

CITY OF KIRBY, TEXAS

**ANNUAL
FINANCIAL REPORT**

**FISCAL YEAR ENDED
SEPTEMBER 30, 2014**



CITY OF KIRBY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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CITY OF KIRBY, TEXAS

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR

TIMOTHY J. WILSON

MAYOR PRO-TEM

LISA B. PIERCE

CITY COUNCIL

JERRY LEHMAN

STEPHANIE FAULKNER

ERNEST SPRADLING

DEBRA WILSON

DON ALDRIDGE

CITY MANAGER

MONIQUE L. VERNON

ATTORNEY

MARC SCHNALL, LANGLEY & BANACK

AUDITOR

ARMSTRONG, VAUGHAN & ASSOCIATES, P.C.



SHAREHOLDERS:

Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The City of Kirby, Texas's 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 an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

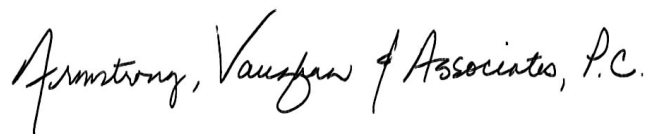
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedule of funding progress – defined benefit as listed in the table of contents be presented to supplement the basic financial statements.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

Other Information

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Kirby, Texas', financial statements. The comparative financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



Armstrong, Vaughan & Associates, P.C.

January 15, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

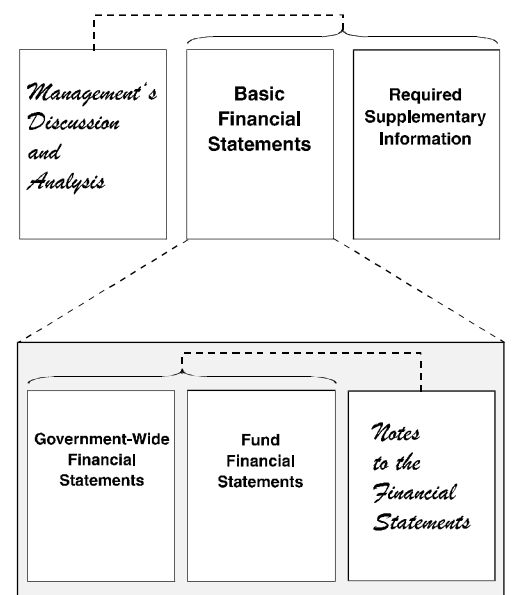
- The City's total combined net position was approximately \$11.3 million at September 30, 2014.
- During the year, the City's expenses were \$229 thousand less than the \$3.6 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance of \$2.6 million at the end of the fiscal year which represents a \$35 thousand decrease over the previous fiscal year.
- The City's Waterworks/Sewer Fund reported a \$470 thousand increase in net position over the previous fiscal year. Net position at September 30, 2014 was \$4.6 million.
- The City did not issue any new bonds during the fiscal year ending September 30, 2014.

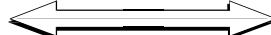
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



Summary  **Detail**

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary*

information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements			
Fund Statements			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: water and sewer.
<i>Required financial statements</i>	• Statement of Net Position	• Balance Sheet	• Statement of Net Position
	• Statement of Activities	• Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Property taxes, sales taxes, and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The total cost of all programs and services was \$5.16 million. Of these costs, 75.2% were for primary government activities, while the Water/Sewer utility accounted for the balance.

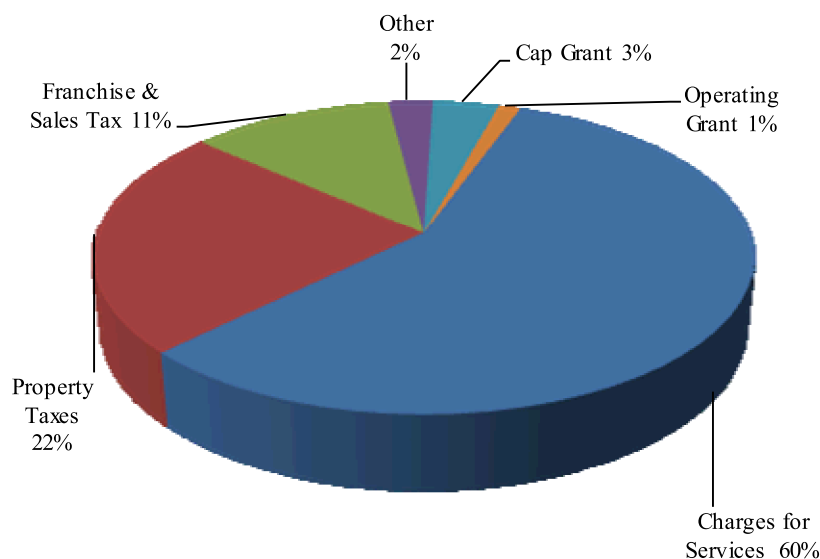
Net Position: The City's combined net position was \$11.3 million at September 30, 2014. (See Table A-1).

Table A-1
City's Net Position
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change Based on Actual 2014-2013
	2014	2013	2014	2013	2014	2013	
<i>Current Assets:</i>							
Cash and cash equivalents	\$ 2,339	\$ 2,482	\$ 2,784	\$ 2,408	\$ 5,124	\$ 4,890	4.8%
Receivables:							
Taxes	111	102	-	-	111	102	8.5%
Franchise Taxes	-	65	-	-	-	65	-100.0%
Accounts	111	21	322	283	432	304	42.2%
EMS	93	121	-	-	93	121	-22.4%
Due from Other Governments	413	195	-	-	413	195	111.3%
Internal Balances	86	78	(86)	(78)	-	-	0.0%
Inventories	37	39	9	9	46	48	-3.4%
Prepaid Items	20	2	31	31	52	33	56.6%
Restricted Assets:							
Cash and Investments	-	-	178	201	178	201	-11.2%
<i>Total Current Assets:</i>	<u>3,211</u>	<u>3,105</u>	<u>3,237</u>	<u>2,854</u>	<u>6,450</u>	<u>5,959</u>	<u>8.2%</u>
<i>Non-Current Assets:</i>							
Land	830	830	7	7	837	837	0.0%
Building and Improvements	4,453	4,426	-	88	4,453	4,514	-1.3%
Utility Plant and Easements	-	-	4,829	4,480	4,829	4,480	7.8%
Transportation & Equip	2,367	2,262	387	387	2,754	2,649	4.0%
Infrastructure	11,903	11,651	-	-	11,903	11,651	2.2%
Software	79	79	42	42	121	121	100.0%
Less Accumulated							
Depreciation	(13,764)	(13,295)	(3,627)	(3,436)	(17,391)	(16,731)	3.9%
<i>Total Non-Current Assets:</i>	<u>5,868</u>	<u>5,953</u>	<u>1,638</u>	<u>1,568</u>	<u>7,506</u>	<u>7,521</u>	<u>-0.2%</u>
<i>Total Assets</i>	<u>9,079</u>	<u>9,058</u>	<u>4,877</u>	<u>4,422</u>	<u>13,956</u>	<u>13,480</u>	<u>3.5%</u>
<i>Current Liabilities:</i>							
Accounts Payable	427	207	105	127	533	334	59.7%
Accrued Vacation	73	85	15	13	88	98	-10.2%
Accrued Interest	4	4	-	-	4	4	-14.7%
Unearned Grant Revenue	-	46	-	-	-	46	100.0%
Payable from Restricted Assets:							
Customer Deposits	-	-	166	162	166	162	2.3%
<i>Total Current Liabilities</i>	<u>504</u>	<u>342</u>	<u>286</u>	<u>302</u>	<u>790</u>	<u>644</u>	<u>22.7%</u>
<i>Long-Term Liabilities:</i>							
Bonds, Obligations	1,859	2,228	-	-	1,859	2,228	-16.6%
<i>Total Liabilities</i>	<u>2,362</u>	<u>2,570</u>	<u>286</u>	<u>302</u>	<u>2,649</u>	<u>2,872</u>	<u>-7.8%</u>
<i>Net Position:</i>							
Invested in Capital Assets	4,009	3,725	1,638	1,568	5,648	5,293	6.7%
Restricted for:							
Special Projects	101	87	-	-	101	87	16.3%
Debt Service	13	25	-	-	13	25	-49.4%
Unrestricted	2,594	2,651	2,951	2,552	5,545	5,203	6.6%
<i>Total Net Position</i>	<u>\$ 6,717</u>	<u>\$ 6,488</u>	<u>\$ 4,590</u>	<u>\$ 4,120</u>	<u>\$ 11,307</u>	<u>\$ 10,608</u>	<u>6.6%</u>

Changes in net position. The City's total revenues were \$5.8 million. A significant portion, 22.1%, of the City's revenue comes from property taxes. (See Figure A-3.) 60.3% comes from charges for services (Water, Court, EMS, etc), while only 10.8% relates to Franchise and Sales taxes.

Figure A-3



Governmental Activities

- Property tax rates increase to 0.729376 from .710978.
- Property tax revenue increased to \$1,392,306 in the current year vs. \$1,377,806 in the prior year.
- The cost of all *governmental* activities this year was approximately \$3.8 million. The amount that our taxpayers paid for these activities through property taxes was \$1,392,306. Some of the cost was paid by those who directly benefited from the programs in the amount of \$1,193,476 million and an additional \$280 thousand by grants and contributions.

Table A-2 presents the program revenues of each of the City's largest functions.

Table A-2
Program Revenues
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2014-2013
Program Revenues:							
General Government	\$ 173	\$ 140	\$ -	\$ -	\$ 173	\$ 140	23.8%
Police Protection & Court	238	219	-	-	238	219	8.9%
Fire/EMS Protection	649	725	-	-	649	725	-10.5%
Animal Services	25	29	-	-	25	29	-14.9%
Parks and Recreation	48	47	-	-	48	47	3.0%
Street and Shops	59	150	-	-	59	150	-60.9%
General City	-	-	-	-	-	-	0.0%
Water/Sewer Utility	-	-	2,149	2,006	2,149	2,006	7.1%
Total Program Revenues	<u>\$ 1,193</u>	<u>\$ 1,310</u>	<u>\$ 2,149</u>	<u>\$ 2,006</u>	<u>\$ 3,342</u>	<u>\$ 3,316</u>	<u>0.8%</u>

Table A-3 presents the cost of each of the City's largest functions, as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Table A-3
Net Cost of Selected City Functions
(In thousands dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2014	2013		2014	2013	
General Government	\$ 379	\$ 290	30.8%	\$ 205	\$ 150	36.9%
Police Protection & Court	1,216	1,055	15.3%	967	722	33.8%
Fire/EMS Protection	1,022	869	17.6%	367	140	162.7%
Animal Services	187	119	57.5%	115	87	32.5%
Parks and Recreation	176	182	-3.6%	127	135	-5.4%
Highways and Streets	238	467	-49.0%	(36)	150	-123.9%
General City Operations	590	642	-8.1%	590	642	-8.1%
Water and Sewer	1,281	1,215	5.4%	(882)	(791)	11.5%
Debt Service - Interest & Fiscal Charges	66	155	-57.3%	66	155	-57.1%

Business-Type Activities

Operating revenues of the City's Water & Sewer business-type activities increased from \$2 million in the prior year to \$2.1 million in the current year, an increase of \$156 thousand or 7.0%. Operating expenses not including transfers to other funds increased from \$1.2 million in the prior year to \$1.3 million in the current year, an increase of \$66 thousand or 5%.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$3.58 million for the current year vs. \$3.85 million in the prior year, a decrease of \$269,370. Expenditures from governmental fund types totaled \$4.2 million for the current year vs. \$3.9 million in the prior year, an increase of \$263 thousand or 6.7%. The general fund balance decreased by \$36 thousand from 2.6 million in the prior year to \$2.57 million in the current year. Of this amount \$2.4 million is unassigned and represents 8.96 months of average expenditures in reserve. Long term debt paid during the year totaled \$365,000 in principal and \$71,313 in interest.

