

TOWN OF RANCHO VIEJO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2015

TOWN OF RANCHO VIEJO, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2015

TOWN OFFICIALS

Mayor	Cyndie Rathbun
Alderman	Javier Vera
Alderwoman	Bitty Truan
Alderwoman	Lupita Cervantes-Carr
Alderwoman	Maribel Guerrero
Alderman	Erick Lucio
Attorney	Daniel Rentfro, Jr.
Municipal Judge	Ricardo M. Adobbati
Cameron County Tax Assessor - Collector	Tony Yzaguirre, Jr.
Town Administrator	Alfredo Blanco

TOWN OF RANCHO VIEJO, TEXAS

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FINANCIAL SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Rancho Viejo, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Rancho Viejo, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Rancho Viejo, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, each major fund, and the aggregate remaining fund information of the Town of Rancho Viejo, Texas, as of September 30, 2015, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

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Governmental Audit
Quality Center

Change in Accounting Principle

As discussed in Note A to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Account Standards (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and Governmental Account Standards (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and net pension information on pages 3 through 6 and 32 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rancho Viejo, Texas' basic financial statements. The accompanying financial information listed as other supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2016, on our consideration of the Town of Rancho Viejo, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rancho Viejo, Texas' internal control over financial reporting and compliance.

Patullo, Brown & Hill, LLP

Brownsville, Texas
March 8, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Town of Rancho Viejo, Texas's annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the Town's financial statements, which follow this section.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$1,982,086 (net position). Of this amount, \$783,247 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The net position for the Town decreased by \$108,796 during the fiscal year, which includes \$256,982 of depreciation expense.
- The general fund balance at September 30, 2015 was \$644,512, an increase of \$111,498 during the fiscal year. Of this amount, \$199,974 is assigned for street rehab, \$3,000 is assigned for security device, \$5,000 is assigned to public relations, \$4,583 is assigned for beautification contribution, \$300,000 is assigned for operations and \$131,955 is unassigned.

Overview of the Financial Statements

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements and supplementary information*. The basic financial statements present Town operations in two categories:

1. Government-Wide financial statements

The Statement of Net Position and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances.

2. Governmental Fund financial statements

For governmental activities, these statements tell how the services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

The Town provides for two major types of fund balances, which are nonspendable and spendable. GASB 54 establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

Non spendable fund balances are balances that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances will be inventory and prepaid items. The Town has no nonspendable fund balance at September 30, 2015.

The spendable fund balances include restricted, committed, assigned and unassigned based upon the hierarchy of spending constraints. Restricted: fund balances that are constrained by external parties, or imposed by law; committed : fund balances that contain self-imposed constraints of the Town from its highest level of decision making authority (the Board of Alderman of the Town of Rancho Viejo); assigned: fund balances that contained self-imposed constraints of the Town to be used for a particular purpose (the Board of Alderman of the Town of Rancho Viejo or an official to whom which the Town has delegated the authority to assign funds for specific purposes); and unassigned: fund balance of the general fund that has not been constrained for any particular purpose.

Basic Financial Statement Analysis

The basic financial statements report information about the Town using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Town's assets, deferred outflows, liabilities, deferred inflows and net position. All of the current year's revenues, expenses and changes in the net position are accounted for in the statements of revenues, expenses and changes in net position regardless of when cash is received or paid.

The basic financial statements report the Town's net position, and how it has changed. Net position - the difference between the Town's assets, deferred outflows, liabilities and deferred inflows - is one way to measure the Town's financial health or position.

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

The Town's net position was \$1,982,086 and \$2,064,786 at September 30, 2015 and 2014, respectively. An analysis of the Town's net position is shown below:

	<u>2015</u>	<u>2014</u>
Capital assets, net	\$ 1,739,524	\$1,970,735
Current and other asset	<u>799,641</u>	<u>679,683</u>
Total assets	<u>2,539,165</u>	<u>2,650,418</u>
Deferred Outflows of Resources	<u>23,852</u>	<u>-</u>
Totals deferred outflows of resources	<u>23,852</u>	<u>-</u>
Total liabilities	580,931	585,632
Net position		
Net investment in capital assets	1,177,844	1,389,406
Restricted for:		
Police forfeiture funds	20,368	30,497
Debt service	627	2,959
Unrestricted	<u>783,247</u>	<u>641,924</u>
Total net position	<u>\$ 1,982,086</u>	<u>\$ 2,064,786</u>

Changes in the Town's net position can be determined by reviewing the following condensed Statements of Activities for the year ended September 30,

	<u>2015</u>	<u>2014</u>
Net operating revenues	\$ 1,267,377	\$ 1,255,927
Operating expenses	<u>1,376,173</u>	<u>1,354,475</u>
Excess revenues over expenses	(108,796)	(98,548)
Net position at beginning of year	<u>2,064,786</u>	<u>2,163,334</u>
Prior period adjustment	<u>26,096</u>	<u>-</u>
Net position at end of year	<u>\$ 1,982,086</u>	<u>\$ 2,064,786</u>

General Fund Budgetary Highlights

Actual expenditures were \$7,017 less than budgeted expenditures.

Analysis of Changes in Capital Assets and Long-Term Debt

At the end of 2015, the Town had invested \$1,739,524, net of depreciation, in a broad range of capital assets, including buildings, vehicles and equipment.

Long-term debt, at the end of 2015, included the General Obligation refunding bonds, Series 2012. A note with International Bank of Commerce was paid off in November 2014. Private placement debt, General Obligation refunding bonds, Series 2012, is not publicly issued or publicly traded and as a result is not required to be rated by a credit rating agency. The Town paid approximately \$33,383 on these notes which left a balance of \$482,000.

The following table summarizes the Town's capital assets, net of accumulated depreciation, for the year ended September 30, 2015:

	Balance October 1, 2014	Additions	Deletions	Adjustments	Balance September 30, 2015
Capital assets, not being depreciated					
Land	\$ 178,580	\$ -	\$ -	\$ -	\$ 178,580
Total capital assets, not depreciated	<u>178,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,580</u>
Capital assets, being depreciated					
Buildings	1,190,538	-	-	-	1,190,538
Improvements	136,478	-	-	-	136,478
Vehicles and equipment	551,078	14,426	(2,437)	11,345	574,412
Infrastructure	<u>1,678,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,678,860</u>
Total capital assets, depreciated	<u>3,556,954</u>	<u>14,426</u>	<u>(2,437)</u>	<u>11,345</u>	<u>3,580,288</u>
Less accumulated depreciation for:					
Buildings	334,597	39,939	-	-	374,536
Improvements	47,562	3,849	-	-	51,411
Vehicles and equipment	401,339	61,800	(2,437)	-	460,702
Infrastructure	<u>981,301</u>	<u>151,394</u>	<u>-</u>	<u>-</u>	<u>1,132,695</u>
Total accumulated depreciation	<u>1,764,799</u>	<u>256,982</u>	<u>(2,437)</u>	<u>-</u>	<u>2,019,344</u>
Total capital assets, being depreciated, net	<u>1,792,155</u>	<u>(242,556)</u>	<u>-</u>	<u>11,345</u>	<u>1,560,944</u>
Governmental activities, capital assets, net	<u>\$ 1,970,735</u>	<u>\$ (242,556)</u>	<u>\$ -</u>	<u>\$ 11,345</u>	<u>\$ 1,739,524</u>

