
Revenue Bonds	\$28,000	\$0	\$0	\$1,685,000	\$1,531,000	\$1,367,926	\$1,713,000	\$1,531,000	\$1,367,926
Capital Lease	\$32,112	\$91,581	\$78,049	\$0	\$0	\$0	\$32,112	\$91,581	\$78,049
United Coop Loan	\$0	\$0	\$0	\$50,000	\$25,000	\$25,000	\$50,000	\$25,000	\$25,000
TRA	\$0	\$0	\$0	\$1,240,000	\$1,162,500	\$1,085,000	\$1,240,000	\$1,162,500	\$1,085,000
Totals	\$60,112	\$91,581	\$78,049	\$2,975,000	\$2,718,500	\$2,477,926	\$3,035,112	\$2,810,081	\$2,555,975



The City of Venus' total debt decreased by \$254,106 or 9% during the current fiscal year. The key factor in this decrease was the pay down of Revenue Bond and TRA indebtedness.

Economic Factors and Fiscal Year 2016 Budget and Rates

The City of Venus Economy

- Residential construction in Venus Ridge III (ETJ) Meadow Ridge III and Patriot Estates Phase 5 continued in 2015.
- Patriot Estates Phase 2 Subdivision construction was initiated in 2015.
- 127 new utility accounts, 45 new homes, 2 duplexes and 2 businesses, Dollar General & Casa Jacaranda Mexican Kitchen & Bakery were added to the City.
- Fielder Park was renovated boasting quality baseball diamond, concession stand, and new security lights.
- Our city's property tax evaluation increased slightly in 2015.
- Local inflation factors remained low while median income rose.
- The City personnel staff's commitment to grow professionally keeps in step with services and the city's growth.
- The City has received grants for the revitalization of Fielder Park, upgrades to the water system infrastructure, and police department body cameras in 2015.
- New residential construction of Patriot Estates Phase 6 Subdivision continues and will add 208 homes in FY16.
- A Smart Growth grant was received to help fund an economic development event amply named the **Better Block**, in an effort to rejuvenate and remodel Town Square with a new look to entice new businesses and revenue.
- With the City's purchase of approximately 10 acres on FM 157, TxDOT has future plans to straighten and widen the roadway to improve traffic and safety conditions.
- Green Ribbon project funded by TxDOT will landscape two new city limit monument signs to be placed at the west and east end of Highway 67 reading: **"City of Venus"**.

The following businesses have submitted plans to the City and are in the review process:

- new Venus Country Store
- Liquor Depot 67 on Patriot Parkway
- Liquor store, strip shopping center with lofts atop, next to Brookshire Brothers
- new Venus Donut Shop, next to Shell Station

Requests for Information

This financial report is designed to provide a general overview of the City of Venus' finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests of additional information should be addressed to the City Secretary, City of Venus, P.O. Box 380, Venus, Texas 76084.

FINANCIAL STATEMENTS

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

ASSETS	Governmental Activities	Business-type Activities	Total
Current assets:			
Cash	\$ 190,428	\$ 491,277	\$ 681,705
Investments	2,854,727	122,914	2,977,641
Delinquent taxes	37,178	-	37,178
Accounts receivable	7,214	171,478	178,692
Less: Allowance for uncollectible accounts	(37,178)	(36,474)	(73,652)
Total current assets	<u>3,052,369</u>	<u>749,195</u>	<u>3,801,564</u>
Noncurrent assets:			
Restricted assets:			
Cash	239,052	-	239,052
Capital assets	2,638,999	8,352,333	10,991,332
Accumulated depreciation & amortization	(1,235,402)	(3,065,318)	(4,300,720)
Deposits	-	21,359	21,359
Total noncurrent assets	<u>1,642,649</u>	<u>5,308,374</u>	<u>6,951,023</u>
Total assets	<u>4,695,018</u>	<u>6,057,569</u>	<u>10,752,587</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension contribution	97,442	7,334	104,776
Deferred pension actuarial losses	10,422	784	11,206
	<u>107,864</u>	<u>8,118</u>	<u>115,982</u>
LIABILITIES			
Current liabilities:			
Accounts payable	275,831	93,787	369,618
Accrued liabilities	29,355	-	29,355
Current portion:			
General obligation debt payable	-	172,000	172,000
Note payable	-	102,500	102,500
Capital leases	38,216	-	38,216
Total current liabilities	<u>343,402</u>	<u>368,287</u>	<u>711,689</u>
Noncurrent liabilities			
Revenue bonds payable	-	1,195,926	1,195,926
General obligation debt payable	-	1,007,500	1,007,500
Capital leases	39,833	-	39,833
Water deposits	-	105,700	105,700
Net pension liability	93,080	7,006	100,086
Total noncurrent liabilities	<u>132,913</u>	<u>2,316,132</u>	<u>2,449,045</u>
Total liabilities	<u>476,315</u>	<u>2,684,419</u>	<u>3,160,734</u>
DEFERRED INTFLOW OF RESOURCES			
Deferred pension expense	38,653	2,909	41,562
	<u>38,653</u>	<u>2,909</u>	<u>41,562</u>
NET POSITION			
Net investment in capital assets	1,325,548	2,809,089	4,134,637
Restricted for:			
Debt service	168,923	-	168,923
Grant fund	-	-	-
Unrestricted	2,793,443	569,270	3,362,713
Total net position	<u>\$ 4,287,914</u>	<u>\$ 3,378,359</u>	<u>\$ 7,666,273</u>