General Fund Budgetary Highlights

The city revised its original budget several times, to adjust for changes resulting in an overall increase of \$56,178 in revenues. As part of the budget revision, additional expenditure estimates were made mainly for mid-year salary increases, maintenance on buildings, equipment and vehicles, and the basketball court reconstruction resulting in an overall increase of \$95,818 in expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2014, the City had invested \$24,896,808 million in a broad range of capital assets, including land, equipment, buildings, vehicles, and software (See Table A-4). This amount represents a net increase of \$645,725 or 2.7 % over last year.

Table A-4
City's Capital Assets
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2014-2013
Land	\$ 830	\$ 830	\$ 7	\$ 7	\$ 837	\$ 837	0.0%
Buildings and Improvements	4,453	4,426	88	88	4,541	4,514	0.6%
Vehicles	2,367	2,262	387	387	2,754	2,649	4.0%
Infrastructure	11,903	11,651	-	-	11,903	11,651	2.2%
Software	79	79	42	42	121	121	-0.2%
Utility Plant	-	-	4,742	4,480	4,742	4,480	5.8%
Totals at Historical Cost	19,631	19,248	5,267	5,004	24,899	24,252	2.7%
Total Accumulated Depreciation	(13,764)	(13,295)	(3,627)	(3,436)	(17,391)	(16,731)	3.9%
Net Capital Assets	<u>\$ 5,868</u>	<u>\$ 5,953</u>	<u>\$ 1,639</u>	<u>\$ 1,568</u>	<u>\$ 7,507</u>	<u>\$ 7,521</u>	<u>-0.2%</u>

The city purchased various pieces of equipment in regard to the police protection, fire department, parks and pools, streets reconstruction, and waterworks department. Detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had \$1.9 million in bonds and notes outstanding and \$72 thousand in compensated absences in the governmental and \$15 thousand in the business-type activities for compensated absences as shown in Table A-5. Detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt
(In thousands dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2014-2013
Bonds Payable	\$ 1,859	\$ 2,228	\$ -	\$ -	\$ 1,859	\$ 2,228	-16.6%
Vacation Payable	72	84	15	13	87	97	-10.0%
Total Bonds & Notes Payable	<u>\$ 1,931</u>	<u>\$ 2,312</u>	<u>\$ 15</u>	<u>\$ 13</u>	<u>\$ 1,946</u>	<u>\$ 2,325</u>	<u>-16.3%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Lease purchase of a new fire pumper for the fire department.
- Equipment purchases for Police, Fire and the Water Department.
- Telegraph/Rutledge Street Repair of \$340,157 partially paid by CDBG Grant
- The Rosillo Creek Drainage Project began in January 2013 with funding of \$8,000,000 from Bexar County, Texas continues.
- Hiking and Biking Trail Project at Friendship Park is expected to begin in 2015 with Federal funding of \$500,000
- Binz-Engleman Road Project is expected to begin in 2016 with funding of \$2,100,000 to be received.

These indicators were taken into account when adopting the general fund budget for 2014/2015. The property taxes rate will remain at 0.729376/\$100 as a result of the approved budget. This will result in \$1,322,992 of projected property tax revenues. General Fund Revenues (includes transfers from other

funds) budgeted for 2014/2015 total \$4,425,494. General Fund Expenditures (includes transfers to other funds) budgeted for 2014/2015 total \$4,600,190.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at (210) 661-3198.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
 - Governmental Funds
 - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Kirby Senior Center Corporation
ASSETS				
<i>Current Assets:</i>				
Cash and Investments	\$ 2,339,475	\$ 2,784,251	\$ 5,123,726	\$ 4,767
Receivables (net of allowances for uncollectibles)				
Taxes	110,230	-	110,230	-
Accounts	111,473	320,549	432,022	18,225
EMS Charges	93,330	-	93,330	-
Other	-	-	-	-
Due from Other Governments	412,700	-	412,700	5,682
Internal Balances	86,375	(86,375)	-	-
Inventories	37,213	9,041	46,254	-
Prepaid Items	20,476	31,353	51,829	8,155
Restricted Assets:				
Cash and Investments	-	178,478	178,478	-
<i>Total Current Assets</i>	<u>3,211,272</u>	<u>3,237,297</u>	<u>6,448,569</u>	<u>36,829</u>
<i>Capital Assets:</i>				
Land	829,820	7,005	836,825	-
Buildings & Improvements	4,453,473	-	4,453,473	253,026
Utility Plant and Easements	-	4,829,170	4,829,170	-
Transportation & Equipment	2,366,523	387,239	2,753,762	193,659
Infrastructure	11,902,788	-	11,902,788	-
Software	78,790	42,000	120,790	-
Accumulated Depreciation and Amortization	<u>(13,763,534)</u>	<u>(3,627,032)</u>	<u>(17,390,566)</u>	<u>(340,199)</u>
<i>Total Capital Assets</i>	<u>5,867,860</u>	<u>1,638,382</u>	<u>7,506,242</u>	<u>106,486</u>
TOTAL ASSETS	<u>\$ 9,079,132</u>	<u>\$ 4,875,679</u>	<u>\$ 13,954,811</u>	<u>\$ 143,315</u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Kirby Senior Center Corporation
LIABILITIES				
<i>Current Liabilities:</i>				
Accounts Payable and Other Current Liabilities	427,411	104,864	532,275	17,552
Accrued Vacation Leave Payable	71,870	15,392	87,262	-
Accrued Interest Payable	3,502	-	3,502	-
Payable from Restricted Assets:				
Customer Deposits	-	165,940	165,940	-
<i>Total Current Liabilities</i>	<u>502,783</u>	<u>286,196</u>	<u>788,979</u>	<u>17,552</u>
<i>Long-Term Liabilities:</i>				
Due within One Year	375,000	-	375,000	5,946
Due in more than One Year	1,483,943	-	1,483,943	36,110
<i>Total Long-Term Liabilities:</i>	<u>1,858,943</u>	<u>-</u>	<u>1,858,943</u>	<u>42,056</u>
TOTAL LIABILITIES	<u>2,361,726</u>	<u>286,196</u>	<u>2,647,922</u>	<u>59,608</u>
NET POSITON				
Net Investment in Capital Assets	4,008,917	1,638,382	5,647,299	64,430
Restricted for:				
Debt Service Fund	12,640	-	12,640	-
PEG Capital Fees	52,377	-	52,377	-
Public Safety	48,806	-	48,806	-
Kirby Senior Center	-	-	-	658
Unrestricted	<u>2,594,666</u>	<u>2,951,101</u>	<u>5,545,767</u>	<u>18,619</u>
TOTAL NET POSITION	<u>6,717,406</u>	<u>4,589,483</u>	<u>11,306,889</u>	<u>83,707</u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
City Council	\$ 14,998	\$ -	\$ -	\$ -
City Administration	364,335	173,287	-	-
Police Protection	1,130,297	226,322	10,864	-
Municipal Court	85,913	13,115	-	-
Fire/EMS Protection	1,021,875	649,039	-	5,423
Animal Services	187,405	24,668	48,050	-
Parks and Pool	175,536	48,406	-	-
Streets and Shops	238,368	58,639	-	215,745
General City Operations	590,052	-	-	-
Interest on Long-Term Debt	66,215	-	-	-
Total Governmental Activities	3,874,994	1,193,476	58,914	221,168
Business-Type Activities				
Water\Sewer Utility	1,280,736	2,148,590	14,600	-
Total Business-Type Activities	1,280,736	2,148,590	14,600	-
Total Primary Government	5,155,730	3,342,066	73,514	221,168
Component Unit:				
Kirby Senior Center Corp.	342,100	306,955	-	-
Total Component Unit	\$ 342,100	\$ 306,955	\$ -	\$ -
General Revenues:				
Taxes				
General Property Taxes				
Franchise Taxes				
Sales Taxes				
Interest and Investment Earnings				
Capital Improvement Fee				
Gain on Sale of Property and Equipment				
Miscellaneous				
Total General Revenues				
Transfers				
Change in Net Position				
Net Position at Beginning of Year				
Net Position at End of Year				

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Kirby Senior Center Corporation
\$ (14,998)	\$ -	\$ (14,998)	\$ -
(191,048)	-	(191,048)	-
(893,111)	-	(893,111)	-
(72,798)	-	(72,798)	-
(367,413)	-	(367,413)	-
(114,687)	-	(114,687)	-
(127,130)	-	(127,130)	-
36,016	-	36,016	-
(590,052)	-	(590,052)	-
(66,215)	-	(66,215)	-
<u>(2,401,436)</u>	<u>-</u>	<u>(2,401,436)</u>	<u>-</u>
-	882,454	882,454	-
<u>-</u>	<u>882,454</u>	<u>882,454</u>	<u>-</u>
<u>(2,401,436)</u>	<u>882,454</u>	<u>(1,518,982)</u>	<u>-</u>
-	-	-	(35,145)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,145)</u>
1,392,306	-	1,392,306	-
368,225	-	368,225	-
308,925	-	308,925	-
4,491	4,128	8,619	1
-	114,449	114,449	-
7,540	-	7,540	-
18,180	-	18,180	-
<u>2,099,667</u>	<u>118,577</u>	<u>2,218,244</u>	<u>1</u>
<u>530,987</u>	<u>(530,987)</u>	<u>-</u>	<u>-</u>
229,218	470,044	699,262	(35,144)
6,488,188	4,119,439	10,607,627	118,851
<u>\$ 6,717,406</u>	<u>\$ 4,589,483</u>	<u>\$ 11,306,889</u>	<u>\$ 83,707</u>

CITY OF KIRBY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 2,331,895	\$ 7,580	\$ 2,339,475
Receivables (net of allowances for uncollectibles):			
Property Taxes	101,887	8,343	110,230
EMS Charges	93,330	-	93,330
Accounts	111,473	-	111,473
Due from Other Governments	412,700	-	412,700
Due from Other Funds	86,156	219	86,375
Inventory of Supplies, At Cost	37,213	-	37,213
Prepaid Items	20,476	-	20,476
	<u>20,476</u>	<u>-</u>	<u>20,476</u>
TOTAL ASSETS	<u>\$ 3,195,130</u>	<u>\$ 16,142</u>	<u>\$ 3,211,272</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
<i>Liabilities:</i>			
Accounts Payable	\$ 313,448	\$ -	\$ 313,448
Accrued Expenditures	113,962	-	113,962
<i>Total Liabilities</i>	<u>427,410</u>	<u>-</u>	<u>427,410</u>
<i>Deferred Inflows of Resources:</i>			
Unearned EMS Revenues	93,330	-	93,330
Unavailable Revenues	101,887	8,343	110,230
<i>Total Deferred Inflows of Resources</i>	<u>195,217</u>	<u>8,343</u>	<u>203,560</u>
<i>Fund Balances:</i>			
Nonspendable:			
Inventory	37,213	-	37,213
Prepaid Items	20,476	-	20,476
Restricted for:			
PEG Capital Fees	52,377	-	52,377
Public Safety	48,806	-	48,806
Debt Service	-	7,799	7,799
Unassigned	2,413,631	-	2,413,631
	<u>2,413,631</u>	<u>-</u>	<u>2,413,631</u>
<i>Total Fund Balances</i>	<u>2,572,503</u>	<u>7,799</u>	<u>2,580,302</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,195,130</u>	<u>\$ 16,142</u>	<u>\$ 3,211,272</u>

See accompanying notes to basic financial statements.