Economic Factors and Next Year's Budgets and Rates

- The Town's revenue budget and rates for next year's operations appear to be sufficient to provide adequate income during this period. The total revenues budgeted for the year ended September 30, 2016 are \$1,295,950 while total budgeted expenditures are \$1,262,008. Total taxable value for the 2015-2016 fiscal year is \$236,425,632 compared to \$230,973,465 in the 2014-2015 fiscal year. The tax rate for next year was set at .419906/\$100 of assessed valuation.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town's business office at (956) 350-4093.

BASIC FINANCIAL STATEMENTS

TOWN OF RANCHO VIEJO, TEXAS

STATEMENT OF NET POSITION

September 30, 2015

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 673,965
Receivables, (net):	
Property taxes	53,589
Assessments	42,004
Grant	10,793
Net pension asset	19,290
Capital assets	
Land	178,580
Buildings and improvements, net	901,069
Vehicles and equipment, net	113,710
Infrastructure, net	546,165
Total assets	<u>2,539,165</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to pensions	23,852
Total deferred outflows of resources	<u>23,852</u>
LIABILITIES	
Accounts payable	19,251
Due in one year	69,840
Due in more than one year	491,840
Total liabilities	<u>580,931</u>
NET POSITION	
Investment in capital assets	1,177,844
Restricted for	
Police forfeiture funds	20,368
Debt service	627
Unrestricted	783,247
Total net position	<u>1,982,086</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 2,563,017</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	<u>Primary Government</u> Total
Governmental activities:				
Administration	\$ 181,777	\$ 19,101	\$ -	\$ (162,676)
General	109,133	-	-	(109,133)
General services	65,838	36,587	-	(29,251)
Professional	83,770	-	-	(83,770)
Police and security	696,721	34,266	12,487	(649,968)
Street, lighting and maintenance	218,963	-	-	(218,963)
Debt service	19,971	-	-	(19,971)
Total governmental activities	<u>1,376,173</u>	<u>89,954</u>	<u>12,487</u>	<u>(1,273,732)</u>
Total primary government	<u>\$ 1,376,173</u>	<u>\$ 89,954</u>	<u>\$ 12,487</u>	<u>(1,273,732)</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes				903,094
Property taxes, levied for debt service				46,444
Sales taxes				69,022
Franchise taxes				106,919
Liquor				5,702
Penalties and interest				26,987
Interest earned				6,768
Total general revenues				<u>1,164,936</u>
Change in net position				(108,796)
Net position--beginning				2,064,786
Prior period adjustment				26,096
Net position--ending				<u>\$ 1,982,086</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Other Non-major Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 647,970	\$ 5,627	\$ 20,368	\$ 673,965
Receivables, (net):				
Property taxes	50,597	2,992	-	53,589
Internal receivable	5,000	-	-	5,000
Assessments	42,004	-	-	42,004
Grant	10,793	-	-	10,793
Total assets	<u>\$ 756,364</u>	<u>\$ 8,619</u>	<u>\$ 20,368</u>	<u>\$ 785,351</u>
LIABILITIES				
Accounts payable	\$ 19,251	-	\$ -	\$ 19,251
Internal payable	-	5,000	-	5,000
Total liabilities	<u>19,251</u>	<u>5,000</u>	<u>-</u>	<u>24,251</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Property taxes (net)	50,597	2,992	-	53,589
Assessments	42,004	-	-	42,004
Total deferred inflows of resources	<u>92,601</u>	<u>2,992</u>	<u>-</u>	<u>95,593</u>
FUND BALANCES				
Restricted for:				
Police forfeiture funds	-	-	20,368	20,368
Debt service	-	627	-	627
Assigned to:				
Street rehab reserve	199,974	-	-	199,974
Security device reserve	3,000	-	-	3,000
Public relations reserve	5,000	-	-	5,000
Beautification contribution reserve	4,583	-	-	4,583
Operations reserve	300,000	-	-	300,000
Unassigned	131,955	-	-	131,955
Total fund balances	<u>644,512</u>	<u>627</u>	<u>20,368</u>	<u>665,507</u>
Total liabilities, deferred inflows & fund balance	<u>\$ 756,364</u>	<u>\$ 8,619</u>	<u>\$ 20,368</u>	<u>\$ 785,351</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET AND THE GOVERNMENTAL-WIDE
STATEMENT OF NET POSITION**

SEPTEMBER 30, 2015

Fund balances -- total governmental funds	\$ 665,507
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	1,739,524
Some liabilities, including bonds payable, are not due in the current period and therefore not reported in the funds.	(561,680)
Property taxes receivable and assessments receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred inflows of resources in the fund financials.	95,593
Included in the items related to debt is the recognition of the Town's proportionate share of the net pension asset required by GASB 68 in the amount of \$19,290 a a deferred resource outflow related to TMRS in the amount of \$23,852. This amounted to an increase in net position in the amount of \$43,142.	<u>43,142</u>
Net position of governmental activities	<u>\$ 1,982,086</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Debt Service Fund	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes:				
Property (net of discounts)	\$ 904,017	\$ 46,625	\$ -	\$ 950,642
Sales tax	69,022	-	-	69,022
Franchise	106,919	-	-	106,919
Liquor	5,702	-	-	5,702
Licenses and permits	36,587	-	-	36,587
Fines and forfeitures	44,402	-	1,320	45,722
Assessments	657	-	-	657
Penalties and interest	25,906	1,081	-	26,987
Interest earned	6,738	10	20	6,768
Grant revenue	12,487	-	-	12,487
Administrative costs recovered	18,237	-	-	18,237
Miscellaneous fees	864	-	-	864
Police fund income	100	-	-	100
Total revenues	<u>1,231,638</u>	<u>47,716</u>	<u>1,340</u>	<u>1,280,694</u>
Expenditures:				
Current				
Administration	153,522	-	-	153,522
General	93,001	-	-	93,001
General services	55,558	-	-	55,558
Professional	68,192	-	-	68,192
Police and security	565,338	-	11,469	576,807
Street, lighting and maintenance	177,857	-	-	177,857
Capital outlay	3,366	-	-	3,366
Debt service	3,306	-	-	3,306
Principal	-	30,000	-	30,000
Interest and fees	-	20,048	-	20,048
Total expenditures	<u>1,120,140</u>	<u>50,048</u>	<u>11,469</u>	<u>1,181,657</u>
Excess (deficit) of revenues over (under) expenditures	111,498	(2,332)	(10,129)	99,037
Fund balance, October 1	<u>533,014</u>	<u>2,959</u>	<u>30,497</u>	<u>566,470</u>
Fund balance, September 30	<u>\$ 644,512</u>	<u>\$ 627</u>	<u>\$ 20,368</u>	<u>\$ 665,507</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Net change in fund balances -- total governmental funds	\$ 99,037
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 of (\$256,982) exceeded capital outlay of \$14,426.	(242,148)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	33,383
Compensated absences are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.	(13,734)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 9/30/14 caused the change in the ending net position to decrease in the amount of \$(108,796). Contributions made before the measurement but during the 2015 FY were also de-expended and recorded as a reduction in the net pension liability for the Town. The Town's proportionate share of the TMRS pension expense on the plan as a whole had to be recorded as an expense. The net pension expense decrease in the change in net position by \$136,902.	28,106
Other long term assets, such as assessments receivable, are not available to pay for current period expenditures and therefore are unearned in the funds	<u>(13,440)</u>
Change in net position of governmental activities	<u>\$ (108,796)</u>