See accompanying notes and auditor's report

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities:						
General government:						
Administrative	\$ 360,422	\$ 2,807	\$ -	\$ -	\$ (357,615)	\$ -
Pension expense					(61,137)	
Total administrative	360,422	2,807	-	-	(418,752)	-
Public safety and judiciary:						
Police department	601,196	177,265	-	-	(423,931)	-
Municipal court	120,311	-	-	-	(120,311)	-
Cultural, parks and recreation:						
Public works	598,806				(598,806)	
Total cultural, parks and recreation:	598,806	-	-	-	(598,806)	-
Total governmental activities:	1,680,735	180,072	-	-	(1,561,800)	-
Business-type activities:						
Water and sewer service	1,436,658	1,500,371	-	-	-	63,713
Garbage service	123,746	158,481	-	-	-	34,735
Total business-type activities	1,560,404	1,658,852	-	-	98,448	98,448
Total	\$ 3,241,139	\$ 1,838,924	\$ -	\$ -	\$ (1,561,800)	\$ (1,463,352)
General revenues:						
Property taxes					910,703	910,703
Sales taxes					345,797	345,797
Franchise taxes					90,682	90,682
Other taxes					16,662	16,662
Intergovernmental					-	-
Miscellaneous					145,736	155,621
Transfers-Internal activity					12,387	-
Total general revenues and transfers					1,521,967	1,519,465
Change in net assets					(39,833)	56,113
Net position - beginning of period as adjusted (Note A)					4,327,747	7,610,160
Net position - ending					\$ 4,287,914	\$ 7,666,273

See accompanying notes and auditor's report

**City of Venus, Texas
Balance Sheet
Governmental Funds
September 30, 2015**

	General	Debt Service	Special Revenue		Total Governmental Funds
			VCSDC	Grants	
ASSETS					
Cash	\$ 126,274	\$ 2,081	\$ 62,073	\$ -	\$ 190,428
Investments	2,747,633	-	107,094	-	2,854,727
Receivables					
Delinquent taxes	37,178	-	-	-	37,178
Other receivables	7,214	-	-	-	7,214
Less: Allowance for uncollectible accounts	(37,178)	-	-	-	(37,178)
Restricted assets					
Cash	239,052	-	-	-	239,052
Total assets	<u>\$ 3,120,173</u>	<u>\$ 2,081</u>	<u>\$ 169,167</u>	<u>\$ -</u>	<u>\$ 3,291,421</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	273,506	-	2,325	-	275,831
Accrued liabilities	29,355	-	-	-	29,355
Total liabilities	<u>302,861</u>	<u>-</u>	<u>2,325</u>	<u>-</u>	<u>305,186</u>
Fund balances:					
Nonspendable fund balance					
Not in spendable form	-	-	-	-	-
Restricted fund balance	215,183	2,081	166,842	-	384,106
Committed fund balance	-	-	-	-	-
Assigned fund balance	-	-	-	-	-
Unassigned fund balance	2,578,260	-	-	-	2,578,260
Total fund balances	<u>2,793,443</u>	<u>2,081</u>	<u>166,842</u>	<u>-</u>	<u>2,962,366</u>
Total liabilities & fund balances	<u>\$ 3,096,304</u>	<u>\$ 2,081</u>	<u>\$ 169,167</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net positions are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					1,403,597
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not reported in the funds (Note B)					(78,049)
Net position of governmental activities					<u>\$ 4,287,914</u>

City of Venus, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2015

	General	Debt Service	Special Revenue		Total Governmental Funds
			VCSDC	Grants	
REVENUES					
Services	\$ 2,807	\$ -	\$ -	\$ -	\$ 2,807
Fines and fees	177,265	-	-	-	177,265
Taxes	1,237,212	-	115,266	-	1,352,478
Miscellaneous revenue	145,734	-	-	-	145,734
Intergovernmental	-	-	-	-	-
Penalties and interest	11,152	-	214	-	11,366
Total revenues	1,574,170	-	115,480	-	1,689,650
EXPENDITURES					
Current -					
Administrative	459,533	-	-	-	459,533
Police department	568,821	-	-	-	568,821
Municipal court	120,311	-	-	-	120,311
Public works	537,497	-	-	-	537,497
Debt service -					
Principal retirement	-	-	-	-	-
Interest and fiscal charges	-	2,690	-	-	2,690
Capital leases	-	48,848	-	-	48,848
Capital outlay	180,162	-	-	-	180,162
Total expenditures	1,866,324	51,538	-	-	1,917,862
Excess (deficiency) of revenues over (under) expenditures	(292,154)	(51,538)	115,480	-	(228,212)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	227,363	54,439	7,455	-	289,257
Operating transfers out	(164,772)	(3,349)	(108,749)	-	(276,870)
Total other sources (uses)	62,591	51,090	(101,294)	-	12,387
Net change in fund balances	(229,563)	(448)	14,186	-	(215,825)
Fund balances - beginning	3,023,006	2,529	152,656	-	3,178,191
Fund balances - ending	\$ 2,793,443	\$ 2,081	\$ 166,842	\$ -	\$ 2,962,366

City of Venus, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance 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 balances - total governmental funds	\$ (215,825)
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 of assets acquired during the year, net of borrowing of \$35,316	180,162
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 for depreciation in the current period.	(116,054)
Governmental funds report debt proceeds as revenue. However, in the statement of activities the payment of the debt principal reduces the outstanding liability. This is the amount of principal payments during the current period.	48,848
With the adoption of GASB 68, the City is reporting the difference between Net Pension Obligation calculation and the Net Pension Liability calculation as a reduction to the prior year net position. With the adoption of GASB 71, the City is reporting contributions made subsequent to the measurement to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68.	63,036
Changes in net position of governmental activities	<u>\$ (39,833)</u>