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

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 2,580,302
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,867,860
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned in the funds.	203,559
Compensated absences are not due and payable in the current period and, therefore, not reported in the funds.	(71,870)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, not reported in the funds.	(1,858,943)
Accrued interest payable on long-term-bonds is not due and payable in the current period and, therefore, not reported in the funds.	<u>(3,502)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 6,717,406</u></u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Debt Service	Total Governmental Funds
REVENUES			
Taxes	\$ 1,591,005	\$ 101,477	\$ 1,692,482
Franchise Fees	368,334	-	368,334
Licenses and Permits	151,691	-	151,691
Intergovernmental	9,506	-	9,506
Fines and Penalties	236,897	-	236,897
Charges for Services	832,152	-	832,152
Grants	270,576	-	270,576
Miscellaneous	22,654	17	22,671
TOTAL REVENUES	<u>3,482,815</u>	<u>101,494</u>	<u>3,584,309</u>
EXPENDITURES			
<i>Current:</i>			
City Council	14,999	-	14,999
City Administration	354,310	-	354,310
Police Protection	959,275	-	959,275
Municipal Court	83,052	-	83,052
Fire\EMS Protection	859,513	-	859,513
Animal Services	182,249	-	182,249
Parks and Pool	173,049	-	173,049
Streets and Shops	240,973	-	240,973
General City Operations	365,572	-	365,572
Capital Projects/Outlay	503,271	-	503,271
<i>Debt Service:</i>			
Principal	-	365,000	365,000
Interest and Fiscal Charges	-	71,313	71,313
TOTAL EXPENDITURES	<u>3,736,263</u>	<u>436,313</u>	<u>4,172,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (253,448)</u>	<u>\$ (334,819)</u>	<u>\$ (588,267)</u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Major Fund</u> General Fund	<u>Major Fund</u> Debt Service	Total Governmental Funds
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 480,000	\$ 320,987	\$ 800,987
Transfers Out	(270,000)	-	(270,000)
Proceeds from Sale of Assets	<u>7,540</u>	<u>-</u>	<u>7,540</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>217,540</u>	<u>320,987</u>	<u>538,527</u>
Net Change in Fund Balance	(35,908)	(13,832)	(49,740)
Fund Balances at Beginning of Year	<u>2,608,411</u>	<u>21,631</u>	<u>2,630,042</u>
Fund Balances at End of Year	<u><u>\$ 2,572,503</u></u>	<u><u>\$ 7,799</u></u>	<u><u>\$ 2,580,302</u></u>

See accompanying notes to basic financial statements.



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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (49,740)

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which depreciation exceeded capital outlays. (85,073)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds. (18,627)

The issuance of long-term-debt (e.g. bonds and capital leases) provides
current financial resources to governmental funds, while the repayment of
principal of long-term debt consumes the current financial resources of
governmental funds. Neither transaction, however, has any effect on net
position. Also, governmental funds report the net effect of premiums,
discounts, and similar items when debt is first issued, where as these
amounts are amortized in the Statement of Activities. This amount is the
net effect of these differences in the treatment of long-term-debt and
related items.

Repayment of Principal	365,000	
Amortization of Bond Premium	<u>4,489</u>	369,489

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds:

Compensated Absences	12,561	
Accrued Interest	<u>608</u>	<u>13,169</u>

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 229,218

CITY OF KIRBY, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND
SEPTEMBER 30, 2014

	Business-Type Activities Waterworks\Sewer Fund
ASSETS	
<i>Current Assets:</i>	
Cash and Investments	\$ 2,784,251
Receivables (net of allowances for uncollectibles):	
Accounts	320,549
Inventories	9,041
Prepaid Items	31,353
<i>Total Current Assets</i>	<u>3,145,194</u>
<i>Restricted Assets:</i>	
Cash and Investments	<u>178,478</u>
<i>Total Restricted Assets</i>	<u>178,478</u>
<i>Capital Assets:</i>	
Land	7,005
Utility Plant and Easements	4,829,170
Transportation & Equipment	387,239
Software	42,000
Accumulated Depreciation	<u>(3,627,032)</u>
<i>Capital Assets, net of accumulated depreciation</i>	<u>1,638,382</u>
TOTAL ASSETS	<u><u>\$ 4,962,054</u></u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF NET POSITION – PROPRIETARY FUND (CONTINUED)
SEPTEMBER 30, 2014

	Business-Type Activities
	Waterworks\Sewer Fund
LIABILITIES	
<i>Current Liabilities:</i>	
Accounts Payable	\$ 104,864
Accrued Compensated Absences	15,392
Due to Other Funds	86,375
<i>Total Current Liabilities</i>	<u>206,631</u>
<i>Current Liabilities Payable from Restricted Assets:</i>	
Customer Deposits	<u>165,940</u>
<i>Total Current Liabilities Payable from Restricted Assets</i>	<u>165,940</u>
TOTAL LIABILITIES	<u>372,571</u>
NET POSITION	
Net Investment in Capital Assets	1,638,382
Unrestricted	<u>2,951,101</u>
TOTAL NET POSITION	<u>\$ 4,589,483</u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities
	Waterworks\Sewer Fund
OPERATING REVENUES	
Charges for Utility Service	\$ 2,163,190
TOTAL OPERATING REVENUES	<u>2,163,190</u>
OPERATING EXPENSES	
Salaries and Benfits	241,547
Supplies	57,130
Maintenance and Repairs	70,477
Contractual Services	691,484
Miscellaneous	28,754
Depreciation	191,344
TOTAL OPERATING EXPENSES	<u>1,280,736</u>
OPERATING INCOME (LOSS)	<u>882,454</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	4,128
Capital Improvement Fee	114,449
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>118,577</u>
Net Income (Loss) Before Contributions and Transfers	1,001,031
Transfers In (Out)	<u>(530,987)</u>
CHANGE IN NET POSITION	470,044
NET POSITION AT BEGINNING OF YEAR	<u>4,119,439</u>
NET POSITION AT END OF YEAR	<u><u>\$ 4,589,483</u></u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities Waterworks\Sewer Fund
Cash Flows From Operating Activities:	
Cash Received From Customers	\$ 2,125,116
Cash Paid for Employee Wages & Benefits	(244,163)
Cash Paid to Suppliers for Goods & Services	(864,426)
Net Cash Provided (Used) by Operating Activities	1,016,527
Cash Flows From Noncapital Financing Activities:	
Customer Deposits Received (Returned)	3,770
Interfund Payables (Receivables)	8,454
Transfers From (To) Other Funds	(530,987)
Net Cash Provided (Used) by Noncapital Financing Activities	(518,763)
Cash Flows From Capital and Related Financing Activities:	
Purchase/Construction of Capital Assets	(262,134)
Capital Improvement Fee	114,449
Net Cash Provided (Used) by Capital and Related Financing Activities	(147,685)
Cash Flows From Investing Activities:	
Investment Interest Received	4,128
Net Cash Provided (Used) by Investing Activities	4,128
Net Increase (Decrease) in Cash and Investments	354,207
Cash and Investments at Beginning of Year:	
Cash and Investments	2,434,185
Restricted Cash and Investments	174,337
	2,608,522
Cash and Investments at End of Year:	
Cash and Investments	2,784,251
Restricted Cash and Investments	178,478
	\$ 2,962,729

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Business-Type Activities
	Waterworks\Sewer Fund
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income	\$ 882,454
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	191,344
(Increase) Decrease in Operating Assets:	
Accounts Receivable	(38,075)
Inventory	104
Prepaid Items	-
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(21,916)
Accrued Wages & Benefits	2,616
Total Adjustments to Reconcile Operating Activities	<u>134,073</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,016,527</u></u>

See accompanying notes to basic financial statements.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kirby, Texas ("City"), was incorporated in May 1955. The City Charter was adopted in May 1988, under the provisions of the Home Rule Charter Act of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: police and fire protection, health services, maintenance of streets, planning and zoning, parks and recreation, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. REPORTING ENTITY

Component Units

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations; thus, data from these units, if any existed, would be combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

The City of Kirby, Texas, has only one component unit (Kirby Senior Center) which is discretely presented in the component unit column of the combined financial statements. The component unit is reported in a separate column to emphasize that it is legally separate from the City.

The Board of the Kirby Senior Center is appointed by the City of Kirby, Texas', City Council. The center was established to provide senior citizens with educational, recreational, health and nourishment programs. The City of Kirby, Texas, provides a material subsidy to the senior center, primarily to help maintain the facility and provide a paid program manager. The City has approval over the budget of the senior center and general oversight of the entire operation. The fiscal year of the Kirby Senior Center is October 1 through September 30. A copy of the financial statements for the Kirby Senior Center can be obtained from the City of Kirby, Texas.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City and its component unit. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The primary government is reported separately from the component unit within the government wide statements.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund and Debt Service Fund meet the criteria of a **major governmental fund**. This fund is reflected in a separate column in the Balance Sheet, Statement of Revenues, Expenditures, and Changes in Fund Balances.

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

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as unearned revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when the liability has matured and payment is due.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, public service and capital acquisition.

The Debt Service Fund is used to account for the revenues specifically restricted by law for debt retirement (i.e.: ad valorem).

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Fund is the Water/Sewer Fund (used to account for the provision of water and sewer services to residents).

The **Proprietary Fund** is accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

5. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (d); or, (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. The City has all its monies in interest bearing checking accounts, savings accounts, money market accounts or certificates of deposit. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair value in accordance with Governmental Accounting Standards Board (GASB) No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

6. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

8. INVENTORIES

Inventories of consumable supplies are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

Inventories of repair and replacement parts for the utility system are valued at cost, which approximates market, using the first in, first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent “available spendable resources”.

9. PREPAID ITEMS

Payments made for goods and services in advance are recorded as prepaid items on the balance sheet.

10. RESTRICTED ASSETS

Certain resources are set aside for customer meter deposits, deposits are classified as restricted assets on the balance sheet because they may be refunded at a point in time if the customer is in good standing with the waterworks/sewer department.

11. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. CAPITAL ASSETS (Continued)

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and improvements	20 to 40 years
Improvements other than buildings	20 to 40 years
Utility system in service	10 to 50 years
Machinery and equipment	5 to 25 years
Software	5 years

12. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as unavailable revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unavailable revenue.

13. COMPENSATED ABSENCES

Employees earn vacation leave at varying rates depending on length of service: 10 days leave for year 1 (not available for use until first year of service is completed), plus 1 additional day per year for each year of service (i.e. 11 days for year two, 12 days for year three, etc.) up to a maximum of 30 days per year. Annual leave will not be carried over, except with City Manager approval.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. COMPENSATED ABSENCES (Continued)

Employees earn sick leave at the rate of 1 day per month starting on date of employment. A maximum of 60 days of sick leave can be accrued. No sick leave days are paid when an employee leaves city employment and no liability is reported for unpaid sick leave.

Liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

14. UNAVAILABLE REVENUE/UNEARNED REVENUE

EMS revenues are recognized when it becomes both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. EMS revenues not expected to be available for the current period are reflected as unavailable revenue.

Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant revenues received in advance of expenses/expenditures are reflected as unearned revenue.

15. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts, as well as issuance costs, are amortized over the life of the bond.

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

16. FUND EQUITY

Fund balances in governmental funds are classified as follows:

Nonspendable - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. FUND EQUITY (Continued)

Committed - Represents amounts that can only be used for a specific purpose because of a highest form formal action by the City Council (ordinance). Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. The City Council is the only entity that may make assignments at this time as the Council has not designated any other individuals with the authority to make assignments.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

17. NET POSITION

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

18. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water, and sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

19. INTERFUND TRANSACTIONS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Waterworks/Sewer (Proprietary) Fund an indirect cost percentage of general government administration expenses that are paid through the general fund.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

21. RECLASSIFICATIONS

Certain reclassifications have been made to the September 30, 2013 comparative information to conform to the September 30, 2014 presentation. These reclassifications had no effect on fund balances or net position.

NOTE B -- DEPOSITS AND INVESTMENTS

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

1. Deposits

At September 30, 2014, the carrying amount of the primary government's (the City) cash on hand was \$525 and deposits in bank were \$2,921,660 and the book balance was \$2,848,619. Of the bank balance, \$250,000 was covered by federal deposit insurance and the City's depository had pledged securities having a book value of \$3,783,489 and market value of \$3,746,316 as collateral for the City's deposits. All of the City's cash was fully collateralized.