The accompanying notes are an integral part of this statement.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Rancho Viejo, Texas, Texas (Town) is duly incorporated under the general laws type "A" provisions of the State of Texas, which were adopted in an election, held on January 19, 1980. The Town operates under an Aldermanic form of government and is authorized to provide the following services in accordance with State statutes: Public safety (police), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (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. The more significant of the Town's accounting policies are described below.

1. Reporting Entity

As required by generally accepted accounting principles, these financial statements present the Town of Rancho Viejo, Texas and its component units, entities for which the Town is considered to be financially accountable. The discussion of component units below summarizes the relevant guidelines considered by the Town in determining their operational or financial relationships.

Blended component units - Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. The Town of Rancho Viejo, Texas does not have any blended component units.

Discretely presented component units - The discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the Town. The Town does not have any discretely presented component units.

Excluded from the reporting entity:

Valley Municipal Utility District No. 2

This potential component unit has a separate elected board and provides services to residents, generally within the geographic boundaries of the Town. This potential component unit is excluded from the reporting entity because the Town does not have the ability to exercise influence over its daily operations, approve budgets, or provide funding.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation

Government-Wide Statements

The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are not specifically associated with a program or function and therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses in the statement of activities.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund: This is the Town's primary operating fund. It accounts for all of the financial resources of the general government, except those required to be accounted for in another fund.

Debt Service Fund: The Town accounts for the accumulation of financial resources for the payment of general long-term debt principal, interest and expenditures paid principally from property tax revenue levied by the Town.

In addition, the Town reports the following nonmajor governmental fund types:

Special Revenue Fund: The Town accounts for resources restricted to, or assigned for, a specific purpose by the Town or a grantor in a special revenue fund. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Police Forfeiture Fund is used to account for seizure monies received from the federal government and police department related expenditures.

Governmental funds are used to account for all or most of the Town's general activities. The collection and disbursement of earmarked monies are accounted for in special revenue funds. The General Fund is used to account for all activities of the general government not accounted for in some other fund. However, the Board of Alderman have assigned a portion of the general fund balance for street rehab, security device, and beautification contribution.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Basis of Accounting

Government-wide Fund Financial Statements

These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, includes property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year end on behalf of the Town also are recognized as revenue. Revenues from fines, permits, and property liens are not susceptible to accrual because generally they are not measurable until received in cash.

The Town reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Town before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

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

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

As required by state law, the Mayor submits to the Aldermen the proposed executive budget for the fiscal year to the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the Aldermen. The original annual appropriated budgets are adopted by resolutions by the Aldermen prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the Aldermen.

Expenditures may not legally exceed budgeted appropriations at the fund level. During the year, several supplementary appropriations were necessary.

5. Cash and Cash Equivalents

For purposes of the basic financial statements, cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

6. Capital Assets

Capital assets are reported in the applicable governmental activities column in the governmental-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. A capitalization threshold of \$1,000 has been established by the Town.

Public domain (*infrastructure*) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized, beginning October 1, 2003 in accordance with GASB 34.

7. Accumulated Compensated Absences

It is the Town's policy to permit employees to accumulate an amount of earned but unused vacation and sick leave. Vacation and sick leave are payable upon separation from employment. Any sick leave amount greater than 60 days, will be payable at the end of the year if not yet taken. In governmental funds, the cost of vacation and sick leave is recognized when payments are made to employees. In recognition of this policy, a liability of \$79,680 for vacation and sick leave has been recorded in the government wide financial statements. This amount represents the Town's commitment to fund such costs from current operations.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

8. *Fund Balances*

GASB 54 establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources. The Town provides for two major types of fund balances, which are nonspendable and spendable.

Nonspendable fund balances will include amounts that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances will be inventory and prepaid items.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted fund balances will exist when constraints are placed on the use of those resources that are either externally imposed or imposed by law.

Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Alderman of the Town of Rancho Viejo.

Assigned fund balances will be amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted, nor committed. The intent can be made by either the Board of Alderman of the Town of Rancho Viejo or an official to whom which the Town has delegated the authority to. Appropriated fund balance and the majority of encumbrances will be reclassified into the assigned category.

Unassigned fund balances will represent those funds that have not been assigned, committed, restricted or considered nonspendable. The general fund will be the only fund that will report unassigned fund balance, unless a deficit fund balance resulting from overspending in other funds exist. Fund balance in other funds will either be assigned, committed, restricted or nonspendable unless the fund reports a deficit.

9. *Net Position*

The Town's net position is classified as follows:

Net investment in capital assets: consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position: consists of net position that is subject to a legally enforceable restriction on their use.

Unrestricted: consists of all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

10. *Deferred Outflows and Inflows of Resources*

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the Town's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the Town's acquisition of net position applicable to a future reporting period.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

10. Deferred Outflows and Inflows of Resources

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

11. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, such estimates may differ from actual results.

12. Net Pension Liability

During fiscal year 2015, the Town adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the Town must assume their appropriate share of Net Pension Liability of the Texas Municipal Retirement System. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively.

NOTE B - DEPOSITS AND INVESTMENTS

Investment Accounting Policy

The Town is required by Government Code Chapter 2256, The Public Funds Investment Act (the "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 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 Town adhered to the requirements of the Act. Additionally, investment practices of the Town were in accordance with local policies.

The Town'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 the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE B - DEPOSITS AND INVESTMENTS

The Act determines the types of investments, which are allowable for the Town. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Town's policy authorizes all the State allowable investments.

The Town's management believes that it has complied in all material respects with the requirements of the act and the Town's investment policies.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the Town's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public fund investment pool created to function as a money market mutual fund must mark its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. If the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, portfolio holdings shall be sold as necessary to maintain the ratio between 0.995 and 1.005.