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

ASSETS

Current assets:

Cash	\$ 491,277
Investments	122,914
Receivables	
Accounts receivable	171,478
Less: Allowance for uncollectible accounts	(36,474)
Total current assets	<u>749,195</u>

Noncurrent assets:

Capital assets (net of accumulated depreciation and amortization, where applicable)	5,287,015
Deposits	21,359
Total noncurrent assets	<u>5,308,374</u>
Total assets	<u>6,057,569</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred pension contribution	7,334
Deferred pension actuarial losses	784
	<u>8,118</u>

LIABILITIES

Current liabilities:

Accounts payable	93,787
Current portion:	
Revenue bonds payable	172,000
General obligation payable	102,500
Total current liabilities	<u>368,287</u>

Noncurrent liabilities:

Revenue bonds payable	1,195,926
General obligation debt payable	1,007,500
Water deposits	105,700
Net pension liability	7,006
Total noncurrent liabilities	<u>2,316,132</u>
Total liabilities	<u>2,684,419</u>

DEFERRED INTFLOW OF RESOURCES

Deferred pension expense	2,909
	<u>2,909</u>

NET POSITION

Net investment in capital assets	2,809,089
Unrestricted	569,270
Total net Position	<u>\$ 3,378,359</u>

See accompanying notes and auditor's report

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

	<u>Water and Sewer</u>
Operating revenues:	
Water and sewer service	\$ 1,474,153
Garbage service	158,481
Late charges	26,218
Miscellaneous	<u>9,885</u>
Total operating revenues	<u>1,668,737</u>
Operating expenses:	
Salaries and other labor	55,407
Garbage services	123,746
Utilities	36,863
Office expenses	19,793
Payroll taxes	13,579
Parts and supplies	21,599
Repairs and maintenance	30,473
Chemicals	1,035
Auto expenses	14,971
Insurance	18,976
Water and sewer tests	3,675
Depreciation and amortization	232,822
Water contract fees	808,140
Lease expense	2,214
Miscellaneous	<u>24,950</u>
Total operating expenses	<u>1,408,243</u>
Operating income	260,494
Non-operating revenues (expenses):	
Interest expense	<u>(152,161)</u>
Income before transfers	108,333
Operating transfers:	
Operating transfers in (out)	<u>(12,387)</u>
Change in net position	<u>95,946</u>
Net Position - October 1, 2014 (as restated in note A)	<u>3,282,413</u>
Net Position - ending	<u><u>\$ 3,378,359</u></u>

See accompanying notes and auditor's report

City of Venus, Texas
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

	<u>Water and Sewer Fund</u>	
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,655,163	
Payments to suppliers	(1,107,486)	
Payments to employees	<u>(68,986)</u>	
Net cash provided (used) by operating activities		\$ 478,691
CASH FLOWS FROM NONCAPITAL FINANCING SOURCES		
Operating transfers	(12,387)	
Net cash provided (used) by noncapital and related financing activities		(12,387)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Decrease in revenue bonds payable	(163,074)	
Principal paid on MCWRS buy-in	(77,500)	
Interest paid on bonds, notes and lease obligations	(152,161)	
Acquisition of capital assets	(4,393)	
Increase in water contract reserve	<u>5,268</u>	
Net cash provided (used) in capital and related financing activities		(391,860)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment in Texpool Fund	<u>(64)</u>	
Net cash provided (used) in invested activities		<u>(64)</u>
Net increase in cash and cash equivalents		74,380
Cash and cash equivalents at beginning of year		<u>416,897</u>
Cash and cash equivalents at end of year		<u>\$ 491,277</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income		\$ 260,494
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	\$ 232,822	
Pension expense	4,602	
Increase in accounts receivable	(13,574)	
Increase in deferred outflows	(8,561)	
Increase in accounts payable	(2,029)	
Increase in pension liability	1,012	
Increase in water deposits payable	<u>3,925</u>	
Total adjustments		<u>218,197</u>
Net cash provided (used) by operating activities		<u>\$ 478,691</u>

See accompanying notes and auditor's report

**CITY OF VENUS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Venus, Texas (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and a six-member Council. As required by generally accepted accounting principles in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and therefore data from these units are combined with data from the primary government. Information regarding blended component units can be obtained at City Hall.

All entities that are not included as "Blended Component Units" below are excluded from the City's financial reporting entity.

Blended Component Units:

Venus Community Service Development Corporation ("VCSDC") - The VCSDC board of directors is appointed by the City Council and the City Management maintains significant continuing management oversight with respect to VCSDC policies. Additionally, the City is ultimately responsible for VCSDC fiscal matters.

2. Basis of Presentation

Government-wide and fund financial statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The previous reporting model emphasized fund types (the total of all funds of a particular

type); in the new reporting model as defined by GASB Statement No. 34 the focus is either the City as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, 3) grants and contributions that are restricted to meeting capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.) Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, debt service fund and special revenue funds. The major enterprise fund is the water and sewer fund. GASB Statement No. 34 sets 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 category funds. The City does not have any non-major funds.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement focus and basis of accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are susceptible to accrual, as soon as they are both measurable and available. Revenues, including grant revenues, are considered to be available when they are collectible within the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment, are recorded only when the obligation has matured and will be paid shortly after year end (not to exceed one month).

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for

services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, as soon as all eligibility requirements have been met, including monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if all eligibility requirements are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major governmental funds:

The General fund is the operating fund of the City. All general tax revenues 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, the fixed charges, and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The General Obligation Debt Service Fund is used to account for the accumulation of resources for and the payment of, principal and interest on general long-term obligation debt. The primary source of revenue is ad valorem taxes, which are levied by the City.

