

**TOWN OF RANCHO VIEJO, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2016**

**TOWN OF RANCHO VIEJO, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

**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 the Town of Rancho Viejo, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Rancho Viejo, Texas' basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Town of Rancho Viejo, Texas' 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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 Town of Rancho Viejo, Texas' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor financial statements are 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 April 6, 2017, on our consideration of 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 Town of Rancho Viejo, Texas' internal control over financial reporting and compliance.

*Patricia Brown Hill, C.C.P.*

Brownsville, Texas  
April 6, 2017

## 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, 2016. 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 \$2,138,104 (net position). Of this amount, \$812,400 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The net position for the Town increased by \$156,018 during the fiscal year, which includes \$246,585 of depreciation expense.
- The general fund balance at September 30, 2016 was \$881,173, an increase of \$236,661 during the fiscal year. Of this amount, \$420,317 is assigned for street rehab, \$8,000 is assigned for monument reserve, \$6,500 is assigned to public relations, \$6,795 is assigned for beautification contribution, \$300,000 is assigned for operations and \$139,561 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, 2016.

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 \$2,138,104 and \$1,982,086 at September 30, 2016 and 2015, respectively. An analysis of the Town's net position is shown below:

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$ 1,797,695	\$ 1,739,524
Current and other asset	<u>4,081,542</u>	<u>799,641</u>
Total assets	<u>5,879,237</u>	<u>2,539,165</u>
Deferred Outflows of Resources	<u>198,194</u>	<u>23,852</u>
Totals deferred outflows of resouces	<u>198,194</u>	<u>23,852.00</u>
Total liabilities	<u>3,916,206</u>	<u>580,931</u>
Deferred Inflows of Resources	<u>23,121</u>	<u>-</u>
Totals deferred outflows of resouces	<u>23,121</u>	<u>-</u>
Net position		
Net investment in capital assets	1,307,223	1,177,844
Restricted for:		
Police forfeiture funds	15,259	20,368
Debt service	3,222	627
Unrestricted	<u>812,400</u>	<u>783,247</u>
Total net position	<u>\$ 2,138,104</u>	<u>\$ 1,982,086</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>2016</u>	<u>2015</u>
Net operating revenues	\$ 1,649,594	\$ 1,267,377
Operating expenses	<u>1,493,576</u>	<u>1,376,173</u>
Excess revenues over expenses	156,018	(108,796)
Net position at beginning of year	<u>1,982,086</u>	<u>2,064,786</u>
Prior period adjustment	<u>-</u>	<u>26,096</u>
Net position at end of year	<u>\$ 2,138,104</u>	<u>\$ 1,982,086</u>

*General Fund Budgetary Highlights*

Actual expenditures were \$96,052 less than budgeted expenditures.

*Analysis of Changes in Capital Assets and Long-Term Debt*

At the end of 2016, the Town had invested \$1,797,695, net of depreciation, in a broad range of capital assets, including buildings, vehicles and equipment.

Long-term debt, at the end of 2016, included the General Obligation refunding bonds, Series 2012 and Certificate of Obligation, Series 2016. 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 \$30,000 on these notes which left a balance of \$3,602,000.

The following table summarizes the Town's capital assets, net of accumulated depreciation, for the year ended September 30, 2016:

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Capital assets, not being depreciated				
Land	\$ 178,580	\$ -	\$ -	\$ 178,580
Construction in progress	-	39,213	-	39,213
Total capital assets, not depreciated	<u>178,580</u>	<u>39,213</u>	<u>-</u>	<u>217,793</u>
Capital assets, being depreciated				
Buildings	1,190,538	-	-	1,190,538
Improvements	136,478	-	-	136,478
Vehicles and equipment	574,412	265,543	(29,010)	810,945
Infrastructure	1,678,860	-	-	1,678,860
Total capital assets, depreciated	<u>3,580,288</u>	<u>265,543</u>	<u>(29,010)</u>	<u>3,816,821</u>
Less accumulated depreciation for:				
Buildings	374,536	39,938	-	414,474
Improvements	51,411	3,849	-	55,260
Vehicles and equipment	460,702	51,404	(29,010)	483,096
Infrastructure	1,132,695	151,394	-	1,284,089
Total accumulated depreciation	<u>2,019,344</u>	<u>246,585</u>	<u>(29,010)</u>	<u>2,236,919</u>
Total capital assets, being depreciated, net	<u>1,560,944</u>	<u>18,958</u>	<u>-</u>	<u>1,579,902</u>
Governmental activities, capital assets, net	<u>\$ 1,739,524</u>	<u>\$ 18,958</u>	<u>\$ -</u>	<u>\$ 1,797,695</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, 2017 are \$1,213,327 while total budgeted expenditures are \$1,199,619. Total taxable value for the 2016-2017 fiscal year is \$250,638,020 compared to \$238,750,099 in the 2015-2016 fiscal year. The tax rate for next year was set at .450000/\$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, 2016