The Town'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 Town's agent bank, approved pledged securities in an amount sufficient to protect Town 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.

Cash Deposits

At September 30, 2015, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$673,965 and the bank balance was \$696,162.

The Town's cash deposits at September 30, 2015 are maintained primarily at International Bank of Commerce. These deposits were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank. The deposits were collateralized in accordance with Texas Law and the Town maintains copies of all safekeeping receipts in the name of the Town. Deposits were properly secured at all times.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE B - DEPOSITS AND INVESTMENTS

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its fair value to changes in market interest rates. The Town does not own any long-term investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town does not own any investments other than collateralized bank deposits.

Concentration of Credit Risk

The Investment policy of the Town contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act.

Public Funds Investment Pools

The Town had no funds in a public funds investment pool.

NOTE C – RECEIVABLES

Receivables at September 30, 2015, consist of the following:

	General	Non-Major and Other	Total
Receivables:			
Taxes	\$ 56,219	\$ 3,324	\$ 59,543
Stonegarden grant	10,793	-	10,793
Assessments and other	42,004	-	42,004
Gross receivables	109,016	3,324	112,340
Less allowance for uncollectibles	(5,622)	(332)	(5,954)
Net total receivables	<u>\$ 103,394</u>	<u>\$ 2,992</u>	<u>\$ 106,386</u>

During the fiscal year ended September 30, 2009, the Town assessed Section 11 property owners for development and improvements of Section 11 electrical and roadways. The receivable, as of year-end September 30, 2015, was \$42,004 and the Town did not estimate that an allowance was necessary at that time.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE C – RECEIVABLES

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year, at which time the applicable property is assessed penalties and interest until paid. On July 1, the property is subject to lien plus penalties and interest until paid.

The Town's ad valorem taxes are collected by the Cameron County tax assessor-collector and are disbursed to the Town each month.

Taxes receivable by Year	Schedule of Taxes Receivable September 30, 2015		
	Debt Service Tax	Maintenance Tax	Total
2001 and prior	\$ -	\$ 209	\$ 209
2002	-	16	16
2003	-	16	16
2004	-	54	54
2005	-	690	690
2006	75	798	873
2007	110	1,148	1,258
2008	137	1,496	1,633
2009	164	1,799	1,963
2010	231	2,734	2,965
2011	218	2,948	3,166
2012	546	7,527	8,073
2013	532	11,278	11,810
2014	1,311	25,506	26,817
	3,324	56,219	59,543
Allowance for uncollectible	(332)	(5,622)	(5,954)
Total receivable at end of year	<u>\$ 2,992</u>	<u>\$ 50,597</u>	<u>\$ 53,589</u>

NOTE D – INTERFUND RECEIVABLE AND PAYABLES

Interfund balances at September 30, 2015 consisted of the following fund balances:

Receivable Fund	Payable Fund	Amount	Total
General	Non-major governmental	\$5,000	\$5,000

TOWN OF RANCHO VIEJO, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE E - DELINQUENT PROPERTY LIENS

Current and delinquent property liens have not been reported in the financial statements. It is the Town's policy not to record lien revenues until they become available for appropriation. Accordingly, an amount equal to the liens not yet received has not been reported as unearned revenue. On September 30, 2015, total current and delinquent property liens were \$56,606.

NOTE F - CAPITAL ASSETS

	Balance October 1, 2014	Additions	Deletions	Adjustments	Balance September 30, 2015
Capital assets, not being depreciated					
Land	\$ 178,580	\$ -	\$ -	\$ -	\$ 178,580
Total capital assets, not depreciated	<u>178,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,580</u>
Capital assets, being depreciated					
Buildings	1,190,538	-	-	-	1,190,538
Improvements	136,478	-	-	-	136,478
Vehicles and equipment	551,078	14,426	(2,437)	11,345	574,412
Infrastructure	<u>1,678,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,678,860</u>
Total capital assets, depreciated	<u>3,556,954</u>	<u>14,426</u>	<u>(2,437)</u>	<u>11,345</u>	<u>3,580,288</u>
Less accumulated depreciation for:					
Buildings	334,597	39,939	-	-	374,536
Improvements	47,562	3,849	-	-	51,411
Vehicles and equipment	401,339	61,800	(2,437)	-	460,702
Infrastructure	<u>981,301</u>	<u>151,394</u>	<u>-</u>	<u>-</u>	<u>1,132,695</u>
Total accumulated depreciation	<u>1,764,799</u>	<u>256,982</u>	<u>(2,437)</u>	<u>-</u>	<u>2,019,344</u>
Total capital assets, being depreciated, net	<u>1,792,155</u>	<u>(242,556)</u>	<u>-</u>	<u>11,345</u>	<u>1,560,944</u>
Governmental activities, capital assets, net	<u>\$ 1,970,735</u>	<u>\$ (242,556)</u>	<u>\$ -</u>	<u>\$ 11,345</u>	<u>\$ 1,739,524</u>

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

Depreciation is provided in the funds in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Site improvements	25-30 years
Buildings	30 years
Furniture and equipment	3-10 years
Vehicles	3 years

Depreciation was charged to government functions as follows:

Administration	\$ 35,071
General	21,245
General Services	13,007
Professional	15,578
Police and Security	130,974
Street, lighting and maintenance	<u>41,106</u>
Total depreciation-governmental activities	<u>\$ 256,982</u>

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE G - LONG-TERM DEBT

General Obligation Refunding Bonds, Series 2012

On September 11, 2012, the Town authorized issuance of Town of Rancho Viejo, General Obligation Refunding Bonds, Series 2012, in the amount of \$572,000. The bonds are payable from levying a continuing direct annual ad valorem tax. These bonds were issued for the purpose of providing funds to refinance a portion of the Town's outstanding debt, Town of Rancho Viejo, Texas Tax Note, Series 2005 and to pay costs and expenses of the issuance. Principal payments are due on January 1, and interest payments are due semi-annually, January 1 and July 1 of each year commencing January 1, 2013 and continuing thereafter until maturity in 2027 with interest at rates ranging from 1.75% to 4.10%.

Note Payable

On April 6, 2011, the Town signed a promissory note with International Bank of Commerce in the original principal sum of \$60,000, payable in seven monthly interest only payments, beginning May 6, 2011, thirty-five monthly installments of \$1,665, plus interest, beginning December 6, 2011, and a final payment of principal balance plus accrued and unpaid interest at final maturity, November 6, 2014. The interest rate shall be floating at 0% per annum above the New York Prime Rate (Prime Rate) as it fluctuates from time to time; provided, however, that in no event shall the rate of interest to be paid on the unpaid principal of this note be less than 4.25% per annum, nor more than the maximum legal rate allowed by applicable law. The starting interest rate on this note shall be 4.25% per annum. The rate of interest due hereunder shall be computed as of the date of any change in the Prime Rate.