As of September 30, 2014, the Kirby Senior Center Corporation's (Component Unit) deposits had a carrying value of \$4,767 and the bank balance was \$4,767. The deposits of the Kirby Senior Center were entirely insured by FDIC coverage.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

2. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investments at September 30, 2014 are as shown below:

	<u>Reported Value</u>	<u>Fair Value</u>
TexPool	\$ 2,453,060	\$ 2,453,060
Total Investments	<u>\$ 2,453,060</u>	<u>\$ 2,453,060</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

At September 30, 2014, the City's investments were all in TexPool a public funds investment pool where all securities held maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

3. Analysis of Specific Deposit and Investment Risks (Continued)

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City had no exposure to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

4. Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE B -- DEPOSITS AND INVESTMENTS (Continued)

5. Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

NOTE C -- RECEIVABLES

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

	<u>Governmental Funds</u>		<u>Proprietary Fund</u>	
	<u>General Fund</u>	<u>Debt Service</u>	<u>Waterworks\ Sewer Fund</u>	<u>Total</u>
<i>Receivables:</i>				
Property Taxes	\$ 111,368	\$ 9,120	\$ -	\$ 120,488
Less Allowance for Uncollectibles	(9,481)	(777)	-	(10,258)
Franchise Taxes	83,004	-	-	83,004
EMS Services	466,652	-	-	466,652
Less Allowance for Uncollectibles	(373,322)	-	-	(373,322)
Customer Accounts	-	-	335,549	335,549
Less Allowance for Uncollectibles	-	-	(15,000)	(15,000)
Other	28,469	-	-	28,469
Net Total Receivables	<u>\$ 306,690</u>	<u>\$ 8,343</u>	<u>\$ 320,549</u>	<u>\$ 635,582</u>

NOTE D -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar County Appraisal District at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2013, upon which the fiscal 2014 levy was based, was \$187,883,815 (i.e., market value less exemptions). The estimated market value was \$210,044,973, making the taxable value 89.40% of the estimated market value.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE D -- PROPERTY TAX CALENDAR (Continued)

The City is permitted by the Constitution of the State of Texas to levy taxes up to \$2.50 per \$100 of taxable assessed valuation for all governmental purposes. Pursuant to a decision of the Attorney General of the State of Texas, up to \$1.50 per \$100 of assessed valuation may be used for the payment of long-term debt. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2014, was \$.729376 per \$100 of assessed value, which means that the City has a tax margin of \$1.770624 for each \$100 value and could increase its annual tax levy by approximately \$3,327,422 based upon the present assessed valuation of \$187,883,815 before the limit is reached. However, the City may not adopt a tax rate that exceeds the tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate.

Property taxes are recorded as receivables and unearned revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

NOTE E -- INTERFUND RECEIVABLE/PAYABLE

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of September 30, 2014, balances of interfund amounts receivable or payable have been recorded as follows:

	Due From	Due To
<i>Primary Government</i>		
General Fund:		
Waterworks/Sewer	\$ 86,375	\$ -
Debt Service	-	219
	<u>86,375</u>	<u>219</u>
Debt Service:		
General Fund	219	-
	<u>219</u>	<u>-</u>
Waterworks/Sewer Fund:		
General Fund	-	86,375
	<u>-</u>	<u>86,375</u>
Totals	<u>\$ 86,594</u>	<u>\$ 86,594</u>

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE F -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014, was as follows:

<u>Governmental Activities</u>	<u>Balance 10/1/2013</u>	<u>Additions/ Transfer In</u>	<u>Disposals/ Transfer Out</u>	<u>Balance 9/30/2014</u>
Land	\$ 829,820	\$ -	\$ -	\$ 829,820
Buildings and Improvements	4,426,271	27,202	-	4,453,473
Transportation & Equipment	2,261,818	207,198	(102,493)	2,366,523
Infrastructure	11,651,109	251,679	-	11,902,788
Software	78,790	-	-	78,790
	<u>19,247,808</u>	<u>486,079</u>	<u>(102,493)</u>	<u>19,631,394</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,126,355)	(142,116)	-	(1,268,471)
Transportation & Equipment	(1,399,196)	(269,820)	102,493	(1,566,523)
Infrastructure	(10,753,565)	(143,459)	-	(10,897,024)
Software	(15,758)	(15,758)	-	(31,516)
	<u>(13,294,874)</u>	<u>(571,153)</u>	<u>102,493</u>	<u>(13,763,534)</u>
Governmental Capital Assets, Net	<u>\$ 5,952,934</u>	<u>\$ (85,074)</u>	<u>\$ -</u>	<u>\$ 5,867,860</u>
<u>Business-Type Activities</u>				
Land	\$ 7,005	\$ -	\$ -	\$ 7,005
Buildings and Improvements	87,509	-	-	87,509
Utility Plant	4,479,527	262,134	-	4,741,661
Transportation & Equipment	387,239	-	-	387,239
Software	42,000	-	-	42,000
Totals at Historical Cost	<u>5,003,280</u>	<u>262,134</u>	<u>-</u>	<u>5,265,414</u>
Less Accumulated Depreciation				
Buildings and Improvements	(87,506)	-	-	(87,506)
Utility Plant	(3,063,514)	(150,405)	-	(3,213,919)
Transportation & Equipment	(276,267)	(32,540)	-	(308,807)
Software	(8,400)	(8,400)	-	(16,800)
	<u>(3,435,687)</u>	<u>(191,345)</u>	<u>-</u>	<u>(3,627,032)</u>
Business-Type Capital Assets, Net	<u>\$ 1,567,593</u>	<u>\$ 70,789</u>	<u>\$ -</u>	<u>\$ 1,638,382</u>

Land is not depreciated.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE F -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

City Administration	\$ 24,152
Fire Protection\EMS	148,335
Police Protection	170,864
Public Works	224,476
Animal Services	<u>3,326</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 571,153</u></u>

NOTE G -- LONG-TERM DEBT

Primary Government

Long-term debt and obligations payable at September 30, 2014, comprise the following individual issues:

\$2,970,000 Combination Tax and Revenue Certificates of Obligation, Series 2009 payable in annual installments of \$235,000 to \$345,000 through 2019; interest at 2.25% to 3.75%	\$ 1,610,000
\$715,000 General Obligation Refunding Bonds, Series 2009 payable in annual installments of \$125,000 to \$65,000 through 2017; interest at 2.25% to 3.0%	<u>235,000</u>
Total Governmental Long-Term Obligations	<u><u>\$ 1,845,000</u></u>

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2014, including interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 375,000	\$ 57,412	\$ 432,412
2016	385,000	45,625	430,625
2017	405,000	32,481	437,481
2018	335,000	19,219	354,219
2019	345,000	6,469	351,469
	<u><u>\$ 1,845,000</u></u>	<u><u>\$ 161,206</u></u>	<u><u>\$ 2,006,206</u></u>

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE G -- LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

<u>Governmental Activities</u>	<u>Balance 10/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2014</u>	<u>Due Within One Year</u>
General Obligation Refunding	\$ 305,000	\$ -	\$ (70,000)	\$ 235,000	\$ 75,000
Premium	1,436	-	(240)	1,196	-
Certificates of Obligation, 2009	1,905,000	-	(295,000)	1,610,000	300,000
Premium	16,996	-	(4,249)	12,747	-
Compensated Absences	84,431	71,870	(84,431)	71,870	71,870
Total Governmental Activities	<u>\$ 2,312,863</u>	<u>\$ 71,870</u>	<u>\$ (453,920)</u>	<u>\$ 1,930,813</u>	<u>\$ 446,870</u>
<u>Business-Type Activities</u>					
Compensated Absences	\$ 12,776	\$ 15,392	\$ (12,776)	\$ 15,392	\$ 15,392
Total Business-Type Activities	<u>12,776</u>	<u>15,392</u>	<u>(12,776)</u>	<u>15,392</u>	<u>15,392</u>
Total Primary Government	<u>\$ 2,325,639</u>	<u>\$ 87,262</u>	<u>\$ (466,696)</u>	<u>\$ 1,946,205</u>	<u>\$ 462,262</u>

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS

A. Plan Description

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

B. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e... December 31, 2012, actuarial valuation is effective for city contribution rates beginning on January 2014.)

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

Fiscal Year	Annual Pension Cost	Actual Contribution Made	Percentage of APC Contribution	Net Pension Obligation
2013	\$ 221,771	\$ 221,771	100%	\$ -
2012	212,997	212,997	100%	-
2011	222,420	222,420	100%	-

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

Actuarial Valuation Date	December 31, 2011	December 31, 2012	December 31, 2013
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single			
Amortization Period	25.9 years - Closed Period	24.9 years - Closed Period	30.0 Closed Period
Amortization Period for new			
Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Inflation Rate	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE H -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

C. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2013	\$ 4,977,714	\$ 6,355,562	78.3%	\$ 1,377,848	\$ 1,804,755	76.3%

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

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

D. Other Post-Employment Benefits

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

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

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

The City's contributions to the TMRS SDBF for the years ended September 30, 2014, 2013, and 2012 were \$2,375, \$1,901, and \$1,780, respectively, which equaled the required contributions each year.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE I -- TRANSFERS

Transfers during the year ended September 30, 2014, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
Primary Government:			
Debt Service	\$ 50,987	\$ -	Funding for Debt Payments
Debt Service	270,000	-	Funding for Debt Payments
General Fund	480,000	-	Transfer in Lieu of Taxes
General Fund	-	270,000	Funding for Debt Payments
Waterworks/Sewer Fund	-	50,987	Funding for Debt Payments
Waterworks/Sewer Fund	-	480,000	Transfer in Lieu of Taxes
	<u>\$ 800,987</u>	<u>\$ 800,987</u>	

NOTE J -- COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Contracts

The City entered into an agreement after year end to have a fire truck pumper built through the Siddons Martin Emergency Group, LLC for \$486,787. Additionally they approved financing the pumper with Leasing 2, Inc. with an interest rate of 3.07% for ten years. The first payment will be due on September 1, 2015.

Grants

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

NOTE K -- RELATED PARTY

Timothy Wilson, Mayor after May 2012 and Councilman through May 2012, is the son of Debra Wilson, who was a City employee in the Police Department that retired in 2014. Debra Wilson also is now member of City Council as of the May 2014 election.