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,000,709
Receivables, (net):	
Property taxes	48,920
Assessments	27,475
Grant	4,438
Capital assets not being depreciated:	
Land	178,580
Construction in progress	39,213
Capital assets, net of accumulated depreciation:	
Buildings	776,064
Improvements	81,218
Vehicles and equipment	327,849
Infrastructure	394,771
Total assets	<u>5,879,237</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow related to pensions	<u>198,194</u>
Total deferred outflows of resources	<u>198,194</u>
<b>LIABILITIES</b>	
Accounts payable	66,546
Non-current liabilities:	
Due in one year	115,000
Due in more than one year	3,578,941
Net pension liability	<u>155,719</u>
Total liabilities	<u>3,916,206</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>23,121</u>
Total deferred inflows of resources	<u>23,121</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,307,223
Restricted for	
Police forfeiture funds	15,259
Debt service	3,222
Unrestricted	<u>812,400</u>
Total net position	<u>\$ 2,138,104</u>

*The accompanying notes are an integral part of this statement.*

**EXHIBIT B-1**

**TOWN OF RANCHO VIEJO, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
General government	\$ 365,767	\$ 56,101	\$ -	\$ (309,666)
Public safety	752,870	52,934	39,402	(410,323)
Public works	130,125	14,542	-	(115,583)
Streets	155,728	-	-	(155,728)
Interest and issuance costs	89,086	-	-	(89,086)
Total governmental activities	<u>1,493,576</u>	<u>123,577</u>	<u>39,402</u>	<u>(1,080,386)</u>
Total primary government	<u>\$ 1,493,576</u>	<u>\$ 123,577</u>	<u>\$ 39,402</u>	<u>(1,080,386)</u>
<b>General revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				959,258
Property taxes, levied for debt service				48,722
Sales taxes				77,124
Franchise taxes				124,689
Alcohol and be				6,133
Investment earnings				3,885
Miscellaneous				16,593
Total general revenues				<u>1,236,404</u>
Change in net position				156,018
Net position--beginning				<u>1,982,086</u>
Net position--ending				<u>\$ 2,138,104</u>

*The accompanying notes are an integral part of this statement.*

## TOWN OF RANCHO VIEJO, TEXAS

BALANCE SHEET  
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	General Fund	Capital Project Fund	Other Non-major Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 899,961	\$ 3,080,728	\$ 20,020	\$ 4,000,709
Receivables, (net of allowance):				
Property taxes	46,352	-	2,568	48,920
Assessments	27,475	-	-	27,475
Intergovernmental receivable	4,438	-	-	4,438
Due from other funds	3,000	-	-	3,000
<b>Total assets</b>	<u>\$ 981,226</u>	<u>\$ 3,080,728</u>	<u>\$ 22,588</u>	<u>\$ 4,084,542</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 26,226	\$ 39,213	\$ 1,107	\$ 66,546
Due to other funds	-	-	3,000	3,000
<b>Total liabilities</b>	<u>26,226</u>	<u>39,213</u>	<u>4,107</u>	<u>69,546</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	46,352	-	2,568	48,920
Unavailable revenue - special assessments	27,475	-	-	27,475
<b>Total deferred inflows of resources</b>	<u>73,827</u>	<u>-</u>	<u>2,568</u>	<u>76,395</u>
<b>FUND BALANCES</b>				
Restricted for:				
Public safety	-	-	15,259	15,259
Debt service	-	-	654	654
Street maintenance and rehabilitation	-	3,041,515	-	3,041,515
Assigned to:				
Street maintenance and rehabilitation	420,317	-	-	420,317
Monument reserve	8,000	-	-	8,000
Public relations reserve	6,500	-	-	6,500
Beautification contribution reserve	6,795	-	-	6,795
Operations reserve	300,000	-	-	300,000
Unassigned	139,561	-	-	139,561
<b>Total fund balances</b>	<u>881,173</u>	<u>3,041,515</u>	<u>15,913</u>	<u>3,938,601</u>
<b>Total liabilities, deferred inflows &amp; fund balance</b>	<u>\$ 981,226</u>	<u>\$ 3,080,728</u>	<u>\$ 22,588</u>	<u>\$ 4,084,542</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, 2016