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015	Amount Due Within One Year
General Obligation Refunding Bonds, Series 2012	\$ 512,000	\$ -	\$ 30,000	\$ 482,000	\$ 30,000
Note payable	3,383	-	3,383	-	-
Compensated Absences	65,946	13,734	-	79,680	39,840
Total	<u>\$ 581,329</u>	<u>\$ 13,734</u>	<u>\$ 33,383</u>	<u>\$ 561,680</u>	<u>\$ 69,840</u>

The following is a summary of the total annual long-term debt requirements to maturity:

Year Ending September 30,	General Obligation Refunding Bond Series 2012		Total Requirements
	Principal	Interest	
2016	\$ 30,000	\$ 18,725	\$ 48,725
2017	30,000	17,660	47,660
2018	35,000	16,580	51,580
2019	35,000	15,302	50,302
2020	35,000	14,007	49,007
Thereafter	<u>317,000</u>	<u>54,516</u>	<u>371,516</u>
Total	<u>\$ 482,000</u>	<u>\$ 136,790</u>	<u>\$ 618,790</u>

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE H - EMPLOYEE RETIREMENT SYSTEM

Plan Description

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

TMRS issues a publicly available comprehensive financial annual 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 78714-91 53 or by calling 800-924-8677; in addition the report is available on TMRS' website at www.TMRS.com.

Benefits Provided

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

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

Employees covered by benefit terms

Employee deposit rate	7%
Matching ratio (Town to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100%
Annuity Increase (to retirees)	0% of CPI

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>10</u>
	<u>17</u>

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE H - EMPLOYEE RETIREMENT SYSTEM

Contributions

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

Employees for the Town were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the Town were 8.90% and 8.03% in calendar years 2014 and 2015, respectively. The Town's contributions to TMRS for the year ended September 30, 2015, were \$38,944, and were equal to the required contribution.

Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in December 31, 2014 actuarial was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

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

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

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

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE H - EMPLOYEE RETIREMENT SYSTEM

Net Pension Liability

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	100.0%	

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE H - EMPLOYEE RETIREMENT SYSTEM

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 2,158,877	\$ 2,152,183	\$ 6,694
Changes for the year:			
Service cost	54,637	-	54,637
Interest	150,296	-	150,296
Change of benefit terms	-	-	-
Difference between expected and actual experience	(30,295)	-	(30,295)
Changes of assumptions	-	-	-
Contributions - employer	-	43,687	(43,687)
Contributions - employee	-	35,191	(35,191)
Net investment income	-	123,135	(123,135)
Benefit payments, including refunds of employee contributions	(78,206)	(78,206)	-
Administrative expense	-	(1,285)	1,285
Other changes	-	(106)	106
Net changes	<u>96,432</u>	<u>122,416</u>	<u>(25,984)</u>
Balance at 12/31/2015	<u>\$ 2,255,309</u>	<u>\$ 2,274,599</u>	<u>\$ (19,290)</u>

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE H - EMPLOYEE RETIREMENT SYSTEM

Changes in the Net Pension Liability

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

	<u>1% Decrease in Discount Rate (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase in Discount Rate (8.0%)</u>
Town's net pension liability	\$ 288,413	\$(19,290)	\$(273,738)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the Town recognized pension expense of \$21,268.

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

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$(25,579)
Difference between projected and actual investment earnings	22,014
Contributions subsequent to the measurement date	<u>27,417</u>
Total	<u>\$ 23,852</u>

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE H - EMPLOYEE RETIREMENT SYSTEM

Pension Expense and Deferred Outflows of Resources Related to Pensions

Deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended Sept 31</u>		
2016	\$	788
2017		788
2018		788
2019		786
2020	(4,716)
Thereafter	(<u>1,999</u>)
Total	\$	<u><u>(3,565)</u></u>

Subsequent event:

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be as large as originally projected. While the actual impact on the Town's valuation for December 31, 2015 is not known, the Town does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

Contributions to Supplemental Death Benefit Fund

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

For the years ended 2015, 2014, and 2013, the annual required contribution rate for the TMRS SDBF was .13%, .13%, and .12%, respectively.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE I - COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provision

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," no violations of finance related legal and contractual provisions, occurred during the current year.

b. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Amount</u>	<u>Remarks</u>
None Noted	None Noted	No remarks necessary

NOTE J - COMMITMENTS AND CONTINGENCIES

Contingencies

From time to time the Town is a party to legal proceedings generally incidental to its operations. As of year-end there was no litigation outstanding against the Town.

Under guidelines from the U. S. Department of Justice and provisions of the State Code of Texas, the Town of Rancho Viejo Police Department may receive proceeds from seized and forfeited money and property. Various procedures are required to be followed before a determination is made as to whether the proceeds from the seized property are awarded to the various law enforcement agencies.

Local law enforcement agencies are specifically required to use these funds to supplement and not supplant the existing funding for law enforcement activities. In effect, these funds are required to be used for purchases outside the department's operating budget and may not be used to fund purchases included in the police department's annual budget.

NOTE K - OTHER EMPLOYEE BENEFITS

The Town provides medical and life insurance benefits for its employees through a group insurance plan in the state-wide Texas Municipal League Joint Self-Insurance Fund. The plan features medical and life insurance benefits to all participants. Contributions to the plan are based on the marital and family status of an employee. For the year ended September 30, 2015, the Town's other employee benefit costs totaled \$68,396.

NOTE L - RISK MANAGEMENT

The Town of Rancho Viejo, Texas is exposed to various uncertainties related to intentional and unintentional torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; health and dental medical claims by employees; and job-related accidents and injuries for which the Town carries commercial insurance coverage. There have been no significant reductions in insurance coverage from the previous year; no negative settlements or jury awards have exceeded insurance coverage in any of the past three years. The Town's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the Town in TML-IRP is limited to payment of premiums. The Town has not had any significant reduction in insurance coverage, and the Town is not aware of any pending claims for which expected liability would exceed the limits of the present insurance coverage.