The Special Revenue – Grants Fund accounts for the financial resources to be used in the construction of various water and sewer projects. The Fund is financed from grants and is subject to a single audit if certain criteria is met.

The Special Revenue – Venus Community Service Development Corporation ("VCSDC") accounts for the revenues collected for the civic center. Expenses are reported within general government.

The government reports the following major proprietary funds:

The Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the Fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for general obligation and revenue bonds. All costs are financed

through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

4. Assets, liabilities, and net assets or equity

Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments within a maturity of three months or less when purchased to be cash equivalents.

Inventory

Inventory consists primarily of supplies, valued at cost. Cost is determined using the weighted average method. Inventory is charged to the user departments and recorded as expenses/expenditures when consumed rather than when purchased.

Prepaid Expenditures/Expenses

Payments made to vendors for services that will benefit periods beyond September 30, 2015 are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, 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 purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated 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 asset lives are not capitalized, while improvements and betterments are capitalized. Assets in the general government are depreciated. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, and gutters, streets, sidewalks, drainage systems, and lighting systems are capitalized along with other general fixed assets.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building and Improvement	50 years
Water & Sewer Lines	50 years
Vehicles, Machinery & Equipment	4-10 years

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with the interest earned on invested proceeds over the same period. The City capitalized no interest during the fiscal year 2015.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes 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 and will not be recognized as an outflow of resources (expense/expenditure) until the appropriate future period.

In addition to liabilities, the statement of financial position includes 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 and so will not be recognized as an inflow of resources (revenues) until that time.

The components of the deferred outflows of resources and deferred inflows of resources are as follows:

	Governmental Activities	Proprietary Activities
Deferred outflow of resources		
Deferred pension contributions	\$ 97,442	\$ 7,334
Deferred pension activities	10,422	784
Total deferred outflow of resources	<u>\$ 107,864</u>	<u>\$ 8,118</u>
Deferred inflow of resources	\$ 38,653	\$ 2,909
Total deferred inflow of resources	<u>\$ 38,653</u>	<u>\$ 2,909</u>

Property Tax

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable on or before January 31st of the following year. All unpaid taxes become delinquent on February 1st of the following year. The Central Appraisal District of Johnson County bills and collects the City's property taxes. Property tax revenues are recognized when they are both measurable and received. Revenues are considered both measurable and available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. In the current year, the City has elected not to accrue property tax revenues beyond the end of the year for purposes of current measurement.

Compensated Absences

Vested accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Position. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting, accumulating rights to receive sick pay benefits. Vacation is earned in varying amounts up to a maximum of fifteen (15) days for employees with 8 or more years of service. Any vacation time not taken by the end of the year will be forfeited. No liability for accrued vacation was recognized.

Fair Value of Financial Instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of FASB *Accounting Standard Codification Topic (ASC)825-10*, "Disclosures about Fair Value of

Financial Instruments”. The City, using available market information and appropriate valuation methodologies, has determined the estimated fair value amounts. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the companies could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and Cash Equivalents, Investments, Accounts Receivable, Accounts Payable and Accrued Expenses – The carrying amounts of these items are a reasonable estimate of their value.

Long-term Debt – Interest rates that are currently available to the City for issuance of debt with similar terms and remaining maturities are used to estimate fair value for debt issues for which no market quotes are available. The carrying amount of this item is a reasonable estimate of fair value.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2015. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

Change in Accounting Principle

As a result of implementing GASB 68 and 71, net position was restated at October 1, 2014. With the adoption of GASB 68, the City is reporting the difference between Net Pension Obligation calculation and the Net Pension Liability calculation as a reduction to the prior year net position. With the adoption of GASB 71, the City is reporting contributions made subsequent to the measurement to eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68.

	Governmental Activities	Proprietary Activities
October 1, 2014, as previously reported	\$ 4,390,781	\$ 3,287,157
GASB 68 Adjustment	(39,822)	(2,997)
GASB 71 – contributions after the measurement date	(23,212)	(1,747)
October 1, 2014, as restated	<u>\$ 4,327,747</u>	<u>\$ 3,282,413</u>

Interfund Receivable/Payable

All transactions among funds are recorded as operating transfers and such, no interfund receivables/payables exist.

Restricted Assets

Certain proceeds of Enterprise Fund Revenue Bonds, as well as certain resources set aside for their repayment, are classified as Restricted Assets on the balance sheet because their use is limited by applicable bond covenants.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Final settlement amounts could differ from those estimates.

Fund Balance Classification

The preparation of financial statements in conformity with government accounting standards requires management to classify the fund balances. For *committed* fund balance classification, the City Council must take formal action to establish, modify or rescind a fund balance commitment. For *assigned* fund balance classification, the City Manager with a concurrence of the Finance Director is authorized to assign amounts for a specific purpose. The *restricted* fund balance classification includes amounts that have constraints that are externally imposed (creditors, grantors, etc) or imposed by enabling legislation. The *nonspendable* classification includes amounts that are not in spendable for or required to be maintained intact. The *unassigned* fund balance classification represents fund balance that has not been classified to another category. The City considers an amount spent when an expenditure is incurred for purposes for which both *restricted* or *unrestricted* fund balance is available. In addition, the City considers an amount spent when an expenditure is incurred for purposes for which an amount in the *committed*, *assigned*, or *unassigned* amounts could be used.