Fund balances -- total governmental funds	\$ 3,938,601
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	1,797,695
Some liabilities, including bonds payable, are not due in the current period and therefore not reported in the funds.	(3,693,941)
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.	76,395
Included in the items related to debt is the recognition of the Town's net pension liability required by GASB 68 in the amount of \$155,719, a deferred resource inflow related to pensions in the amount of \$23,121, a deferred resource outflow related to pensions in the amount \$198,195.	<u>19,354</u>
Net position of governmental activities	<u>\$ 2,138,104</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, 2016**

	General Fund	Capital Projects Fund	Other Non-major Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 963,573	\$ -	\$ 49,076	\$ 1,012,649
Sales taxes	77,124	-	-	77,124
Franchise taxes	124,689	-	-	124,689
Alcohol and beverage taxes	6,133	-	-	6,133
Licenses and permits	51,742	-	-	51,742
Intergovernmental	39,402	-	-	39,402
Charges for services	4,359	-	-	4,359
Fines and forfeitures	38,666	-	14,268	52,934
Investment earnings	3,073	741	71	3,885
Special assessments	44,628	-	-	44,628
Miscellaneous	1,036	-	-	1,036
Total revenues	<u>1,354,425</u>	<u>741</u>	<u>63,415</u>	<u>1,418,581</u>
<b>EXPENDITURES</b>				
General government:				
Administration	157,622	-	-	157,622
General	101,873	-	-	101,873
Professional	71,524	-	-	71,524
Public Safety:				
General services	61,766	-	-	61,766
Police	593,177	-	19,424	612,601
Public works				
Streets	118,932	-	-	118,932
Debt service:				
Principal	-	-	30,000	30,000
Interest	-	-	19,073	19,073
Issuance costs	-	70,013	-	70,013
Capital outlay	3,931	39,213	-	43,144
Total expenditures	<u>1,117,764</u>	<u>109,226</u>	<u>68,497</u>	<u>1,295,487</u>
Excess (deficiency) of revenues over (under) expenditures	<u>236,661</u>	<u>(108,485)</u>	<u>(5,082)</u>	<u>123,094</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of C.O. bond	-	3,150,000	-	3,150,000
Total financing sources (uses)	<u>-</u>	<u>3,150,000</u>	<u>-</u>	<u>3,150,000</u>
Net change in fund balances	236,661	3,041,515	(5,082)	3,273,094
Fund balances, October 1	<u>644,512</u>	<u>-</u>	<u>20,995</u>	<u>665,507</u>
Fund balances, September 30	<u>\$ 881,173</u>	<u>\$ 3,041,515</u>	<u>\$ 15,913</u>	<u>\$ 3,938,601</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, 2016**

Net change in fund balances -- total governmental funds	\$ 3,273,094
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$304,756 exceeds depreciation of \$246,585.</p>	
	58,171
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	
	(3,120,000)
<p>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.</p>	
	(12,261)
<p>Some pension-related expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
	(23,788)
<p>Other long term assets, such as assessments receivable, are not available to pay for current period expenditures and therefore are unearned in the funds</p>	
	<u>(19,198)</u>
Change in net position of governmental activities	<u>\$ 156,018</u>

*The accompanying notes are an integral part of this statement.*

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Rancho Viejo, 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 and 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, 2016**

**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.

**Capital Projects Fund:** The Town uses the account for the financial resources that are restricted, committed, or assigned to expenditures for capital outlay.

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

**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.

**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, 2016**

**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, 2016**

**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 \$91,942 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, 2016**

**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, 2016**

**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, 2016**

**NOTE B - DEPOSITS AND INVESTMENTS**

*Investment Accounting Policy*

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, 2016, the carrying amount of the Town's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$4,000,709 and the bank balance was \$4,020,477.