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

NOTE M - DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue reported in the fund financial statements were as follows:

Governmental funds	
Delinquent property taxes receivable	\$ 53,589
Assessments	<u>42,004</u>
	<u>\$ 95,593</u>

NOTE N – PRIOR PERIOD ADJSUTMENT

During fiscal year 2015, the Town adopted Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the Town must assume their appropriate share of Net Pension Liability of the Texas Municipal Retirement System. Adoption of GASB 68 required a prior period adjustment of \$26,096. The restated beginning net position of the Town is \$2,090,882.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF RANCHO VIEJO, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		(Negative)
Revenues				
Property taxes	\$ 972,075	\$ 972,075	\$ 923,131	\$ (48,944)
State and city sales tax	65,000	65,000	69,022	4,022
Franchise fees	113,300	113,300	106,919	(6,381)
Alcohol revenue tax	4,500	4,500	5,702	1,202
Buildings permits	18,000	18,000	36,587	18,587
Fines and citations	67,000	67,000	44,402	(22,598)
MC tech fund	2,500	2,500	864	(1,636)
Penalties and interest	17,000	17,000	19,611	2,611
Interest earned	800	800	6,738	5,938
Miscellaneous fees	10,000	10,000	18,237	8,237
Lien revenue	6,000	6,000	6,295	295
Assessments	-	-	657	657
Discounts on property taxes	(19,000)	(19,000)	(19,114)	(114)
Police fund income	100	100	100	-
Grant revenue	-	-	12,487	12,487
Total revenues	<u>1,257,275</u>	<u>1,257,275</u>	<u>1,231,638</u>	<u>(25,637)</u>
Expenditures				
Administration				
Salaries and payroll taxes	138,863	133,758	130,781	2,977
Retirement	10,277	9,077	8,951	126
Medical insurance Empl. & dependen	10,044	11,744	11,715	29
Life insurance	140	140	135	5
Workmen's compensation	200	200	200	-
Travel	1,500	1,500	1,135	365
Seminars and education	630	630	605	25
Total administration	<u>161,654</u>	<u>157,049</u>	<u>153,522</u>	<u>3,527</u>
General				
Telephone	3,300	3,620	3,617	3
Light and power	7,000	8,100	8,866	(766)
General liability insurance	24,714	24,714	24,015	699
Legal notice	3,000	400	324	76
Office supplies and equipment	5,370	4,070	4,191	(121)
Postage	1,200	1,255	1,250	5
Dues and subscriptions	1,260	1,260	799	461
Appraisal and tax collection	16,875	20,475	20,443	32
Water and sewer	900	900	683	217
Elections costs	4,000	4,000	-	4,000
Building and maintenance	9,303	9,603	9,571	32
Cameron County Court costs	400	480	480	-
Town meeting and public relations	2,000	2,950	4,945	(1,995)
Office equipment maintenance	12,000	13,850	13,817	33
Total general	<u>91,322</u>	<u>95,677</u>	<u>93,001</u>	<u>2,676</u>

TOWN OF RANCHO VIEJO, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		
General services				
Fire department service	\$ 20,000	\$ 20,000	\$ 19,990	\$ 10
Fire hydrants	8,000	6,640	6,068	572
Fire protection contract	29,500	29,500	29,500	-
Total general services	<u>57,500</u>	<u>56,140</u>	<u>55,558</u>	<u>582</u>
Professional				
Legal	31,500	31,860	31,859	1
Audit	7,800	7,800	7,800	-
Building inspections	15,500	16,160	16,153	7
Municipal judge	12,042	12,382	12,380	2
Total professional	<u>66,842</u>	<u>68,202</u>	<u>68,192</u>	<u>10</u>
Police and Security				
Salaries and payroll taxes - police	386,659	386,659	392,523	(5,864)
Retirement	32,881	31,881	30,614	1,267
Medical insurance employee & dependent	48,893	56,093	56,006	87
Life insurance	544	544	540	4
Workmen's compensation	9,748	10,048	10,019	29
Clothing and accessories	3,000	3,015	3,014	1
Cleaning of uniforms	2,500	2,700	2,696	4
Office supplies	3,500	5,100	5,091	9
Printing	600	600	595	5
Municipal court	200	200	-	200
Police investigation	8,322	8,022	8,010	12
Seminar and education	3,000	3,250	3,248	2
Auto repairs	7,000	12,200	12,192	8
Auto, gas and oil	30,600	20,100	20,062	38
Radio equipment maintenance	1,000	855	839	16
Police dispatch	7,632	7,032	6,996	36
Travel	1,600	2,000	2,000	-
Drug testing	450	-	-	-
Signs and safety markers	2,000	2,250	4,244	(1,994)
Mosquito spraying	5,000	5,130	5,124	6
Hurricane preparedness	3,600	1,400	1,382	18
Fire prevention/1st aid police	300	200	143	57
Total police and security	<u>559,029</u>	<u>559,279</u>	<u>565,338</u>	<u>(6,059)</u>

TOWN OF RANCHO VIEJO, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budget		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		
Street, lighting and maintenance				
Lighting expense	\$ 45,050	\$ 47,550	\$ 51,372	\$ (3,822)
Lot mowing	2,000	2,000	1,735	265
Common area maintenance	58,270	55,720	55,347	373
Security devices	8,194	8,194	7,284	910
Street rehabilitation and engineering	60,000	60,000	53,159	6,841
Beautification project	5,000	5,000	5,075	(75)
Community alert system	1,800	1,800	1,800	-
Animal control	2,051	2,101	2,085	16
Total street, lighting and maintenance	<u>182,365</u>	<u>182,365</u>	<u>177,857</u>	<u>4,508</u>
Capital outlay				
Office equipment	<u>5,000</u>	<u>5,000</u>	<u>3,366</u>	<u>1,634</u>
Total capital outlay	<u>5,000</u>	<u>5,000</u>	<u>3,366</u>	<u>1,634</u>
Debt service	<u>3,445</u>	<u>3,445</u>	<u>3,306</u>	<u>139</u>
Total expenditures	<u>1,127,157</u>	<u>1,127,157</u>	<u>1,120,140</u>	<u>7,017</u>
Excess of revenues over expenditures	<u>\$ 130,118</u>	<u>\$ 130,118</u>	<u>111,498</u>	<u>\$ (18,620)</u>
Fund balance, beginning of year			<u>533,014</u>	
Fund balance, end of year			<u>\$ 644,512</u>	

TOWN OF RANCHO VIEJO, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

Stewardship, Compliance, and Accountability

Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund. All annual appropriations lapse at fiscal year- end.

As required by state law, the Mayor submits to the Board of Aldermen the proposed executive budget for the fiscal year prior to the beginning of such fiscal year. Public hearings are then conducted to obtain taxpayer comments.

The original annual appropriated budgets and any revisions of such budgets that affect the overall fund total expenditures are made through appropriated budget resolutions approved by the Board of Aldermen. The original annual appropriated budgets are adopted by resolutions by the Board of Aldermen prior to the beginning of the fiscal year as required by state law. The final annual amended appropriated budgets are used in this report. The overall fund total of actual expenditures cannot exceed the overall fund total of appropriated expenditures for such funds.

The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the overall fund total of appropriated expenditures of any fund must be approved by the Board of Aldermen.