CITY OF KIRBY, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2014

NOTE L -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts. Annual contributions for the year ended September 30, 2014 were \$92,363 for property and casualty and workers compensation coverage.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Funding Progress – Defined Benefit

CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		2014 Actual Amounts	Variance Favorable (Unfavorable)	2013 Actual Amounts
	Original	Final			
REVENUES					
Taxes	\$ 1,548,422	\$ 1,583,422	\$ 1,591,005	\$ 7,583	\$ 1,557,933
Franchise Fees	310,600	337,900	368,334	30,434	611,949
Licenses and Fees	223,200	163,700	151,691	(12,009)	270,773
Intergovernmental Revenues	9,300	9,300	9,506	206	9,461
Charges for Services	792,500	826,600	832,152	5,552	792,345
Grants	259,245	262,523	270,576	8,053	280,048
Fines and Penalties	227,600	233,600	236,897	3,297	216,749
Miscellaneous	12,950	22,950	22,654	(296)	11,835
TOTAL REVENUES	3,383,817	3,439,995	3,482,815	42,820	3,751,093
EXPENDITURES:					
<i>City Council:</i>					
Salaries/Expenses	8,423	8,423	8,421	2	8,397
Supplies	3,000	3,000	1,748	1,252	1,503
Meeting and Travel	5,000	5,000	4,830	170	5,471
<i>Total City Council</i>	<u>16,423</u>	<u>16,423</u>	<u>14,999</u>	<u>1,424</u>	<u>15,371</u>
<i>City Administration:</i>					
Salaries & Benefits	319,484	335,312	326,769	8,543	223,072
Supplies	5,000	5,000	200	4,800	177
Maintenance	8,200	8,200	8,981	(781)	5,041
Contract Services	20,000	20,000	10,562	9,438	12,938
Miscellaneous	7,000	7,000	7,798	(798)	5,412
<i>Total City Administration</i>	<u>359,684</u>	<u>375,512</u>	<u>354,310</u>	<u>21,202</u>	<u>246,640</u>
<i>Police Protection:</i>					
Salaries & Benefits	824,697	832,746	826,275	6,471	670,717
Supplies	65,270	60,270	54,998	5,272	55,936
Maintenance	44,128	59,128	56,455	2,673	58,472
Contract Services	20,000	20,000	17,169	2,831	18,135
Miscellaneous	10,000	10,000	4,378	5,622	3,180
<i>Total Police Protection</i>	<u>\$ 964,095</u>	<u>\$ 982,144</u>	<u>\$ 959,275</u>	<u>\$ 22,869</u>	<u>\$ 806,440</u>

CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		2014 Actual Amounts	Variance Favorable (Unfavorable)	2013 Actual Amounts
	Original	Final			
EXPENDITURES (CONTINUED)					
<i>Municipal Court:</i>					
Salaries & Benefits	\$ 40,003	\$ 40,003	\$ 34,674	\$ 5,329	\$ 29,777
Supplies	2,500	2,500	1,389	1,111	1,745
Maintenance	7,930	7,930	7,463	467	1,153
Contract Services	42,100	42,100	39,526	2,574	33,695
Miscellaneous	-	-	-	-	-
<i>Total Municipal Court</i>	<u>92,533</u>	<u>92,533</u>	<u>83,052</u>	<u>9,481</u>	<u>66,370</u>
<i>Fire/EMS Protection:</i>					
Salaries & Benefits	770,153	778,717	764,680	14,037	635,753
Supplies	52,000	52,000	42,802	9,198	45,327
Maintenance	35,700	42,200	37,527	4,673	34,273
Contract Services	8,000	9,200	9,188	12	6,991
Miscellaneous	6,950	6,950	5,316	1,634	5,023
<i>Total Fire/EMS Protection</i>	<u>872,803</u>	<u>889,067</u>	<u>859,513</u>	<u>29,554</u>	<u>727,367</u>
<i>Animal Services:</i>					
Salaries & Benefits	102,658	106,279	105,182	1,097	70,363
Supplies	26,128	16,128	16,587	(459)	17,857
Maintenance	3,716	3,716	4,203	(487)	2,459
Contract Services	35,500	48,500	55,708	(7,208)	20,614
Miscellaneous	1,200	1,200	569	631	1,049
<i>Total Animal Services</i>	<u>169,202</u>	<u>175,823</u>	<u>182,249</u>	<u>(6,426)</u>	<u>112,342</u>
<i>Parks and Pools:</i>					
Salaries & Benefits	157,112	162,965	134,137	28,828	133,594
Supplies	24,000	20,000	19,609	391	17,850
Maintenance	30,766	30,766	19,303	11,463	30,751
Contract Services	-	-	-	-	-
Miscellaneous	1,000	1,000	-	1,000	520
<i>Total Parks and Pools</i>	<u>\$ 212,878</u>	<u>\$ 214,731</u>	<u>\$ 173,049</u>	<u>\$ 41,682</u>	<u>\$ 182,715</u>

CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budget Amounts		2014 Actual Amounts	Variance Favorable (Unfavorable)	2013 Actual Amounts
	Original	Final			
EXPENDITURES (CONTINUED)					
<i>Streets and Shop:</i>					
Salaries & Benefits	\$ 134,036	\$ 135,289	\$ 125,613	\$ 9,676	\$ 101,068
Supplies	40,098	57,098	35,528	21,570	22,970
Maintenance	61,032	69,032	43,408	69,032	13,286
Contract Services	84,300	35,500	36,424	(924)	75,799
Miscellaneous	500	500	-	500	438
<i>Total Streets and Shop</i>	<u>319,966</u>	<u>297,419</u>	<u>240,973</u>	<u>99,854</u>	<u>213,561</u>
<i>General City Operations:</i>					
Salaries & Benefits	-	-	-	-	278,232
Supplies	28,500	28,000	22,861	5,139	39,046
Maintenance	7,000	7,000	4,271	2,729	3,286
Contract Services	352,150	364,150	335,717	28,433	318,192
Miscellaneous	3,200	3,200	2,723	477	2,830
<i>Total General City Operations</i>	<u>390,850</u>	<u>402,350</u>	<u>365,572</u>	<u>36,778</u>	<u>641,586</u>
<i>Capital Outlay</i>	<u>582,100</u>	<u>630,350</u>	<u>503,271</u>	<u>127,079</u>	<u>464,979</u>
TOTAL EXPENDITURES	<u>3,980,534</u>	<u>4,076,352</u>	<u>3,736,263</u>	<u>383,497</u>	<u>3,477,371</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(596,717)</u>	<u>(636,357)</u>	<u>(253,448)</u>	<u>(340,677)</u>	<u>273,722</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	480,000	480,000	480,000	-	480,000
Transfers Out	(270,000)	(270,000)	(270,000)	-	(125,000)
Proceeds from Sale of Assets	5,000	5,000	7,540	2,540	5,665
TOTAL OTHER FINANCING SOURCES (USES)	<u>215,000</u>	<u>215,000</u>	<u>217,540</u>	<u>2,540</u>	<u>360,665</u>
Net Change in Fund Balance	<u>(381,717)</u>	<u>(421,357)</u>	<u>(35,908)</u>	<u>(338,137)</u>	<u>634,387</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>2,608,411</u>	<u>-</u>	<u>1,974,024</u>
Fund Balance - End of Year	<u>\$ (381,717)</u>	<u>\$ (421,357)</u>	<u>\$ 2,572,503</u>	<u>\$ (338,137)</u>	<u>\$ 2,608,411</u>

CITY OF KIRBY, TEXAS
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
SEPTEMBER 30, 2014

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The following are the funds which have legally adopted annual budgets: General Fund, Debt Service Fund and the Waterworks/Sewer Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level. As of September 30, 2014 the City expenditures did not exceed appropriations in total.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

CITY OF KIRBY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT
LAST TEN CALENDAR YEARS

CALENDAR YEAR	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	FUNDING RATIO (1)/(2)	UNFUNDED ACTUARIAL ACCRUED LIABILITY	ANNUAL COVERED PAYROLL	UNFUNDED ACTUARIAL ACCRUED LIABILITY AS A PERCENTAGE OF COVERED PAYROLL
						PERCENTAGE OF COVERED PAYROLL
2004	\$ 1,678,843	\$ 1,965,499	85.4%	\$ 286,656	\$ 1,130,170	25.4%
2005	1,820,627	2,175,755	83.7%	355,128	1,171,840	30.3%
2006	1,836,241	2,178,660	84.3%	342,419	1,225,030	28.0%
2007	2,077,505	3,142,691	66.1%	1,065,186	1,323,808	80.5%
2008	2,397,588	3,631,257	66.0%	1,233,669	1,567,735	78.7%
2009	2,738,002	3,972,641	68.9%	1,234,639	1,659,261	74.4%
2010	3,591,448	4,777,821	75.2%	1,186,373	1,650,983	71.9%
2011	4,011,324	5,176,566	77.5%	1,165,242	1,658,076	70.3%
2012	4,507,970	5,551,333	81.2%	1,043,363	1,670,538	62.5%
2013	4,977,714	6,355,562	78%	1,377,848	1,804,755	76.3%

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedule include:

- Comparative Statements – General Fund
- Comparative Statements – Debt Service
- Comparative Statements – Proprietary Waterworks/Sewer Fund



CITY OF KIRBY, TEXAS
COMPARATIVE BALANCE SHEETS
GENERAL FUND
SEPTEMBER 30, 2014 AND 2013

ASSETS	2014	2013
Cash and Investments	\$ 2,331,895	\$ 2,460,864
Receivables, Net of Allowances for Uncollectibles:		
Property Taxes	101,887	93,710
EMS Charges	93,330	120,704
Accounts	111,473	86,540
Due from Other Governments	412,700	195,392
Due from Other Funds	86,156	77,735
Inventory of Supplies, At Cost	37,213	38,751
Prepaid Items	20,476	1,800
TOTAL ASSETS	\$ 3,195,130	\$ 3,075,496
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Liabilities:</i>		
Accounts Payable	\$ 313,448	\$ 98,016
Accrued Expenditures	113,962	108,524
Unearned Grant Revenue	-	46,130
<i>Total Liabilities</i>	<u>427,410</u>	<u>252,670</u>
<i>Deferred Inflows of Resources:</i>		
Unavailable EMS Revenue	93,330	120,704
Unavailable Tax Revenue	101,887	93,710
<i>Total Deferred Inflows of Resources</i>	<u>195,217</u>	<u>214,414</u>
<i>Fund Balance:</i>		
Nonspendable:		
Inventory of Supplies and Prepaid Items	57,689	40,551
Restricted for:		
Court Security	38,044	35,990
Court Technology	10,762	13,574
PEG Capital Fees	52,377	36,989
Unassigned	2,413,631	2,481,307
<i>Total Fund Balance</i>	<u>2,572,503</u>	<u>2,608,411</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,195,130	\$ 3,075,495

CITY OF KIRBY, TEXAS
COMPARATIVE BALANCE SHEETS
DEBT SERVICE FUND
SEPTEMBER 30, 2014 AND 2013

ASSETS	<u>2014</u>	<u>2013</u>
Cash and Investments	\$ 7,580	\$ 21,444
Taxes Receivable	8,343	7,773
Due From Other Funds	<u>219</u>	<u>186</u>
TOTAL ASSETS	<u>\$ 16,142</u>	<u>\$ 29,403</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
<i>Deferred Inflows of Resources:</i>		
Unavailable Tax Revenue	<u>\$ 8,343</u>	<u>\$ 7,772</u>
<i>Total Deferred Inflows of Resources</i>	<u>8,343</u>	<u>7,772</u>
<i>Fund Balance:</i>		
Restricted Fund Balance	<u>7,799</u>	<u>21,631</u>
<i>Total Fund Balance</i>	<u>7,799</u>	<u>21,631</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 16,142</u>	<u>\$ 29,403</u>

CITY OF KIRBY, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUND
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

REVENUES	<u>2014</u>	<u>2013</u>
Taxes	\$ 101,477	\$ 102,535
Interest	<u>17</u>	<u>51</u>
TOTAL REVENUES	<u>101,494</u>	<u>102,586</u>
EXPENDITURES		
Principal Payments on General Obligation Bonds	365,000	350,000
Interest Payments on General Obligation Bonds	68,513	79,075
Fiscal Agent Fees	<u>2,800</u>	<u>2,800</u>
TOTAL EXPENDITURES	<u>436,313</u>	<u>431,875</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(334,819)</u>	<u>(329,289)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In	<u>320,987</u>	<u>178,294</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>320,987</u>	<u>178,294</u>
Net Change in Fund Balance	(13,832)	(150,995)
Fund Balances at Beginning of Year	<u>21,631</u>	<u>172,626</u>
Fund Balances at End of Year	<u>\$ 7,799</u>	<u>\$ 21,631</u>

CITY OF KIRBY, TEXAS
COMPARATIVE STATEMENT OF NET POSITION
PROPRIETARY FUND
WATERWORKS AND SEWER SYSTEM
SEPTEMBER 30, 2014 AND 2013