The Town's cash deposits at September 30, 2016 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, 2016**

**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, 2016, consist of the following:

	<u>General</u>	<u>Other Non-Major</u>	<u>Total</u>
Receivables:			
Taxes	\$ 51,502	\$ 2,853	\$ 54,355
Stonegarden grant	4,438	-	4,438
Assessments	<u>27,475</u>	<u>-</u>	<u>27,475</u>
 Gross receivables	 83,415	 2,853	 86,268
Less allowance for uncollectibles	<u>(5,150)</u>	<u>(285)</u>	<u>(5,435)</u>
 Net total receivables	 <u>\$ 78,265</u>	 <u>\$ 2,568</u>	 <u>\$ 80,833</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, 2016, was \$27,475 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, 2016**

**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, 2016		
	Debt Service Tax	Maintenance Tax	Total
2002 and prior	\$ -	\$ -	\$ -
2003	-	-	-
2004	-	-	-
2005	-	636	636
2006	41	430	471
2007	53	556	609
2008	70	759	829
2009	91	1,008	1,099
2010	149	1,767	1,916
2011	137	1,856	1,993
2012	242	3,335	3,577
2013	218	4,628	4,846
2014	414	8,048	8,462
2015	1,438	28,479	29,917
	2,853	51,502	54,355
Allowance for uncollectible	(285)	(5,150)	(5,435)
Total receivable at end of year	\$ 2,568	\$ 46,352	\$ 48,920

**NOTE D – INTERFUND RECEIVABLE AND PAYABLE**

Interfund balances at September 30, 2016 consisted of the following fund balances:

Receivable <u>Fund</u>	Pavable <u>Fund</u>	<u>Amount</u>	<u>Total</u>
General	Non-major governmental	\$3,000	\$3,000

**TOWN OF RANCHO VIEJO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**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, 2016, total current and delinquent property liens were \$41,346.

**NOTE F - CAPITAL ASSETS**

	Balance October 1, 2015	Additions	Deletions	Balance September 30, 2016
Capital assets, not being depreciated				
Land	\$ 178,580	\$ -	\$ -	\$ 178,580
Construction in progress	-	39,213		39,213
Total capital assets, not depreciated	<u>178,580</u>	<u>39,213</u>	<u>-</u>	<u>217,793</u>
Capital assets, being depreciated				
Buildings	1,190,538	-	-	1,190,538
Improvements	136,478	-	-	136,478
Vehicles and equipment	574,412	265,543	(29,010)	810,945
Infrastructure	1,678,860	-	-	1,678,860
Total capital assets, depreciated	<u>3,580,288</u>	<u>265,543</u>	<u>(29,010)</u>	<u>3,816,821</u>
Less accumulated depreciation for:				
Buildings	374,536	39,938	-	414,474
Improvements	51,411	3,849	-	55,260
Vehicles and equipment	460,702	51,404	(29,010)	483,096
Infrastructure	1,132,695	151,394	-	1,284,089
Total accumulated depreciation	<u>2,019,344</u>	<u>246,585</u>	<u>(29,010)</u>	<u>2,236,919</u>
Total capital assets, being depreciated, net	<u>1,560,944</u>	<u>18,958</u>	<u>-</u>	<u>1,579,902</u>
Governmental activities, capital assets, net	<u>\$ 1,739,524</u>	<u>\$ 18,958</u>	<u>\$ -</u>	<u>\$ 1,797,695</u>

Capital asset activity for the fiscal year ended September 30, 2016 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:

General government	\$ 35,724
Public safety	52,879
Public works	11,193
Streets	146,789
Total depreciation-governmental activities	<u>\$ 246,585</u>

**TOWN OF RANCHO VIEJO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**NOTE G - LONG-TERM OBLIGATIONS**

*Bonds Payable*

*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 4.1 0%.

*Certificate of Obligation, Series 2016*

On August 25, 2016, the Town authorized issuance of Town of Rancho Viejo, Certificates of Obligation, Series 2016, in the amount of \$3,150,000. These bonds were issued for the purpose of paying contractual obligations of the Town to be incurred for certain projects. Principal payments are due on January 1, and interest payments are due annually, March 1 of each year commencing July 26, 2016 and continuing thereafter until maturity in 2036 with interest at rate 3.380%.