Budget Control

The City operates as a Type A General Law Municipality under the Texas Local Government Code. As set forth in the City Charter, the City Council adopts an annual budget prepared in accordance with generally accepted accounting principles in the United States of America. The City Council may transfer part or all of any unencumbered appropriation balance among programs within a specific fund, and, any revisions that alter the total expenditures must be approved by the City Council. The City Council may require their approval of these transfers above a limit they wish to establish. The current City Council has not established a limit that they wish to approve on transfers. Council approval is needed only if the expenditures exceed the certain thresholds set by the Council.

The City, for management purposes, adopts budgets for all funds except Special Revenue, and Capital Projects. Legal budgets are adopted for the General Fund and the Debt Service Funds. Capital Projects are funded through the issuance of general obligation debt authorized for a specific purpose.

5. Implementation of new accounting principle:

Pronouncements Effective for the 2015 Financial Statements – With this financial report the City has changed its financial reporting to comply with Government Accounting Standards Board (GASB):

In June 2012, the GASB issued Statement No. 68, “*Accounting and Financial Reporting for Pensions.*” This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has implemented GASB 68 in this annual report.

In January 2013, the GASB issued Statement No. 69, “*Government Combinations and Disposals of Government Operations.*” This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The City has implemented GASB 69 in this annual report, however, it does not have any current impact on the City.

Statement No. 70, “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*” This Statement establishes accounting and financial reporting standards for financial guarantees that are nonexchange transactions

extended or received by a state or local government. The City has implemented GASB 70 in this annual report, however, it does not have any current impact on the City.

In November 2013, the GASB issued Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date.*" This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has implemented GASB 71 in this annual report.

In February 2015, the GASB issued Statement No. 72, "*Fair Value Measurement and Application.*" This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 73, "*Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68.*" This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.*" This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions.*" This statement will improve accounting and financial reporting by statement and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*" This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flow upon adoption.

In August 2015, the GASB issued Statement No. 77, "*Tax Abatement Disclosures.*" This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The government fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the governmental-wide statement of net assets. One element of that reconciliation explains, “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$48,848 difference are as follows:

Bond payable	\$-0-
Capital leases	<u>48,848</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$48,848</u>

NOTE C – CASH AND INVESTMENTS

The City maintains separate cash accounts and investment accounts for each fund and is reflected as such on the combined balance sheet as “Cash” and “Investments”. Except for bond-related and other restricted transactions, the City conducts all its banking and investment transactions with the depository bank, Citizens National Bank, Midlothian.

Deposits -

At September 30, 2015, the carrying amount of the City's cash deposits at the bank was \$996,729 and the cash balance per the City’s books was \$920,757. All of the cash bank balance was covered by federal depository insurance. The City does not carry any bank balance over the insured and secured amounts.

Investments -

State statutes, city bond ordinances and city resolutions authorize the City’s investments. The City is authorized to invest in obligations of, or guaranteed by governmental entities, certificates of deposits and share certificates, repurchase agreements, banker’s acceptances, commercial paper, mutual funds, investment pools existing investments of the Government Code and any other investment authorized by the State of Texas for cities. As of September 30, 2015, 89% of the City’s Investments were in Certificate of Deposits held in various banking institutions and 15% were with an external government investment pool administered by the State of Texas, which is entitled the TexPool Fund. TexPool operates in a manner consistent with the SEC Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The City’s investments carried at fair value as of September 30, 2015 are:

Investments:	Fair Value	Effective Duration	Credit Risk
Government Pools	\$ 322,727	N/A	AAAM
Bank Institutions	2,654,914	Various	AAAA
	<u>\$2,977,641</u>		

Interest Rate Risk – The City minimizes the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio, by: limiting the effective duration of security types not to exceed 2 years for pooled fund groups and debt service funds, 5 years for debt service reserve funds and the length of the project for special projects or special purpose funds; structuring the portfolio so that securities mature to meet cash requirements for ongoing operations; regular monthly reporting to the Board of Directors by investment officials summarizing the results of the City’s investment activity, including information on the current portfolio position, performance, trading activity, interest earnings and collateral; and investing in liquid, short-term instruments with maturities of the investments distributed such that there will be a continuing stream of securities maturing at frequent intervals.

Credit Risk – The City minimizes credit risk losses due to default of a security issuer backing by: diversifying the investment portfolio so that potential losses on individual securities are minimized and limiting investments to the safest types of securities. As noted in the above table, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

NOTE D – CHANGES IN CAPITAL ASSETS

Primary Government

The following is a summary of changes during the fiscal year:

	Balance 9/30/14	Additions	Retirements	Balance 9/30/15
Land	\$75,700	\$ 78,870	\$ (-0-)	\$ 154,570
Building & Improvements	1,485,288	58,186	(-0-)	1,543,474
Vehicles & Equipment	565,328	77,367	(-0-)	642,695
Computer Equipment	264,415	-0-	(-0-)	264,415
Other Equipment	32,789	1,055	(-0-)	33,844
Total Fixed Assets	2,423,520	215,478	(-0-)	2,638,998
Less Depreciation	(1,119,349)	(116,054)	(-0-)	(1,235,403)
Total Fixed Assets	\$1,304,171	\$ 99,424	\$ (-0-)	\$ 1,403,595

Business-Type

The following is a summary of changes during the fiscal year:

	Balance 9/30/14	Additions	Retirements	Balance 9/30/15
Land	\$25,270	\$ -0-	\$ (-0-)	\$25,270
Buildings	71,099	-0-	(-0-)	71,099
Improvements	27,231	-0-	(-0-)	27,231
Equipment	152,543	1,093	(-0-)	153,636
Construction in Process	-0-	-0-	(-0-)	-0-
Water and Sewer System	6,057,097	3,300	(-0-)	6,060,397
Mountain Creek Waste	2,014,700	-0-	(-0-)	2,014,700
Water Contract				
Total Fixed Assets	8,347,940	4,393	(-0-)	8,352,333
Less Depreciation & Amortization	(2,832,496)	(232,822)	(-0-)	(3,065,318)
Rounding	1	(1)		
Net Capital Assets	\$5,515,445	\$ (228,430)	\$ (-0-)	\$5,287,015

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

Governmental activities:

General government	\$ 22,370
Public safety	32,375
Public works	61,309
Total depreciation expense – governmental activities	<u>\$116,054</u>

Business-type activities:

Water and sewer	\$232,822
Total depreciation – business activities	<u>\$232,822</u>

NOTE E – OPERATING TRANSFERS

The composition of interfund balances as of September 30, 2015 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$227,364	\$164,772
Debt Service Fund	54,438	3,349
Water & Sewer Fund	-0-	12,387
Grant Fund	-0-	-0-
Special Revenue Fund	7,455	108,749
	<u>\$289,257</u>	<u>\$289,257</u>

NOTE F - NOTES AND BONDS PAYABLE

Governmental activities -

The following is a summary of debt transactions of the City for the year ended September 30, 2015.

	<u>Balance</u> <u>9/30/14</u>	<u>Borrowings</u>	<u>Payments</u>	<u>Balance</u> <u>9/30/15</u>
Capital Lease	\$91,581	\$ 35,316	\$(48,848)	\$78,049
Total	<u>\$91,581</u>	<u>\$ 35,316</u>	<u>\$(48,848)</u>	<u>\$78,049</u>

Description of Debt	Amount
In 2014, the City of Venus acquired a new capital lease for a 2014 Chevy Tahoe Police Vehicle. The lease amount is \$40,363 with 3 annual payments of \$14,287 beginning in November 2014 and ending November 2016 at an interest rate of 3.5%.	\$ 27,141
In 2014, the City of Venus acquired a new capital lease for a 2014 Chevy Tahoe Police Vehicle. The lease amount is \$41,612 with 3 annual payments of \$14,730 beginning in November 2014 and ending November 2016 at an interest rate of 3.5%.	27,979
In 2015, the City of Venus acquired a new capital lease for a 2015 Chevy Truck. The lease amount is \$35,316 with 3 annual payments of \$12,387 beginning in April 2015 and ending April 2017 at an interest rate of 5.496%.	22,929
Total Debt	78,049
Less Current Portion	(38,216)
Total Long-Term Debt	<u>\$ 39,833</u>

This debt is presented in the combined balance sheet as follows:

Current Portion	
Note Payable	\$-0-
Revenue bond payable	-0-
Capital Leases	38,216
Subtotal	<u>38,216</u>
Note Payable	-0-
Revenue Bonds Payable	-0-
Capital Leases	39,833
Total	<u>\$ 78,049</u>

The following schedule summarizes the loan obligations of the General Fund:

Year Ending Sept. 30	Principal	Interest	Total
2016	\$ 38,216	\$ 3,189	\$ 41,405
2017	39,833	1,635	41,468
2018	-0-	-0-	-0-
2019	-0-	-0-	-0-
2020	-0-	-0-	-0-
Total	\$ 78,049	\$ 4,824	\$ 82,873

Business-type activities -

The following is a summary of debt transactions of the City for the year ended September 30, 2015.

	Balance 9/30/14	Borrowings	Payments	Balance 9/30/15
Revenue Bonds:				
Series 2005	\$341,000	\$-0-	\$(62,074)	\$278,926
Series 2009 Refunding	1,190,000	-0-	(101,000)	1,089,000
JCEC / United Cooperative	25,000	-0-	(-0-)	25,000
Trinity River Authority (MCWRS)	1,162,500	-0-	(77,500)	1,085,000
Total	\$2,718,500	\$-0-	\$(240,574)	\$2,477,926

Description of Debt	Amount
\$250,000 General non-interest bearing obligation debt payable to the United Cooperative Services, for expanding current water system, maturing 2016, requiring annual payments of \$25,000.	\$ 25,000
\$1,606,000 General Obligation Refunding Bonds, Series 2009, to be used to refinance the City's debt. The \$1,606,000 is the Water & Sewer Fund's allocation of the total amount of \$1,729,000. Principal payments will start in 2010 due in annual installments of \$73,000 to \$169,000 through February 2023. The interest payments started August 2009 with semiannual payments of \$53,356 to \$5,493 through February 2023.	1,089,000
\$513,000 Combination Tax and Revenue Certificates of Obligation, Series 2005, for the acquisition, construction and/or renovation of public works, due in annual installments of \$55,000 to \$75,000 starting in 2012 and terminating in 2019, with interest at 4.5% during term.	278,926
\$1,550,000 was financed in fiscal year 2010 upon the City exercising their option to buy-in as a contracting party to the Mountain Creek Regional Wastewater System. Principal payments started in 2010 and are due in 20 annual installments of \$77,500, with interest at 5.5%.	1,085,000
Total Debt	2,477,926
Less: Current Portion	(274,500)
Total Long-Term Debt	\$2,203,426

This debt is presented in the combined balance sheet as follows:

Current Portion

Revenue bonds payable	\$ 172,000
General obligation payable	102,500
Subtotal	274,500
Revenue Bonds Payable	1,195,926
General Obligation Payable	1,007,500
Total	\$2,477,926

The annual requirements to amortize enterprise fund debt outstanding as of September 30, 2015 follows:

Year Ending Sept. 30	Principal	Interest	Total
2016	\$ 274,500	\$ 138,075	\$ 412,575
2017	259,500	123,638	383,138
2018	270,500	108,578	379,078
2019	282,426	92,840	375,266
2020	216,500	78,148	294,648
2021-2025	864,500	196,995	1,061,495
2026-2030	310,000	42,624	352,624
Total	<u>\$2,477,926</u>	<u>\$780,898</u>	<u>\$3,258,824</u>

NOTE G - RETIREMENT PLAN

The City participates in the Texas Municipal Retirement System.