ASSETS	<u>2014</u>	<u>2013</u>
<i>Current Assets:</i>		
Cash and Investments	\$ 2,784,251	\$ 2,434,185
Receivables - Customers	335,549	297,474
Allowance for Uncollectibles	(15,000)	(15,000)
Inventory of Supplies, at cost	9,041	9,145
Prepaid Items	31,353	31,353
<i>Total Current Assets</i>	<u>3,145,194</u>	<u>2,757,157</u>
<i>Restricted Assets:</i>		
Cash and Investments	178,478	174,337
<i>Total Restricted Assets</i>	<u>178,478</u>	<u>174,337</u>
<i>Capital Assets:</i>		
Utility Plant and Infrastructure	4,829,170	4,567,036
Transportation, Furniture and Equipment	387,239	387,239
Software	42,000	42,000
Total Depreciable and Amortizable Fixed Assets	<u>5,258,409</u>	<u>4,996,275</u>
Less Accumulated Depreciation and Amortization	<u>(3,627,032)</u>	<u>(3,435,687)</u>
Total Depreciable Fixed Assets, Net of Accumulated Depreciation and Amortization	1,631,377	1,560,588
Land	7,005	7,005
<i>Total Capital Assets</i>	<u>1,638,382</u>	<u>1,567,593</u>
TOTAL ASSETS	<u><u>\$ 4,962,054</u></u>	<u><u>\$ 4,499,087</u></u>

CITY OF KIRBY, TEXAS
COMPARATIVE STATEMENT OF NET POSITION
PROPRIETARY FUND
WATERWORKS AND SEWER SYSTEM (CONTINUED)
SEPTEMBER 30, 2014 AND 2013

LIABILITIES	<u>2014</u>	<u>2013</u>
<i>Current Liabilities (Payable from Current Assets):</i>		
Accounts Payable	\$ 104,864	\$ 126,781
Due to Other Funds	86,375	77,921
Accrued Vacation Leave Payable	15,392	12,776
<i>Total Current Liabilities (Payable from Current Assets)</i>	<u>206,631</u>	<u>217,478</u>
<i>Current Liabilities (Payable from Restricted Assets):</i>		
Customer Deposits	<u>165,940</u>	<u>162,170</u>
<i>Total Current Liabilities (Payable from Restricted Assets)</i>	<u>165,940</u>	<u>162,170</u>
 TOTAL LIABILITIES	 <u>372,571</u>	 <u>379,648</u>
 NET POSITION		
Net Investment in Capital Assets	1,638,382	1,567,592
Unrestricted	<u>2,951,101</u>	<u>2,551,847</u>
 TOTAL NET POSITION	 <u>\$ 4,589,483</u>	 <u>\$ 4,119,439</u>

CITY OF KIRBY, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND – WATERWORKS AND SEWER SYSTEM
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Operating Revenues		
Charges for Utility Service	\$ 2,163,190	\$ 2,006,267
Total Operating Revenues	<u>2,163,190</u>	<u>2,006,267</u>
Operating Expenses Before Depreciation		
Salaries and Benefits	241,547	237,659
Supplies	57,130	77,026
Maintenance	70,477	55,182
Contractual Services	691,484	615,716
Miscellaneous	28,754	26,948
Total Operating Expenses Before Depreciation	<u>1,089,392</u>	<u>1,012,531</u>
Operating Income Before Depreciation	1,073,798	993,736
Depreciation	191,344	202,326
Operating Income (Loss)	<u>882,454</u>	<u>791,410</u>
Other Income (Expense):		
Miscellaneous Income	4,128	4,728
Capital Improvement Fee	114,449	93,069
Total Other Income (Expense)	<u>118,577</u>	<u>97,797</u>
Net Income (Loss) Before Contributions and Transfers	1,001,031	889,207
Transfer Out	<u>(530,987)</u>	<u>(533,294)</u>
NET CHANGE IN NET ASSETS	470,044	355,913
Net Assets at Beginning of Year	<u>4,119,439</u>	<u>3,763,526</u>
Net Assets at End of Year	<u>\$ 4,589,483</u>	<u>\$ 4,119,439</u>

CITY OF KIRBY, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
PROPRIETARY FUND – WATERWORKS AND SEWER SYSTEM
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Cash Received From Customers	\$ 2,125,116	\$ 1,959,003
Cash Paid for Employee Wages & Benefits	(244,163)	(235,467)
Cash Paid to Suppliers for Goods & Services	<u>(864,426)</u>	<u>(741,488)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,016,527</u>	<u>982,048</u>
Cash Flows From Noncapital Financing Activities:		
Customer Deposits Received (Returned)	3,770	5,395
Interfund Payables (Receivables)	8,454	13,131
Transfers From (To) Other Funds	<u>(530,987)</u>	<u>(533,294)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(518,763)</u>	<u>(514,768)</u>
Cash Flows From Capital and Related Financing Activities:		
Purchase/Construction of Capital Assets	(262,134)	(547,851)
Capital Improvement Fee	<u>114,449</u>	<u>93,069</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(147,685)</u>	<u>(454,782)</u>
Cash Flows From Investing Activities:		
Investment Interest Received	<u>4,128</u>	<u>4,728</u>
Net Cash Provided (Used) by Investing Activities	<u>4,128</u>	<u>4,728</u>
 Net Increase (Decrease) in Cash and Investments	 <u>354,207</u>	 <u>17,226</u>
Cash and Investments at Beginning of Year:		
Cash and Investments	2,434,185	2,396,370
Restricted Cash and Investments	<u>174,337</u>	<u>194,926</u>
	<u>2,608,522</u>	<u>2,591,296</u>
Cash and Investments at End of Year:		
Cash and Investments	2,784,251	2,434,185
Restricted Cash and Investments	<u>178,478</u>	<u>174,337</u>
	<u><u>\$ 2,962,729</u></u>	<u><u>\$ 2,608,522</u></u>

CITY OF KIRBY, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND – WATERWORKS AND SEWER SYSTEM
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income	\$ 882,454	\$ 791,411
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	191,344	202,325
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(38,075)	(32,829)
Inventory	104	8,573
Prepaid Items	-	(4,200)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(21,916)	14,576
Accrued Wages & Benefits	<u>2,616</u>	<u>2,192</u>
Total Adjustments to Reconcile Operating Activities	<u>134,073</u>	<u>190,637</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,016,527</u></u>	<u><u>\$ 982,048</u></u>

STATISTICAL SECTION

The following unaudited Statistical Tables reflect social and economic data, financial trends and fiscal capacity of the City.

This part of the City of Kirby's comprehensive annual financial report represents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Kirby's overall financial health

Contents

Financial Trends – Tables 1 through 5

These schedules contain trend information to help the reader understand how Kirby's financial performance and well-being have changed over time.

Revenue Capacity – Tables 6 through 9

These schedules contain information to help the reader assess Kirby's most significant local revenue source, the property tax.

Debt Capacity – Tables 10 through 12

These schedules present information to help the reader assess the affordability of Kirby's current levels of outstanding debt, and our ability to issue additional debt.

Demographic and Economic Information – Tables 13 and 14

These schedules offer demographic and economic indicators to help the reader understand the environment within which Kirby's financial activities take place.

CITY OF KIRBY, TEXAS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS

	Fiscal Year			
	2005	2006	2007	2008
<i>Governmental Activities:</i>				
Net Investment in Capital Assets	\$ 1,972,480	\$ 1,950,562	\$ 2,139,002	\$ 2,130,610
Restricted	101,633	94,181	115,142	93,741
Unrestricted	1,329,799	1,785,367	1,841,483	1,904,787
<i>Total Governmental Activities Net Position</i>	<u>\$ 3,403,912</u>	<u>\$ 3,830,110</u>	<u>\$ 4,095,627</u>	<u>\$ 4,129,138</u>
<i>Business-Type Activities</i>				
Net Investment in Capital Assets	\$ 1,534,618	\$ 1,468,887	\$ 1,546,608	\$ 1,644,524
Restricted	296,577	436,269	386,414	-
Unrestricted	587,800	787,895	959,517	1,403,923
<i>Total Business-Type Activities Net Position</i>	<u>\$ 2,418,995</u>	<u>\$ 2,693,051</u>	<u>\$ 2,892,539</u>	<u>\$ 3,048,447</u>
<i>Primary Government:</i>				
Net Investment in Capital Assets	\$ 3,507,098	\$ 3,419,449	\$ 3,685,610	\$ 3,775,134
Restricted	398,210	530,450	501,556	93,741
Unrestricted	1,917,599	2,573,262	2,801,000	3,308,710
<i>Total Primary Government Net Position</i>	<u>\$ 5,822,907</u>	<u>\$ 6,523,161</u>	<u>\$ 6,988,166</u>	<u>\$ 7,177,585</u>

TABLE 1

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 3,520,405	\$ 3,373,876	\$ 3,711,161	\$ 3,503,881	\$ 3,724,502	\$ 4,008,917
113,104	73,058	68,401	269,750	111,846	113,823
1,116,000	1,561,630	1,653,141	2,039,131	2,651,840	2,594,666
<u>\$ 4,749,509</u>	<u>\$ 5,008,564</u>	<u>\$ 5,432,703</u>	<u>\$ 5,812,762</u>	<u>\$ 6,488,188</u>	<u>\$ 6,717,406</u>
\$ 1,507,686	\$ 1,385,679	\$ 1,287,799	\$ 1,222,067	\$ 1,567,593	\$ 1,638,382
-	-	-	-	-	-
1,644,565	1,727,282	2,167,613	2,541,459	2,551,847	2,951,101
<u>\$ 3,152,251</u>	<u>\$ 3,112,961</u>	<u>\$ 3,455,412</u>	<u>\$ 3,763,526</u>	<u>\$ 4,119,440</u>	<u>\$ 4,589,483</u>
\$ 5,028,091	\$ 4,759,555	\$ 4,998,960	\$ 4,725,948	\$ 5,292,095	\$ 5,647,299
113,104	73,058	68,401	269,750	111,846	113,823
2,760,565	3,288,912	3,820,754	4,580,590	5,203,687	5,545,767
<u>\$ 7,901,760</u>	<u>\$ 8,121,525</u>	<u>\$ 8,888,115</u>	<u>\$ 9,576,288</u>	<u>\$ 10,607,628</u>	<u>\$ 11,306,889</u>

CITY OF KIRBY, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
<i>Governmental Activities:</i>				
City Council	\$ 13,377	\$ 18,310	\$ 17,402	\$ 18,600
City Administration	167,643	196,988	210,413	226,639
Police Protection	628,268	617,722	674,312	767,997
Municipal Court	40,714	39,689	40,670	47,789
Fire/EMS Protection	434,968	453,127	499,142	537,553
Animal Services	-	-	-	-
Parks and Pools	132,940	115,338	166,340	213,586
Streets and Shops	394,380	397,371	470,469	456,972
General City Operations	412,087	392,200	406,706	484,539
Capital Outlay	12,470	13,926	17,853	41,475
Interest on Long-Term Debt	72,868	62,722	56,080	50,236
<i>Total Governmental Activities Expenses</i>	<u>2,309,715</u>	<u>2,307,393</u>	<u>2,559,387</u>	<u>2,845,386</u>
<i>Business-Type Activities:</i>				
Waterworks and Sewer	847,662	911,672	860,940	904,172
<i>Total Business-Type Activities</i>	<u>847,662</u>	<u>911,672</u>	<u>860,940</u>	<u>904,172</u>
Total Primary Government Expenses	<u>\$ 3,157,377</u>	<u>\$ 3,219,065</u>	<u>\$ 3,420,327</u>	<u>\$ 3,749,558</u>
Program Revenues				
<i>Governmental Activities:</i>				
Charges for service:				
City Administration	\$ 53,819	\$ 57,795	\$ 62,982	\$ 55,828
Police Protection	201,118	234,406	166,102	174,623
Municipal Court	14,973	17,634	11,484	12,508
Fire/EMS Protection	35,731	49,897	45,300	58,876
Animal Services	-	-	-	-
Parks and Pools	18,259	14,702	11,927	21,988
Streets and Shops	35,024	35,688	37,161	84,671
Operating Grants and Contributions	25,583	21,425	30,440	41,569
Capital Grants and Contributions	51,769	-	100,000	63,000
<i>Total Governmental Activities</i>				
<i>Program Revenues</i>	<u>436,276</u>	<u>431,547</u>	<u>465,396</u>	<u>513,063</u>
<i>Business-Type Activities:</i>				
Charges for Service:				
Waterworks and Sewer	1,551,880	1,626,352	1,473,684	1,501,748
Operating Grants and Contributions	-	-	-	-
<i>Total Business-Type Activities</i>				
<i>Program Revenues</i>	<u>1,551,880</u>	<u>1,626,352</u>	<u>1,473,684</u>	<u>1,501,748</u>
Total Primary Government Program Revenues	<u>\$ 1,988,156</u>	<u>\$ 2,057,899</u>	<u>\$ 1,939,080</u>	<u>\$ 2,014,811</u>