	Balance October 1, 2015	Additions	Retirements	Balance September 30, 2016
General Obligations Refunding Bonds, Series 2012	\$ 482,000	\$ -	\$ 30,000	\$ 452,000
Certificates of Obligation, Series 2016	-	3,150,000	-	3,150,000
<b>Total</b>	<b>\$ 482,000</b>	<b>\$ 3,150,000</b>	<b>\$ 30,000</b>	<b>\$ 3,602,000</b>

Annual debt service requirements are as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2017	\$ 115,000	\$ 124,468	\$ 239,468
2018	120,000	118,741	238,741
2019	130,000	114,421	244,421
2020	135,000	109,830	244,830
2021	140,000	105,054	245,054
Thereafter	2,962,000	830,544	3,792,544
<b>Total</b>	<b>\$ 3,602,000</b>	<b>\$ 1,403,058</b>	<b>\$ 5,005,058</b>

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**NOTE H – CHANGES IN LONG –TERM LIABILITIES**

Long-term liability activity for the governmental activities for the year ended September 30, 2016, was as follows:

	Balance October 1, 2015	Additions	Retirements	Balance September 30, 2016	Amount Due Within One Year
General Refunding Bonds, Series 2012 and Certificates of Obligations 2016	\$ 482,000	\$ 3,150,000	\$ 30,000	\$ 3,602,000	\$ 115,000
Compensated Absences	79,680	12,261	-	91,941	-
<b>Total</b>	<b>\$ 561,680</b>	<b>\$ 3,162,261</b>	<b>\$ 30,000</b>	<b>\$ 3,693,941</b>	<b>\$ 115,000</b>

**NOTE I - EMPLOYEE RETIREMENT SYSTEM**

*Plan Description*

The Town participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.org](http://www.tmr.org).

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

*Benefits Provided*

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the 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.

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

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM**

*Employees covered by benefit terms.*

At December 31, 2015 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	10
	17

*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 7.75% and 6.67% in calendar years 2015 and 2016, respectively. The Town's contributions to TMRS for the year ended September 30, 2016, were \$35,107, and were equal to the required contribution.

*Net Pension Liability*

The Town's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM**

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 Tables with Blue Collar Adjustment, 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study Analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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.

*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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS. The 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>	8.00%
Total	100.0%	



**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM**

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2014	\$ 2,255,309	\$ 2,274,599	\$ (19,290)
Changes for the year:			
Service cost	57,686	-	57,686
Interest	156,488	-	156,488
Change of benefit terms	-	-	-
Difference between expected and actual	(2,640)	-	(2,640)
Changes of assumptions	38,536	-	38,536
Contributions - employer	-	38,491	(38,491)
Contributions - employee	-	35,359	(35,359)
Net investment income	-	3,357	(3,357)
Benefit payments, including refunds of	(97,222)	(97,222)	-
Administrative expense	-	(2,044)	2,044
Other changes	-	(101)	101
Net changes	<u>152,848</u>	<u>(22,161)</u>	<u>175,009</u>
Balance at 12/31/2015	<u>2,408,157</u>	<u>2,252,438</u>	<u>155,719</u>

**TOWN OF RANCHO VIEJO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM**

The following presents the net pension liability of the Town, calculated using the discount rate of 6.75%, 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 (5.75%) of 1-percentage-higher (7.75%) than the current rate:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
Town's net pension liability	\$ 485,327	\$ 155,719	\$( 116,898)

*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](http://www.tmr.org).

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

For the year ended September 30, 2016, the Town recognized pension expense of \$58,894.

At September 30, 2016, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 23,121
Changes in actuarial assumptions	32,959	-
Difference between projected and actual investment earnings	141,202	-
Contributions subsequent to the measurement date	24,033	-
Total	<u>\$ 198,194</u>	<u>\$ 23,121</u>

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016**

**NOTE I - EMPLOYEE RETIREMENT SYSTEM**

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

\$24,033 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended September 30,</u>	
2016	\$ 37,156
2017	37,156
2018	37,154
2019	31,652
2020	3,196
Thereafter	<u>4,726</u>
Total	<u>\$ 151,040</u>

**NOTE J - 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

**TOWN OF RANCHO VIEJO, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016**

**NOTE K - 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 L - 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, 2016, the Town's other employee benefit costs totaled \$65,111.