Plan Description

The City of Venus participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined 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 Provided

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

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

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7%	7%
Matching Ratio (city to Employee)	2 to 1	2 to 1
Years required for vesting	5 years	5 years
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	0%,	0%,
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>14</u>
Total	<u>31</u>

Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the city matching percentage is 9.49% , 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) 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 of Venus were required to contribute 7% of their annual gross earnings during their fiscal year. The contribution rates for the City of Venus were 9.20% and 8.99% in calendar years 2014 and 2015 respectively. The City's contributions to TMRS for the fiscal year end September 30, 2015 were \$55,991, 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.

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:	3.5% to 12% per year including inflation
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 of 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 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. 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	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50
Total	100.0%	

Discount Rate:

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

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2013	\$1,138,393	\$1,095,574	\$ 42,819
Changes for the year:			
Service Cost	88,650	-0-	88,650
Interest	80,660	-0-	88,660
Changes in benefit terms	-0-	-0-	-0-
Difference between expected and actual experience	57,782	-0-	57,782
Changes in assumptions	-0-	-0-	-0-
Contributions – employer	-0-	61,240	61,240
Contributions - employee	-0-	46,611	46,611
Net investment income	-0-	62,682	62,682
Benefit payments, including refunds of employer contributions	(60,851)	(60,851)	-0-
Administrative expense	-0-	(654)	(654)
Other changes	-0-	(54)	(54)
Net changes	\$ 166,241	\$ 108,974	\$ 57,267
Balance at 12/31/2014	\$1,304,634	\$1,204,548	\$100,086

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

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

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's net pension liability	\$290,096	\$100,086	\$(54,538)

Pension Plan Fiduciary Net Position:

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2015, the city recognized pension expense of \$65,739.

NOTE H – RISK MANAGEMENT

The City manages its risk through the purchase of insurance from the Texas Municipal League for all risks of loss. Significant losses are covered by the Texas Municipal League for all major programs. For such insured programs, there have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE I – OPERATING LEASES

The majority of the City's leases are categorized as capital with two operating leases for office equipment. Rent and lease expense for the year ended September 30, 2015 was \$3,744 for these leases. Future minimum rental payments are as follows:

<u>Year Ending Sept. 30</u>	<u>Payment</u>
2015	\$2,214

NOTE J – CONCENTRATIONS

Approximately 47% of the proprietary fund's revenues are from two customers.

NOTE K – SUBSEQUENT EVENTS

The City evaluated subsequent events through September 2, 2016, which is the same date that the financial statements were issued and determined that there are no reportable events.

NOTE L – MIDLOTHIAN SURFACE WATER PURCHASE CONTRACT

In 2005, the City of Venus entered in to a contractual agreement with the City of Midlothian to obtain the right to buy surface water for the amount of \$464,700. The agreement entitles the City to purchase water for the Water and Sewer department on a day to day basis with limits on the amount at a rate that ranges depending on the usage of water. This additional water will be used to support the daily operations and expanding community of the City. The cost of the buy-in is reported as an asset which will be amortized over the 37 year life of the agreement. On December 10, 2009, the city exercised its option to become a primary party. The cost of the option was \$1.55 million and will be amortized over 20 years. Total water purchase expense for the year ended September 30, 2015 related to the Midlothian Surface Water contract was \$808,140.

SCHEDULE OF OUTFLOWS AND INFLOWS - CURRENT AND FUTURE EXPENSE

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	2014 Recognized in current pension expense	Deferred (Inflow)/Outflow in future expense
<u>Due to Liabilities:</u>				
Difference in expected and actual experience actuarial (gains) or losses	3.5624	\$ 57,782	\$ 16,220	\$ 41,562
Difference in assumption changes actuarial (gains) or losses	3.5624	-	-	-
			<u>\$ 16,220</u>	<u>\$ 41,562</u>
<u>Due to Assets:</u>				
Difference in projected and actual earnings on pension plan investments actuarial (gains) or losses	5.0000	\$ 14,008	\$ 2,802	\$ 11,206
			<u>\$ 2,802</u>	<u>\$ 11,206</u>
<u>Total:</u>				<u>\$ 52,768</u>

\$104,776 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources
2015	\$ 19,022
2016	19,022
2017	11,924
2018	2,800
2019	-
Thereafter	-
Total	<u>\$ 52,768</u>