TOWN OF RANCHO VIEJO, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CURRENT PERIOD

Total pension liability	
Services cost	\$ 54,637
Interest (on the total pension liability)	150,296
Changes of benefit terms	-
Difference between expected and actual experience	(30,295)
Changes of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(78,206)</u>
Net change in total pension liability	96,432
Total pension liability - beginning	<u>2,158,877</u>
Total pension liability - ending	<u><u>\$ 2,255,309</u></u>
Plan Fiduciary net position	
Contributions - employer	\$ 43,687
Contributions - employee	35,191
Net investment income	123,135
Benefit payments, including refunds of employee contributions	(78,206)
Administrative expense	(1,285)
Other	<u>(106)</u>
Net change in plan fiduciary net position	122,416
Plan fiduciary net position - beginning	<u>2,152,183</u>
Plan fiduciary net position - ending	<u><u>\$ 2,274,599</u></u>
Net pension liability	\$ (19,290)
Plan fiduciary net position as a percentage of the total pensoin liability	100.86%
Covered-employee payroll	502,725
Net pension liability as a percentage of covered employee payroll	-3.84%

TOWN OF RANCHO VIEJO, TEXAS
SCHUEDLE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Fiscal Year	2014	2015
Actuarial determined contribution		
Contributions in relation to the actuarially determined contribution	45,072	38,944
Contribution deficiency (excess)	45,072	38,944
Covered employee payroll	506,343	485,191
Contributions as a percentage of covered employee payroll	8.90%	8.03%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information

Notes

There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF RANCHO VIEJO, TEXAS

GENERAL FUND
COMPARATIVE BALANCE SHEETS

SEPTEMBER 30, 2015

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 647,970	\$ 524,011
Receivables		
Taxes (net)	50,597	51,520
Internal receivable	5,000	-
Assessments	42,004	54,217
Grant	<u>10,793</u>	<u>13,306</u>
Total assets	<u>\$ 756,364</u>	<u>\$ 643,054</u>
 LIABILITIES		
Accounts payable	<u>\$ 19,251</u>	<u>\$ 4,303</u>
Total liabilities	<u>19,251</u>	<u>4,303</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue		
Property taxes (net)	50,597	51,520
Assessments	<u>42,004</u>	<u>54,217</u>
Total deferred inflows of resources	<u>92,601</u>	<u>105,737</u>
 FUND BALANCES		
Assigned to:		
Street rehab reserve	199,974	99,974
Security device reserve	3,000	2,250
Public realtions reserve	5,000	-
Beautification contribution reserve	4,583	3,843
Operations reserve	300,000	-
Unassigned	<u>131,955</u>	<u>426,947</u>
Total fund balances	<u>644,512</u>	<u>533,014</u>
 Total liabilities, deferred inflows and fund balances	<u>\$ 756,364</u>	<u>\$ 643,054</u>

TOWN OF RANCHO VIEJO, TEXAS

GENERAL FUND
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
SEPTEMBER 30, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues					
Property taxes, net of discounts	\$ 904,017	\$ 820,080	\$ 792,383	\$ 791,417	\$ 707,066
State and city sales tax	69,022	68,906	67,644	55,299	51,637
Franchise fees	106,919	115,566	112,087	113,403	112,235
Alcohol revenue tax	5,702	5,221	3,932	2,014	2,041
Building permits	36,587	21,462	36,495	36,093	28,873
Fines	44,402	70,719	68,864	71,723	57,870
Assessments	657	623	-	592	-
Penalties and interest	19,611	18,175	22,261	20,469	19,859
Interest earned	6,738	1,188	804	700	2,253
Lien revenue	6,295	5,199	6,430	12,805	4,110
Administrative costs recovered	18,237	11,285	9,110	28,103	16,770
Miscellaneous	864	2,105	2,442	39,872	11,355
Grant revenue	12,487	32,421	42,678	-	-
Police fund revenues	100	100	100	150	150
Total revenues	<u>1,231,638</u>	<u>1,173,050</u>	<u>1,165,230</u>	<u>1,172,640</u>	<u>1,014,219</u>
Expenditures					
Current					
Administration	153,522	157,135	153,189	148,239	155,412
General	93,001	86,002	78,205	84,804	87,703
General services	55,558	44,601	46,053	34,928	47,179
Professional	68,192	66,370	65,338	52,852	55,635
Police and security	565,338	567,374	532,745	511,073	474,218
Street lighting and maintenance	177,857	109,744	152,676	139,043	107,396
Capital outlay (all departments)	3,366	3,324	51,655	128,311	78,438
Debt service	3,306	20,692	21,446	18,976	4,215
Total expenditures	<u>1,120,140</u>	<u>1,055,242</u>	<u>1,101,307</u>	<u>1,118,226</u>	<u>1,010,196</u>
Excess of revenues over (under) expenditures	111,498	117,808	63,923	54,414	4,023
Other financing sources					
Proceeds from note	-	-	-	-	60,000
Transfers in (out)	-	-	-	(12,168)	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,168)</u>	<u>60,000</u>
Excess (deficiency) of revenues and other sources over (under) expenditures	<u>\$ 111,498</u>	<u>\$ 117,808</u>	<u>\$ 63,923</u>	<u>\$ 42,246</u>	<u>\$ 64,023</u>

TOWN OF RANCHO VIEJO, TEXAS

NON MAJOR FUNDS
COMBING BALANCE SHEET

SEPTEMBER 30, 2015

	Police Forfeiture Fund	Total Non-major Fund
ASSETS		
Cash	\$ 20,368	\$ 20,368
Taxes receivables (net)	<u>-</u>	<u>-</u>
Total assets	<u>\$ 20,368</u>	<u>\$ 20,368</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - Property taxes (net)	\$ -	\$ -
Internal payable	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>
 FUND BALANCES		
Restricted for:		
Police forfeiture funds	20,368	20,368
Debt service	<u>-</u>	<u>-</u>
Total fund balances	<u>20,368</u>	<u>20,368</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 20,368</u>	<u>\$ 20,368</u>

TOWN OF RANCHO VIEJO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Police Forfeiture Fund	Total Non-major Fund
Revenues		
Property taxes (net of discounts)	\$ -	\$ -
Penalties and interest	-	-
Interest earned	20	20
Forfeitures	<u>1,320</u>	<u>1,320</u>
Total revenues	<u>1,340</u>	<u>1,340</u>
Expenditures		
Current		
Police and security	11,469	11,469
Debt service		
Principal	-	-
Interest and fees	<u>-</u>	<u>-</u>
Total expenditures	<u>11,469</u>	<u>11,469</u>
Excess (deficit) of revenues over (under) expenditures	(10,129)	(10,129)
Excess (deficit) of revenues and other sources over (under) expenditures	(10,129)	(10,129)
Fund balance, October 1	<u>30,497</u>	<u>30,497</u>
Fund balance, September 30	<u><u>\$ 20,368</u></u>	<u><u>\$ 20,368</u></u>