**NOTE M - 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, 2016**

**NOTE N - 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	\$	48,920
Assessments		<u>27,475</u>
	\$	<u><u>76,395</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF RANCHO VIEJO, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>Revenues:</b>				
Administration costs recovered	\$ 10,000	\$ 10,000	\$ 4,359	\$ (5,641)
Property taxes	954,505	954,505	958,002	3,497
Discount on property taxes	(19,000)	(19,000)	(19,448)	(448)
Penalty and interest on taxes	17,000	17,000	25,019	8,019
Alcohol and beverage tax	4,500	4,500	6,133	1,633
Building permits	25,000	25,000	51,742	26,742
Citations and fines	65,000	65,000	38,538	(26,462)
Municipal court technology fee	2,000	2,000	128	(1,872)
Franchise fees	112,800	112,800	124,689	11,889
Interest from investments	800	800	3,073	2,273
Assessment and lien revenue	5,000	5,000	29,071	24,071
Interest on assessments and liens	-	-	15,557	15,557
Sales tax	70,000	70,000	77,124	7,124
Police fund income	100	100	100	-
Grant revenue	-	-	39,402	39,402
Other revenue	-	-	936	936
Total revenues	<u>1,247,705</u>	<u>1,247,705</u>	<u>1,354,425</u>	<u>106,720</u>
<b>Expenditures:</b>				
<b>Administration:</b>				
Salaries and payroll taxes	146,834	137,434	134,997	2,437
Retirement	9,170	9,170	8,420	750
Medical insurance	11,490	12,190	12,031	159
Life insurance	140	140	114	26
Workmen's compensation	200	200	200	-
Travel	1,500	1,500	979	521
Seminars and education	1,000	1,000	881	119
Total administration	<u>170,334</u>	<u>161,634</u>	<u>157,622</u>	<u>4,012</u>
<b>General:</b>				
Telephone	3,300	4,000	3,896	104
Electricity	7,300	7,600	7,899	(299)
General liability insurance	25,718	25,718	24,839	879
Legal notices	2,300	2,300	1,723	577
Office supplies	4,000	4,500	4,078	422
Postage	1,200	1,200	894	306
Dues and publications	1,260	1,360	1,292	68
Appraisal and tax collection	21,281	21,281	20,938	343
Water	800	1,700	1,659	41
Election costs	4,000	-	-	-
Building/yard maintenance	9,300	11,000	10,637	363
Cameron County Court costs	400	400	414	(14)
Public relations	2,600	3,600	7,630	(4,030)
Municipal court supplies	2,945	3,145	3,140	5
Signs and safety markers	3,000	4,400	4,341	59
Office equipment maintenance	7,995	8,495	8,493	2
Total general	<u>97,399</u>	<u>100,699</u>	<u>101,873</u>	<u>(1,174)</u>

**TOWN OF RANCHO VIEJO, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		
Expenditures (continued)				
General services:				
Fire department service	\$ 38,400	\$ 38,400	\$ 28,732	\$ 9,668
Fire hydrants	8,000	4,000	3,034	966
Fire protection contract	30,000	30,000	30,000	-
Total general services	<u>76,400</u>	<u>72,400</u>	<u>61,766</u>	<u>10,634</u>
Professional:				
Legal	32,000	32,000	31,883	117
Audit	8,500	7,800	7,800	-
Building inspections	15,500	20,500	19,668	832
Municipal judge	12,042	12,142	12,173	(31)
Total professional	<u>68,042</u>	<u>72,442</u>	<u>71,524</u>	<u>918</u>
Police general:				
Salaries and payroll taxes	401,026	401,026	433,096	(32,070)
Retirement	29,966	29,966	29,077	889
Medical insurance	54,573	54,573	54,081	492
Life insurance	544	544	456	88
Workmen's compensation	10,707	10,707	10,574	133
Clothing and accessories	3,000	3,000	2,995	5
Cleaning of uniforms	2,500	3,100	2,651	449
Office supplies	3,872	3,872	3,792	80
Printing	100	100	100	-
Police investigation	8,322	8,322	12,142	(3,820)
Seminar and education	2,000	3,000	2,232	768
Auto repairs	6,000	12,000	13,067	(1,067)
Auto, gas and oil	24,750	16,650	16,764	(114)
Radio equipment maintenance	1,000	1,500	1,243	257
Police dispatch	3,600	3,600	3,275	325
Travel	1,600	1,600	1,419	181
Drug testing	250	250	130	120
Mosquito spraying	5,000	5,000	4,282	718
Hurricane preparedness	2,600	2,600	1,471	1,129
Fire prevention/1st aid police	300	300	330	(30)
Total police general	<u>561,710</u>	<u>561,710</u>	<u>593,177</u>	<u>(31,467)</u>