TABLE 2

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 10,913	\$ 13,035	\$ 19,242	\$ 17,540	\$ 15,371	\$ 14,998
234,191	252,006	235,470	248,585	274,783	364,335
733,091	746,036	778,573	870,709	986,230	1,130,297
46,978	47,410	48,573	44,921	68,588	85,913
625,798	756,804	766,844	816,193	869,188	1,021,875
-	-	-	86,858	119,469	187,405
205,810	226,169	181,837	155,248	181,654	175,536
436,945	455,625	505,304	452,711	466,804	238,368
579,986	592,870	624,083	647,438	641,586	590,052
8,514	-	-	-	-	-
30,261	151,444	108,130	99,568	154,771	66,215
2,912,487	3,241,399	3,268,056	3,439,771	3,778,444	3,874,994
947,852	915,616	978,886	1,089,654	1,214,855	1,280,736
947,852	915,616	978,886	1,089,654	1,214,855	1,280,736
\$ 3,860,339	\$ 4,157,015	\$ 4,246,942	\$ 4,529,425	\$ 4,993,299	\$ 5,155,730
\$ 51,532	\$ 51,005	\$ 73,069	\$ 80,926	\$ 139,635	\$ 173,287
147,747	149,728	137,715	194,071	207,637	226,322
10,767	10,611	9,625	14,771	11,935	13,115
575,255	632,174	550,315	682,424	725,217	649,039
-	-	-	37,915	28,774	24,668
31,985	36,124	33,589	30,956	47,143	48,406
59,840	37,109	60,648	96,746	149,818	58,639
20,931	16,662	51,126	15,241	118,184	58,914
163,513	101,943	209,665	4,851	171,325	221,168
1,061,570	1,035,356	1,125,752	1,157,901	1,599,668	1,473,558
1,573,058	1,336,960	1,734,385	1,831,623	2,006,266	2,148,590
-	-	-	-	-	14,600
1,573,058	1,336,960	1,734,385	1,831,623	2,006,266	2,163,190
\$ 2,634,628	\$ 2,372,316	\$ 2,860,137	\$ 2,989,524	\$ 3,605,934	\$ 3,636,748

CITY OF KIRBY, TEXAS
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS (Continued)

	Fiscal Year			
	2005	2006	2007	2008
Net (Expenses) Revenue				
Governmental Activities	\$ (1,441,439)	\$ (1,443,846)	\$ (1,661,991)	\$ (1,900,323)
Business-Type Activities	272,218	282,680	180,744	165,576
Total Primary Government Net Expenses	<u>\$ (1,169,221)</u>	<u>\$ (1,161,166)</u>	<u>\$ (1,481,247)</u>	<u>\$ (1,734,747)</u>
Governmental Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes	\$ 1,148,919	\$ 1,187,435	\$ 1,260,472	\$ 1,260,515
Franchise Taxes	255,450	281,434	270,078	302,026
Sales Taxes	189,396	240,572	227,716	225,300
Interest and Investment Earnings	37,325	86,602	111,048	66,444
Gain on Sale of Property and Equipment	-	-	-	-
Miscellaneous	19,909	19,211	5,448	25,443
Transfers	488,864	486,790	484,746	486,106
Total Governmental Activities	<u>2,139,863</u>	<u>2,302,044</u>	<u>2,359,508</u>	<u>2,365,834</u>
Business-Type Activities:				
Interest and Investment Earnings	17,197	46,166	71,490	44,438
Capital Improvement Fee	-	-	-	-
Gain on Sale of Property and Equipment	-	-	-	-
Transfers	(488,864)	(486,790)	(484,746)	(486,106)
Total Business-Type Activities	<u>(471,667)</u>	<u>(440,624)</u>	<u>(413,256)</u>	<u>(441,668)</u>
Total Primary Government	<u>\$ 1,668,196</u>	<u>\$ 1,861,420</u>	<u>\$ 1,946,252</u>	<u>\$ 1,924,166</u>
Changes In Net Position				
Government Activities	\$ 266,424	\$ 426,198	\$ 265,517	\$ 33,511
Business-Type Activities	232,551	274,056	199,488	155,908
Total Primary Government	<u>\$ 498,975</u>	<u>\$ 700,254</u>	<u>\$ 465,005</u>	<u>\$ 189,419</u>

TABLE 2 (Continued)

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ (1,370,917)	\$ (1,726,043)	\$ (2,142,304)	\$ (2,281,870)	\$ (2,178,776)	\$ (2,401,436)
145,206	(58,656)	755,499	741,969	791,411	882,454
<u>\$ (1,225,711)</u>	<u>\$ (1,784,699)</u>	<u>\$ (1,386,805)</u>	<u>\$ (1,539,901)</u>	<u>\$ (1,387,365)</u>	<u>\$ (1,518,982)</u>
\$ 1,360,442	\$ 1,331,558	\$ 1,410,167	\$ 1,411,924	\$ 1,377,806	\$ 1,392,306
295,794	317,950	325,773	413,178	611,447	368,225
223,563	240,646	244,409	257,114	288,525	308,925
34,231	28,103	10,127	6,874	5,237	4,491
-	-	27,494	26,515	5,665	7,540
21,700	15,868	11,032	10,896	32,228	18,180
535,558	530,973	537,441	535,428	533,294	530,987
<u>2,471,288</u>	<u>2,465,098</u>	<u>2,566,443</u>	<u>2,661,929</u>	<u>2,854,202</u>	<u>2,630,654</u>
14,156	6,152	4,590	7,758	4,728	4,128
-	64,187	92,838	92,996	93,069	114,449
-	-	26,965	819	-	-
<u>(535,558)</u>	<u>(530,973)</u>	<u>(537,441)</u>	<u>(535,428)</u>	<u>(533,294)</u>	<u>(530,987)</u>
<u>(521,402)</u>	<u>(460,634)</u>	<u>(413,048)</u>	<u>(433,855)</u>	<u>(435,497)</u>	<u>(412,410)</u>
<u>\$ 1,949,886</u>	<u>\$ 2,004,464</u>	<u>\$ 2,153,395</u>	<u>\$ 2,228,074</u>	<u>\$ 2,418,705</u>	<u>\$ 2,218,244</u>
\$ 620,371	\$ 259,055	\$ 424,139	\$ 380,059	\$ 675,426	\$ 229,218
103,804	(39,290)	342,451	308,114	355,914	470,044
<u>\$ 724,175</u>	<u>\$ 219,765</u>	<u>\$ 766,590</u>	<u>\$ 688,173</u>	<u>\$ 1,031,340</u>	<u>\$ 699,262</u>

CITY OF KIRBY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2005	2006	2007	2008
Nonspendable Fund Balance:				
Inventory	\$ 26,539	\$ 29,953	\$ 25,987	\$ 29,795
Prepaid Items	7,751	3,949	7,947	4,517
Total Nonspendable Fund Balance	<u>34,290</u>	<u>33,902</u>	<u>33,934</u>	<u>34,312</u>
Restricted Fund Balance:				
PEG Capital Fee	-	-	-	-
Public Safety	55,747	67,645	75,946	51,929
Debt Service	19,348	26,536	31,669	34,247
Total Restricted Fund Balance	<u>75,095</u>	<u>94,181</u>	<u>107,615</u>	<u>86,176</u>
Committed Fund Balance:				
Capital Projects	276,493	351,037	300,000	300,000
Total Committed Fund Balance	<u>276,493</u>	<u>351,037</u>	<u>300,000</u>	<u>300,000</u>
Unassigned Fund Balance	<u>1,005,649</u>	<u>1,368,383</u>	<u>1,501,588</u>	<u>1,574,934</u>
Total Governmental Funds	<u>\$ 1,391,527</u>	<u>\$ 1,847,503</u>	<u>\$ 1,943,137</u>	<u>\$ 1,995,422</u>

TABLE 3

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 29,344	\$ 26,518	\$ 30,346	\$ 39,334	\$ 38,751	\$ 37,213
-	15,865	-	1,815	1,800	20,476
29,344	42,383	30,346	41,149	40,551	57,689
-	-	-	20,687	36,989	52,377
58,152	64,496	68,401	73,790	49,564	48,806
47,506	902	-	172,626	21,630	7,799
105,658	65,398	68,401	267,103	108,183	108,982
2,798,295	1,413,941	196,095	-	-	-
2,798,295	1,413,941	196,095	-	-	-
1,595,275	1,300,058	1,500,155	1,838,398	2,481,307	2,413,631
\$ 4,528,572	\$ 2,821,780	\$ 1,794,997	\$ 2,146,650	\$ 2,630,041	\$ 2,580,302

CITY OF KIRBY, TEXAS
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2005	2006	2007	2008
REVENUES				
Taxes	\$ 1,344,368	\$ 1,425,925	\$ 1,494,414	\$ 1,482,481
Franchise Fees	255,451	281,434	270,078	302,026
Licenses and Permits	65,505	63,206	64,062	122,880
Intergovernmental	77,351	21,425	130,440	-
Charges for Services	212,401	247,695	173,462	181,922
Grants	-	-	-	104,569
Fines and Penalties	85,013	98,273	99,026	103,435
Interest	37,325	86,602	111,048	66,444
Miscellaneous	21,705	24,636	25,718	25,443
TOTAL REVENUES	2,099,119	2,249,196	2,368,248	2,389,200
EXPENDITURES				
Current:				
City Council	13,377	18,310	17,402	18,600
City Administration	167,460	189,634	202,601	216,606
Police Protection	582,197	571,244	621,765	722,348
Municipal Court	40,671	39,566	40,604	47,652
Fire\EMS Protection	384,615	397,437	446,875	482,287
Animal Services	-	-	-	-
Parks and Pool	135,208	115,077	139,269	212,062
Streets and Shops	156,486	292,684	594,717	271,324
General City Operations	412,087	392,200	406,703	503,261
Capital Projects/Outlay	168,530	95,581	125,791	188,133
Debt Service:				
Principal	225,000	105,000	105,000	110,000
Interest and Fiscal Charges	73,858	63,277	56,633	50,748
Bond Issue Costs	-	-	-	-
TOTAL EXPENDITURES	2,359,489	2,280,010	2,757,360	2,823,021
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(260,370)	(30,814)	(389,112)	(433,821)
OTHER FINANCING				
SOURCES (USES)				
Transfers In	488,864	486,790	484,746	486,106
Transfers Out	-	-	-	-
Capital Contributions	-	-	-	-
Proceeds from Sale of Asset	-	-	-	-
Proceeds from Debt Financing	-	-	-	-
Payments to Refund Agent	-	-	-	-
TOTAL OTHER FINANCING				
SOURCES (USES)	488,864	486,790	484,746	486,106
Net Change in Fund Balance	\$ 228,494	\$ 455,976	\$ 95,634	\$ 52,285
Debt Service as a percentage				
of noncapital expenditures	13.64%	7.70%	6.14%	6.10%