TOWN OF RANCHO VIEJO, TEXAS
ANALYSIS OF TAXES RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Maintenance Taxes	Debt Service Taxes	Totals (Memorandum Only)	
Taxes receivable at beginning of year	\$ 57,244	\$ 3,527	\$ 60,771	
2014 original tax roll	922,448	47,423	969,871	
Tax roll adjustments	1,979	181	2,160	
Total to be accounted for	981,671	51,131	1,032,802	
Tax collections				
Current year	897,678	46,150	943,828	
Prior year	27,831	1,599	29,430	
Total collections	925,509	47,749	973,258	
Delinquent taxes receivable, end of year	\$ 56,162	\$ 3,382	\$ 59,544	
Taxes receivable, by years				
2005 and prior	\$ 988	\$ -	\$ 988	
2006	798	75	873	
2007	1,148	110	1,258	
2008	1,496	137	1,633	
2009	1,799	163	1,962	
2010	2,734	231	2,965	
2011	2,947	218	3,165	
2012	7,527	545	8,072	
2013	11,278	532	11,810	
2014	25,506	1,311	26,817	
	56,221	3,322	59,543	
Allowance for uncollectible	(5,622)	(332)	(5,954)	
Taxes receivable, end of year	\$ 50,599	\$ 2,990	\$ 53,589	
	2014	2013	2012	2011
Property valuations				
Land improvements	\$ 230,973,465	\$ 225,232,726	\$ 220,885,722	\$ 216,935,218
Total property valuations	\$ 230,973,465	\$ 225,232,726	\$ 220,885,722	\$ 216,935,218
Tax rates per \$100 valuations				
Debt service tax rates	0.020185	0.017659	0.026471	0.027017
Maintenance tax rates	0.39972	0.374275	0.365463	0.364917
Total tax rates per \$100 valuations	\$ 0.419905	\$ 0.391934	\$ 0.391934	\$ 0.391934

Tax Year: From October 1, 2014 to September 30, 2015

Percent of the assessed valuation to fair market value	100%
Percent of current taxes collected to current taxes levied	97.31%
Percent of current and delinquent taxes collected to current and delinquent taxes outstanding at the beginning of the year	94.23%

TOWN OF RANCHO VIEJO, TEXAS

INSURANCE COVERAGE

SEPTEMBER 30, 2015

Type of Coverage	From	To	Amount of Coverage
Insurer - Texas Windstorm Insurance Association			
Windstorm and Hail:			
Building	05/31/15	05/31/16	\$ 950,000
Building and contents	11/19/14	11/19/15	102,950
Insurer - Texas Municipal League Joint Self-Insurance Fund			
Liability:			
General Liability	10/01/14	10/01/15	5,000,000
Automobile Liability	10/01/14	10/01/15	5,000,000
Law Enforcement Liability	10/01/14	10/01/15	5,000,000
Errors and Omissions Liability	10/01/14	10/01/15	5,000,000
Automobile Physical Damage	10/01/14	10/01/15	as scheduled
Value paper and records and EDP Media	10/01/14	10/01/15	10,000
Accounts Receivable	10/01/14	10/01/15	10,000
Loss of Revenue, extra expense and rents	10/01/14	10/01/15	50,000
Personal effects	10/01/14	10/01/15	5,000
Leasehold interest	10/01/14	10/01/15	5,000
Outdoor trees and shrubs	10/01/14	10/01/15	10,000
Blanket Limit - Real and Personal Property	10/01/14	10/01/15	1,286,730
Transit Limit	10/01/14	10/01/15	1,000,000
Boiler and Machinery	10/01/14	10/01/15	100,000
Workmens' Compensation Liability	10/01/14	10/01/15	statutory
Fire Hall	10/01/14	10/01/15	88,459
Town Hall	10/01/14	10/01/15	1,060,224
Playground equipment	10/01/14	10/01/15	85,195
Flag pole	10/01/14	10/01/15	1,013
Security cameras	10/01/14	10/01/15	25,516
Generator	10/01/14	10/01/15	26,325
Insurer - Merchants Mutual Bonding Company			
Surety Bonds:			
Town Administrator	09/20/14	09/20/15	10,000
Public Officials (8 policemen) each various renewal dates			5,000

* Subsequent to year end, the Town renewed all insurance policies.

COMPLIANCE SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable Mayor and Members
of the Board of Aldermen
Town of Rancho Viejo, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Rancho Viejo Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Rancho Viejo, Texas' basic financial statements, and have issued our report thereon dated March 8, 2016

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item *Finding 2014-1*, that we considered to be a significant deficiency.

Response to Finding

Town of Rancho Viejo, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Rancho Viejo, Texas' response was not subjected to the auditing standards applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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Governmental Audit
Quality Center

Compliance and Other Matters

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

Purpose of this Report

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

Pattullo, Brown & Hill, LLP

Brownsville, Texas
March 8, 2016

TOWN OF RANCHO VIEJO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

I. Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued	Unmodified
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Internal control over financial reporting:

Material weakness(es) identified?	No
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Significant deficiency(ies) identified?	Yes
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Noncompliance material to financial statements noted?	None
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**II. Findings Relating to the Financial Statements Which are Required to be Reported
in Accordance With Generally Accepted Government Auditing Standard**

See Finding 14-1

TOWN OF RANCHO VIEJO, TEXAS
SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>PROGRAM</u>	<u>STATUS OR PRIOR YEAR FINDING</u>
<i>Finding 2014-1</i>	Segregation of Duties
Criteria:	Internal controls are a major part of managing a local government's financial operations and assuring taxpayers that a local government is handling their money responsibly.
Condition Found:	During our audit of the Town's financial statements, we observed internal accounting control weaknesses due primarily to the fact that the number of employees employed by the Town prohibits the ability of the organization to cover all aspects of internal control.
Context:	Not applicable.
Effect:	A lack of proper internal controls, which include adequate segregation of duties, could result in controls not operating as designed to safeguard assets and help detect and prevent errors and fraud.
Cause:	Due to the limited number of people working in the office, many critical duties are combined and given to the available employees.
Recommendation:	Although we believe that the existing policies and procedures employee by the Town represent the best available alternatives for sound internal controls, we recommend that the Mayor and Board of Aldermen remain involved in the financial affairs of the Town to provide oversight and independent review functions.
Current Year Status:	Status unchanged.

TOWN OF RANCHO VIEJO, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2014

PROGRAM

Finding 2014-1

Correction Action Plan:

CORRECTIVE ACTION PLAN

Segregation of Duties

Mayor and Board of Aldermen will remain involved in the financial affairs of the Town.

CERTIFICATE OF THE MAYOR AND ALDERMEN

Town of Rancho Viejo Texas
Name of Town

Cameron
County

We, the undersigned, do hereby certify that the audit report of the Town of Rancho Viejo, Texas, for the fiscal year ended September 30, 2015, was received by the Mayor and Aldermen on the _____ day of _____ 2016, and was reviewed and _____ approved _____ disapproved at a meeting of the Aldermen of the Town of Rancho Viejo, Texas, on the day of _____ 2016.

Signature of Town Secretary/Administrator

Signature of Mayor