**TOWN OF RANCHO VIEJO, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budget		Actual	Variance With Final Budget Positive or (Negative)
	Original	Final		
Expenditures (continued)				
Public Works				
Lighting expense	\$ 45,050	\$ 45,050	\$ 46,580	\$ (1,530)
Lot mowing	2,000	2,000	945	1,055
Common area maintenance	55,120	60,120	54,499	5,621
Beautification project	5,000	5,000	2,787	2,213
Community alert system	1,800	1,800	1,800	-
Animal control	1,275	1,275	1,076	199
Security devices	8,186	8,186	11,245	(3,059)
Total public works	<u>118,431</u>	<u>123,431</u>	<u>118,932</u>	<u>4,499</u>
Streets				
Street rehabilitation and engineering	86,500	86,500	8,939	77,561
Street reserve	30,000	30,000	-	30,000
Total streets	<u>116,500</u>	<u>116,500</u>	<u>8,939</u>	<u>107,561</u>
Capital outlay				
Office equipment	5,000	5,000	3,931	1,069
Total capital outlay	<u>5,000</u>	<u>5,000</u>	<u>3,931</u>	<u>1,069</u>
Total expenditures	<u>1,213,816</u>	<u>1,213,816</u>	<u>1,117,764</u>	<u>96,052</u>
Excess of revenues over expenditures	<u>\$ 33,889</u>	<u>\$ 33,889</u>	<u>236,661</u>	<u>\$ 202,772</u>
Fund balance, beginning of year			<u>644,512</u>	
Fund balance, end of year			<u>\$ 881,173</u>	

**TOWN OF RANCHO VIEJO, TEXAS**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**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**

	<u>2014</u>	<u>2015</u>
<b>Total pension liability</b>		
Services cost	\$ 54,637	\$ 57,686
Interest (on the total pension liability)	150,296	156,488
Changes of benefit terms	-	-
Difference between expected and actual experience	(30,295)	(2,640)
Changes of assumptions	-	38,536
Benefit payments, including refunds of employee contributions	<u>(78,206)</u>	<u>(97,222)</u>
 Net change in total pension liability	 96,432	 152,848
 Total pension liability - beginning	 <u>2,158,877</u>	 <u>2,255,309</u>
 Total pension liability - ending	 <u>\$ 2,255,309</u>	 <u>\$ 2,408,157</u>
 <b>Plan Fiduciary net position</b>		
Contributions - employer	\$ 43,687	\$ 38,491
Contributions - employee	35,191	35,359
Net investment income	123,135	3,357
Benefit payments, including refunds of employee contributions	(78,206)	(97,222)
Administrative expense	(1,285)	(2,044)
Other	<u>(106)</u>	<u>(101)</u>
 Net change in plan fiduciary net position	 122,416	 (22,161)
 Plan fiduciary net position - beginning	 <u>2,152,183</u>	 <u>2,274,599</u>
 Plan fiduciary net position - ending	 <u>\$ 2,274,599</u>	 <u>\$ 2,252,438</u>
 <b>Net pension liability</b>	 \$ (19,290)	 \$ 155,719
 <b>Plan fiduciary net position as a percentage of the total pensoin liability</b>	 100.86%	 93.53%
 <b>Covered-employee payroll</b>	 502,725	 505,129
 <b>Net pension liability as a percentage of covered employee payroll</b>	 -3.84%	 30.83%

**TOWN OF RANCHO VIEJO, TEXAS**  
**SCHUEDLE OF CONTRIBUTIONS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<b>Fiscal Year</b>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
Actuarial determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	45,072	38,944	35,604
Contribution deficiency (excess)	<u>45,072</u>	<u>38,944</u>	<u>35,604</u>
Covered employee payroll	506,343	485,191	485,191
Contributions as a percentage of covered employee payroll	8.90%	8.03%	7.34%

**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	20 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience
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