TABLE 4

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 1,580,332	\$ 1,569,464	\$ 1,655,109	\$ 1,666,493	\$ 1,660,467	\$ 1,692,482
295,794	317,950	325,773	413,178	611,447	368,334
108,695	88,176	108,290	181,179	245,197	151,691
-	-	-	-	-	9,506
615,203	672,411	611,744	687,627	792,848	832,152
184,444	118,605	51,126	20,092	289,509	270,576
153,170	156,595	144,555	205,484	216,749	236,897
34,231	28,103	10,127	6,874	5,237	4,491
21,700	15,868	170,255	10,896	32,225	18,180
<u>2,993,569</u>	<u>2,967,172</u>	<u>3,076,979</u>	<u>3,191,823</u>	<u>3,853,679</u>	<u>3,584,309</u>
10,913	13,035	19,242	17,540	15,371	14,999
229,807	229,765	251,719	226,442	237,634	354,310
696,317	688,293	723,443	743,231	806,440	959,275
46,920	47,136	48,582	46,266	86,282	83,052
607,108	689,451	702,118	676,658	727,368	859,513
-	-	-	85,434	112,343	182,249
205,132	227,791	176,114	148,437	181,713	173,049
368,169	276,137	243,796	197,599	213,560	240,973
579,336	592,594	625,447	646,990	641,586	365,572
1,001,718	1,933,458	1,560,732	209,680	455,075	503,271
120,000	360,000	400,000	365,000	350,000	365,000
19,936	147,277	99,675	91,069	81,875	71,313
119,272	-	-	-	-	-
<u>4,004,628</u>	<u>5,204,937</u>	<u>4,850,868</u>	<u>3,454,346</u>	<u>3,909,247</u>	<u>4,172,576</u>
<u>(1,011,059)</u>	<u>(2,237,765)</u>	<u>(1,773,889)</u>	<u>(262,523)</u>	<u>(55,568)</u>	<u>(588,267)</u>
624,644	834,973	847,441	1,026,558	658,294	800,987
(89,086)	(304,000)	(310,000)	(491,130)	(125,000)	(270,000)
-	-	209,665	-	-	-
-	-	-	78,748	5,665	7,540
3,718,651	-	-	-	-	-
(710,000)	-	-	-	-	-
<u>3,544,209</u>	<u>530,973</u>	<u>747,106</u>	<u>614,176</u>	<u>538,959</u>	<u>538,527</u>
<u>\$ 2,533,150</u>	<u>\$ (1,706,792)</u>	<u>\$ (1,026,783)</u>	<u>\$ 351,653</u>	<u>\$ 483,391</u>	<u>\$ (49,740)</u>
8.63%	15.51%	15.19%	14.06%	12.50%	11.89%

CITY OF KIRBY, TEXAS
TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

TABLE 5

Fiscal Year	Property	Sales & Use	Franchise	Total
2005	\$ 1,154,972	\$ 189,396	\$ 255,451	\$ 1,599,819
2006	1,185,352	240,573	281,434	1,707,359
2007	1,266,698	227,716	270,078	1,764,492
2008	1,257,181	225,300	302,026	1,784,507
2009	1,248,561	223,564	295,794	1,767,919
2010	1,223,213	240,646	317,950	1,781,809
2011	1,410,700	244,409	325,773	1,980,882
2012	1,409,379	257,114	413,178	2,079,671
2013	1,371,943	288,524	611,447	2,271,914
2014	1,383,557	308,925	368,334	2,060,816

CITY OF KIRBY, TEXAS
 ASSESSED VALUE AND ACTUAL TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

TABLE 6

Fiscal Year Ended September 30,	Residential Property	Commercial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value*	Total Direct Tax Rate
2005	\$ 161,225,948	\$ 23,237,881	\$ 11,376,965	\$ 173,086,864	0.657820
2006	164,084,399	23,493,038	12,590,038	174,987,399	0.664950
2007	179,336,207	28,770,525	14,836,126	193,270,606	0.644471
2008	204,127,621	25,094,304	16,044,070	213,177,855	0.588414
2009	206,036,672	27,312,315	16,743,093	216,605,894	0.623000
2010	192,522,317	27,168,990	20,299,434	199,391,873	0.661649
2011	192,751,740	29,098,965	21,075,635	200,775,070	0.697500
2012	188,340,063	29,646,184	21,451,008	196,535,239	0.710978
2013	183,926,315	29,999,639	22,131,880	191,794,074	0.710978
2014	169,385,572	40,563,440	22,065,197	187,883,815	0.729376

Source: Bexar Appraisal District.

* Total Taxable Assessed Value and Total Estimated Actual Value of taxable property is the same.

CITY OF KIRBY, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

TABLE 7

<u>Fiscal Period</u>	<u>City</u>	<u>Judson School District</u>	<u>Bexar County</u>	<u>Alamo College District</u>	<u>San Antonio RA</u>	<u>Total</u>
2005	0.657821	1.776	0.318471	0.1075	0.016425	2.87622
2006	0.664948	1.776	0.318471	0.1071	0.016425	2.88289
2007	0.644471	1.636	0.314147	0.1371	0.016045	2.74771
2008	0.588414	1.410	0.295104	0.1346	0.015951	2.44402
2009	0.623000	1.463	0.289399	0.1359	0.015951	2.52721
2010	0.661649	1.463	0.296187	0.1359	0.015951	2.57269
2011	0.697500	1.463	0.296187	0.1416	0.016652	2.61496
2012	0.710978	1.430	0.296187	0.1416	0.017370	2.59616
2013	0.710978	1.425	0.296187	0.1492	0.017370	2.59869
2014	0.729376	1.425	0.296187	0.1492	0.017798	2.61751

Note: Overlapping governments are those that coincide, at least in part, within the geographic boundaries of the City. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses on the City of Kirby, Texas. This process recognizes that, when considering the City of Kirby's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF KIRBY, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT AND SEVEN YEARS AGO

TABLE 8

<u>Taxpayer</u>	2014			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Churchill Family Trust	\$ 3,550,000	1	1.89%			
Yes Companies LLC	2,555,930	2	1.36%			
Turners	1,461,420	3	0.78%			
Mr. Patrick F. Siddons	1,396,170	4	0.74%			
Schertz Bank & Trust	1,066,790	5	0.57%	\$ 987,260	5	0.47%
AJC Rental Corporation	969,138	6	0.52%	5,956,563	1	2.85%
Time Warner Cable	942,588	7	0.50%	1,488,710	4	0.71%
Main Street Properties - Kirby LLC	758,740	8	0.40%			
Ms. Marie Ann Kalinowski	753,680	9	0.40%	620,134	9	0.31%
Mr. Richard Owen	732,740	10		713,910	7	0.34%
AT&T Telephone				918,790	6	0.44%
Mr. William Harrigan				3,002,970	2	1.44%
CMH Parks, Inc.				1,880,690	3	0.90%
Ms. Ann Letofsky				648,500	8	0.30%
Grace And Grant Properties, LLC				611,970	10	0.29%
Total	<u>\$ 14,187,196</u>		<u>7.16%</u>	<u>\$ 16,829,497</u>		<u>8.05%</u>

CITY OF KIRBY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

TABLE 9

Fiscal Year Ended September 30,	Original Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 1,138,602	\$ 1,106,283	97.16%	28,237	\$ 1,134,520	99.64%
2006	1,163,575	1,131,529	97.25%	27,581	1,159,110	99.62%
2007	1,245,573	1,214,573	97.51%	25,507	1,240,080	99.56%
2008	1,254,704	1,221,409	97.35%	30,186	1,251,595	99.75%
2009	1,347,433	1,314,199	97.53%	27,069	1,341,268	99.54%
2010	1,319,698	1,290,840	97.81%	29,005	1,319,845	100.01%
2011	1,400,849	1,373,604	98.06%	19,153	1,392,757	99.42%
2012	1,398,293	1,370,446	98.01%	18,269	1,388,715	99.31%
2013	1,364,383	1,330,473	97.51%	15,423	1,345,896	98.65%
2014	1,370,843	1,331,545	97.13%	-	1,331,545	97.13%

Source: Bexar County Tax Assessor Collector and City of Kirby Finance Department.

CITY OF KIRBY, TEXAS
RATIOS OF OUTSIDE DEBT BY TYPE
LAST TEN FISCAL YEARS

TABLE 10

Fiscal Year	Governmental Activities			Business-Type Activity		Per Capita*
	General	Certificates	Capital Leases	Certificates	Total	
	Obligation Bonds	of Obligation		of Obligation	Primary Government	
2005	\$ -	\$ 1,150,000	\$ -	\$ 225,000	\$ 1,375,000	159
2006	-	1,045,000	-	150,000	1,195,000	122
2007	-	940,000	-	70,000	1,010,000	116
2008	-	830,000	-	-	830,000	97
2009	715,000	2,970,000	-	-	3,685,000	428
2010	590,000	2,735,000	-	-	3,325,000	382
2011	460,000	2,465,000	-	-	2,925,000	336
2012	370,000	2,190,000	-	-	2,560,000	297
2013	305,000	1,905,000	-	-	2,210,000	269
2014	235,000	1,610,000	-	-	1,845,000	223

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

*Note: Per Capita is the total primary government debt divided by the population of the City. Population totals may be found in Table 13.

CITY OF KIRBY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

TABLE 11

General Bonded Debt Outstanding				Actual Taxable Value of Property	Percentage of Actual Taxable Value of Property	Per Capita*
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Total			
2005	\$ -	\$ 1,375,000	\$ 1,375,000	\$ 173,086,864	0.79%	132
2006	-	1,195,000	1,195,000	174,987,399	0.68%	120
2007	-	1,010,000	1,010,000	193,270,606	0.52%	108
2008	-	830,000	830,000	213,177,855	0.39%	97
2009	715,000	2,970,000	3,685,000	216,605,894	1.70%	428
2010	590,000	2,735,000	3,325,000	199,391,873	1.67%	382
2011	460,000	2,465,000	2,925,000	200,775,070	1.46%	336
2012	370,000	2,190,000	2,560,000	196,535,239	1.30%	297
2013	305,000	1,905,000	2,210,000	191,794,074	1.15%	269
2014	235,000	1,610,000	1,845,000	187,883,815	0.98%	223

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

*Note: Per Capita is equal to the actual taxable value divided by the population of the City. Population totals may be found in Table 13.

CITY OF KIRBY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

TABLE 13

Year	Population	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2005	8612	\$ 38,919	33.30	1,763	5.7%
2006	8673	38,919	33.30	1,817	4.5%
2007	8673	38,919	33.30	1,760	4.1%
2008	8580	45,265	33.30	1,760	5.0%
2009	8606	45,265	33.30	1,844	5.9%
2010	8695	46,481	33.30	1,755	5.9%
2011	8695	46,639	33.30	1,748	5.9%
2012	8633	46,639	33.70	1,641	5.8%
2013	8222	48,606	35.90	1,847	6.1%
2014	8289	49,254	35.70	1,775	4.7%

Sources: Population, Per Capita Income and median Age information provided by the United States Census Bureau. School enrollment information was provided by the Judson Independent School District. Unemployment rate was provided by the U.S Department of Labor for the City of San Antonio, Texas.

CITY OF KIRBY, TEXAS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND FOUR YEARS AGO

TABLE 14

Employer	2014			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Lackland Air Force Base	37,097	1	3.71%	28,100	2	2.97%
Fort Sam Houston	32,000	2	3.20%	30,793	1	3.25%
HEB Food Stores	20,000	3	2.00%	14,588	4	1.54%
USAA	16,000	4	1.60%	14,852	3	1.57%
Northside I.S.D.	12,751	5	1.28%	12,597	5	1.33%
Randolph Air Force Base	11,068	6	1.11%	10,700	6	1.13%
North East I.S.D.	10,052	7	1.01%	10,223	7	1.08%
City of San Antonio	9,145	8	0.91%	9,000	8	0.95%
Methodist Healthcare System	8,118	9	0.81%	7,013	10	0.74%
Baptist Health System	7,205	10	0.72%			
San Antonio ISD	7,000		0.70%	7,581	9	0.80%
Total	<u>170,436</u>		<u>17.04%</u>	<u>145,447</u>	N/A	<u>15.36%</u>

The City of Kirby is surrounded by the City of San Antonio and no data is available for the employers in Kirby. The above data is for San Antonio.

Source: San Antonio Economic Development Foundation

Note: Data for 2004 was not available; 2010 used instead.