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplementary Information

**City of Venus, Texas
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended September 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Services	\$ 3,250	\$ 3,250	\$ 2,807	\$ (443)
Fines & Fees	259,500	259,500	177,265	(82,235)
Taxes:				
Property	895,000	895,000	910,703	15,703
Sales	275,000	275,000	230,531	(44,469)
Franchise	94,000	94,000	90,682	(3,318)
Other	156,400	156,400	5,296	(151,104)
Miscellaneous	96,000	96,000	156,886	60,886
Total revenues	<u>1,779,150</u>	<u>1,779,150</u>	<u>1,574,170</u>	<u>(204,980)</u>
EXPENDITURES				
Current:				
General government	555,485	555,485	459,533	95,952
Public safety and judiciary	911,880	911,880	689,132	222,748
Cultural, parks, and recreation	536,600	536,600	537,497	(897)
Capital Outlay	-	-	180,162	(180,162)
Total expenditures	<u>2,003,965</u>	<u>2,003,965</u>	<u>1,866,324</u>	<u>137,641</u>
Excess of (expenditures) over revenues	<u>(224,815)</u>	<u>(224,815)</u>	<u>(292,154)</u>	<u>(67,339)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	227,363	227,363
Transfers out	(135,635)	(135,635)	(164,772)	(29,137)
Total other financing sources and uses	<u>(135,635)</u>	<u>(135,635)</u>	<u>62,591</u>	<u>198,226</u>
Net change in fund balances	<u>(360,450)</u>	<u>(360,450)</u>	<u>(229,563)</u>	<u>130,887</u>
Fund balances - beginning	<u>1,213,254</u>	<u>1,213,254</u>	<u>3,023,006</u>	<u>1,809,752</u>
Fund balances - ending	<u>\$ 852,804</u>	<u>\$ 852,804</u>	<u>\$ 2,793,443</u>	<u>\$ 1,940,639</u>

See accompanying notes and auditor's report

CITY OF VENUS, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
SEPTEMBER 30, 2015

Texas Municipal Retirement System

Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017	2018
Total Pension Liability					
Service cost	\$ 88,650				
Interest (on the Total pension liability)	80,660				
Changes of benefit terms	-				
Difference between expected and actual experience	57,782				
Change of assumptions	-				
Benefit payments, including refunds of employee contributions	(60,851)				
Net Change in Total Pension Liability	166,241				
Total Pension Liability - Beginning	1,138,393				
Total Pension Liability - Ending (a)	\$ 1,304,634				
Plan Fiduciary Net Position					
Contributions - employer	\$ 61,240				
Contributions - employee	46,611				
Net investment income	62,682				
Benefit payments, including refunds of employee contributions	(60,851)				
Administrative expense	(654)				
Other	(54)				
Net Change in Plan Fiduciary Net Position	\$ 108,974				
Plan Fiduciary Net Position - Beginning	1,095,574				
Plan Fiduciary Net Position - Ending (b)	\$ 1,204,548				
Net Pension Liability - Ending (a) - (b)	\$ 100,086				
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.33%				
Covered Employee Payroll	\$ 665,869				
Net Pension Liability as a Percentage of Covered Payroll	15.03%				

Schedule of Contributions
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 61,240	-	-	-	-
Contributions in relation to the actuarially determined contribution	61,240	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 665,869				
Contributions as a percentage of covered employee payroll	9.20%				

Notes to Schedule of Contributions

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smooth market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.5% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the Cit'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.

CITY OF VENUS, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015

I. Stewardship, compliance, and accountability

A. Budgetary information

As set forth in the City Charter, the City Council adopts an annual budget prepared in accordance with GAAP. The City Administrator may transfer part or all of any unencumbered appropriation balance among programs within a specific fund; however, any revisions that alter the total expenditures of the fund must be approved by the City Council. The City, for management purposes, adopts budgets for all funds except Special Revenue and Capital Projects which the use of these funds is legally restricted for a designated purpose. Legal budgets are adopted for the General Fund and the Debt Service Funds, the legal level of control is the fund level.

Capital Projects are funded through the issuance of general obligation debt authorized for a specific purpose.

All unused appropriations, except appropriations for capital expenditures, lapse at the close of the fiscal year to the extent they have not been expended or encumbered. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned; the purpose of any such appropriation shall be deemed abandoned if three (3) years pass without any disbursement from or encumbrance of the appropriation. No supplemental budgetary appropriations occurred in the debt service funds or in the General Fund. The revised budgets are used for budget versus actual comparisons. Revenues in the general fund were less than budget by \$204,980 and expenditures did not exceed the budget by \$137,641.

SUPPLEMENTAL REPORT



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

To the Honorable Mayor, and City Council
City of Venus, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audit 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, each major fund, and the aggregate remaining fund information of City of Venus, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Venus, Texas basic financial statements and have issued our report thereon dated September 2, 2016.

Internal Control over Financial Reporting

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

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

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

Lack of segregation of duties

A good system of internal control provides for a proper segregation of the accounting functions. The City has a small number of people in their offices performing a variety of duties, some of which may be incompatible. The City does not have the proper segregation of duties over cash receipts and disbursements, accounts receivable, and accounts payable. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. Also, separating these duties will improve internal controls over cash and other assets and reduce the possibility of irregularities. Management has taken great strides in reviewing and documenting the assignments of the accounting functions

Certified Public Accountants

and isolating any incompatible accounting functions that are the responsibility of one employee and reassigning the responsibilities for these duties, if practical, or create a supervisory review of these functions. Where possible, duties have been segregated to reduce the risk of errors or fraud.

City management cannot internally create the financial statements according to government accounting standards

The City is not capable of preparing its own financial statements but has the skills and competence to prevent, detect, and correct a misstatement in a timely manner. The City relies on us, the auditors, to prepare the financial statements and related footnotes. However, the auditor cannot become part of the City's internal control structure. The City accounts for its operations on a budgetary focus; that is, cash receipts and disbursements in relation to the budget and does so well considering continuing issues with staffing a small city. Transactions such as the incurring and paying of debt, the purchase of assets on debt, period-end accruals or other non-cash transactions like depreciation need additional attention and training. We recommend continuing the ongoing training in governmental accounting for the City Secretary / Finance Director on an annual basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Venus, Texas' 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*.

Purpose of this Report

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


Waters, Vollmering & Associates

Mansfield, Texas

September 2, 2016