NON MAJOR FUNDS  
COMBING BALANCE SHEET

SEPTEMBER 30, 2016

	Debt Service Fund	Police Forfeiture Fund	Total Non-major Funds
<b>ASSETS</b>			
Cash	\$ 3,654	\$ 16,366	\$ 20,020
Taxes receivables (net)	<u>2,568</u>	<u>-</u>	<u>2,568</u>
Total assets	<u>\$ 6,222</u>	<u>\$ 16,366</u>	<u>\$ 22,588</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 1,107	\$ 1,107
Due to other funds	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total liabilities	<u>3,000</u>	<u>1,107</u>	<u>4,107</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property tax	<u>2,568</u>	<u>-</u>	<u>2,568</u>
Total deferred inflows of resources	<u>2,568</u>	<u>-</u>	<u>2,568</u>
<b>FUND BALANCES</b>			
Restricted for:			
Public safety	-	15,259	15,259
Debt service	<u>654</u>	<u>-</u>	<u>654</u>
Total fund balances	<u>654</u>	<u>15,259</u>	<u>15,913</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 6,222</u>	<u>\$ 16,366</u>	<u>\$ 22,588</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, 2016**

	<u>Debt Service Fund</u>	<u>Police Forfeiture Fund</u>	<u>Total Non-major Fund</u>
Revenues			
Property taxes	\$ 49,076	\$ -	\$ 49,076
Investment earnings	24	47	71
Fines and forfeitures	-	14,268	14,268
Total revenues	<u>49,100</u>	<u>14,315</u>	<u>63,415</u>
Expenditures			
Public safety	-	19,424	19,424
Debt service:			
Principal	30,000	-	30,000
Interest	19,073	-	19,073
Total expenditures	<u>49,073</u>	<u>19,424</u>	<u>68,497</u>
Excess (deficit) of revenues over (under) expenditures	27	(5,109)	(5,082)
Fund balance, October 1	<u>627</u>	<u>20,368</u>	<u>20,995</u>
Fund balance, September 30	<u>\$ 654</u>	<u>\$ 15,259</u>	<u>\$ 15,913</u>

## TOWN OF RANCHO VIEJO, TEXAS

## INSURANCE COVERAGE

SEPTEMBER 30, 2016

Type of Coverage	From	To	Amount of Coverage
Insurer - Texas Windstorm Insurance Association			
Windstorm and Hail:			
Building	05/31/16	05/31/17	\$ 950,000
Building and contents	11/19/15	11/19/16	146,005
Insurer - Texas Municipal League Joint Self-Insurance Fund			
Liability:			
General Liability	10/01/15	10/01/16	5,000,000
Automobile Liability	10/01/15	10/01/16	5,000,000
Law Enforcement Liability	10/01/15	10/01/16	5,000,000
Errors and Omissions Liability	10/01/15	10/01/16	5,000,000
Automobile Physical Damage	10/01/15	10/01/16	as scheduled
Value paper and records and EDP Media	10/01/15	10/01/16	10,000
Accounts Receivable	10/01/15	10/01/16	10,000
Loss of Revenue, extra expense and rents	10/01/15	10/01/16	50,000
Personal effects	10/01/15	10/01/16	5,000
Leasehold interest	10/01/15	10/01/16	5,000
Outdoor trees and shrubs	10/01/15	10/01/16	10,000
Blanket Limit - Real and Personal Property	10/01/15	10/01/16	1,301,701
Transit Limit	10/01/15	10/01/16	1,000,000
Boiler and Machinery	10/01/15	10/01/16	100,000
Workers' Compensation Liability	10/01/15	10/01/16	statutory
Fire Hall	10/01/15	10/01/16	62,227
Town Hall	10/01/15	10/01/16	1,010,702
Playground equipment	10/01/15	10/01/16	86,260
Flag pole	10/01/15	10/01/16	1,025
Security cameras	10/01/15	10/01/16	25,834
Generator	10/01/15	10/01/16	26,654
Insurer - Merchants Mutual Bonding Company			
Surety Bonds:			
Town Administrator	09/20/15	09/20/16	10,000
Public Officials (8 policemen) each various renewal dates			5,000

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



# **COMPLIANCE**



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

**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 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 Town of Rancho Viejo, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Town of Rancho Viejo’s basic financial statements, and have issued our report thereon dated April 6, 2017.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Town of Rancho Viejo, Texas’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Rancho Viejo, Texas’ internal control. Accordingly, we do not express an opinion on the effectiveness of 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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 Standard*.

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**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.

A handwritten signature in black ink that reads "Patricia Brown Hill, CPA". The signature is written in a cursive style with a large initial 'P' and a distinct 'H'.

Brownsville, Texas  
April 6, 2017