

***CITY OF FERRIS, TEXAS***

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended September 30, 2015**



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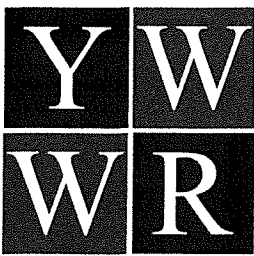
**TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis (unaudited)	4-11
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Position - Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
Notes to the Financial Statements	20-49
<b>Required Supplementary Information:</b>	
Schedule of Revenues and Expenditures - Budget and Actual - Major Governmental Funds	51
Schedule of Changes in Net Pension Liability and Related Ratios	52
Schedule of Contributions	53

**CITY OF FERRIS, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2015

TABLE OF CONTENTS (continued)

	<u>PAGE</u>
<b>Combining and Individual Fund Financial Statements and Schedules:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	56
Combining Balance Sheet – Nonmajor Special Revenue Funds	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue Funds	58
Schedule of Revenues and Expenditures – Budget and Actual - Debt Service Fund	59
Schedule of Revenues and Expenses - Budget and Actual – Enterprise Fund – Water and Wastewater	61
<b>Component Unit Financial Statements</b>	
Balance Sheet - Component Units	63
Statement of Revenues, Expenditures, and Changes in Fund Balances - Component Units	64
<b>Supplementary Financial Data:</b>	
Schedule of Cash Balances – All Funds	66
Combined Schedule of Bonded Debt - All Funds	67
Debt Requirements to Maturity:	
Combination Tax and Revenue Certificates of Obligation – Series 2006	68
Tax and Waterworks and Sewer Systems Revenue Refunding Bonds – Series 2005	69
Tax and Waterworks and Sewer Systems Revenue Certificates of Obligation – Series 2011	70



# YELDELL, WILSON, WOOD & REEVE, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA  
Glenda Valek, CPA | Caitlyn Keller, CPA

### INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Council and City Manager  
City of Ferris, Texas

#### **Report on the Financial Statements**

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

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Change in Accounting Principle***

As discussed in Note 1.I to the financial statements, in 2015 the City adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. 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 liability information on pages 4-11 and 51-53 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 City of Ferris, Texas' basic financial statements. The combining and individual fund financial statements and schedules, combining component unit financial statements, and supplementary financial data are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor, City Council and City Manager  
City of Ferris, Texas  
Page Three

The combining and individual fund financial statements and schedules and combining component unit 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 and individual fund financial statements and schedules and combining component unit financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

*Yeldell, Wilson, Wood & Reeve, P.C.*

Yeldell, Wilson, Wood & Reeve, P.C.  
*Certified Public Accountants*

Ennis, Texas  
February 26, 2016





# **CITY OF FERRIS, TEXAS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

As management of the City of Ferris, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$9,794,100 (net position). Of this amount, \$2,071,682 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$148,276.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,861,247. Over 95% of this total amount, \$1,785,660 is unassigned and available for use within the City's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,785,660 or 58% of the total general fund expenditures.

### **Overview of the Financial Statements**

This discussion and analysis provided here is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also legally separate economic development corporations for which the City is financially accountable. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-13 of this report.

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

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures and changes in fund balances* for the General fund, which is considered to be a major fund. Data from the other four funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-16 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses the enterprise fund to account for the activities of the water and wastewater operations.

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

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-49 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's Schedule of Revenues and Expenditures - Budget and Actual - Major Governmental Funds, the Schedule of Changes in Net Pension Liability and Related Ratios and the Schedule of Contributions. Required supplementary information can be found on page 51-53 of this report.

This report also presents combining and individual fund financial statements and schedules in connection with the nonmajor governmental funds and water and wastewater fund. These combining and individual fund financial statements and schedules can be found on pages 54-61 of this report.

In addition, this report presents a fund financial statement and schedule in connection with the Ferris 4A Economic Development Corporation and Ferris 4B Economic Development Corporation. The individual fund financial statements can be found on pages 62-64 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time, may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$9,794,100, at the close of the most recent fiscal year.

# CITY OF FERRIS' NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 2,181,579	\$ 2,927,884	\$ 606,544	\$ 670,932	\$ 2,788,123	\$ 3,598,816
Capital assets	7,460,795	7,566,960	2,881,221	3,027,523	10,342,016	10,594,483
Total assets	9,642,374	10,494,844	3,487,765	3,698,455	13,130,139	14,193,299
Deferred outflows of resources	144,022	112,750	11,160	6,374	155,182	119,124
Long term liabilities	2,425,088	2,772,877	594,868	636,172	3,019,956	3,409,049
Other liabilities	288,353	1,098,929	133,367	158,621	421,720	1,257,550
Total liabilities	2,713,441	3,871,806	728,235	794,793	3,441,676	4,666,599
Deferred outflows of resources	44,308	-	5,237	-	49,545	-
Net position:						
Net investment in capital assets	5,298,410	5,039,018	2,349,576	2,455,856	7,647,986	7,494,874
Restricted	74,432	81,418	-	-	74,432	81,418
Unrestricted	1,655,805	1,615,352	415,877	454,180	2,071,682	2,069,532
Total net position	\$ 7,028,647	\$ 6,735,788	\$ 2,765,453	\$ 2,910,036	\$ 9,794,100	\$ 9,645,824

Certain reclassifications have been made to the prior year data to conform with current year presentation.

By far, the largest portion of the City's net position (78%) reflects its investments in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$2,071,682 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole as well as for its separate categories – governmental and business-type activities.

**Analysis of the City's Operations.** The following table provides a summary of the City's operations for the year ended September 30, 2015. Governmental activities increased the City's net assets by \$292,859. Business-type activities decreased the City's net position by \$144,583.

**CITY OF FERRIS' CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 598,185	\$ 760,484	\$ 1,031,162	\$ 990,063	\$ 1,629,347	\$ 1,750,547
Operating grants and contributions	256,707	247,858	-	-	256,707	247,858
Capital grants and contributions	15,465	150,000	-	271,011	15,465	421,011
General revenues:						
Property taxes	711,044	712,553	-	-	711,044	712,553
Sales taxes	237,136	238,355	-	-	237,136	238,355
Franchise taxes	127,294	120,055	-	-	127,294	120,055
Alcoholic beverage taxes	1,362	1,224	-	-	1,362	1,224
Host fees	1,384,941	1,444,239	-	-	1,384,941	1,444,239
Gas royalty	176,052	166,456	-	-	176,052	166,456
Investment earnings	6,555	691	258	225	6,813	916
Gain (loss) on sale of capital assets	(867)	7,444	-	10,581	(867)	18,025
Miscellaneous	35,999	58,651	-	-	35,999	58,651
Total revenues	3,549,873	3,908,010	1,031,420	1,271,880	4,581,293	5,179,890
Expenses:						
General government	720,050	914,479	-	-	720,050	914,479
Public safety	1,780,441	1,583,316	-	-	1,780,441	1,583,316
Cultural and recreational	319,805	327,643	-	-	319,805	327,643
Public works	452,818	392,409	-	-	452,818	392,409
Interest on long-term debt	93,900	104,014	-	-	93,900	104,014
Water and wastewater	-	-	1,066,003	1,040,216	1,066,003	1,040,216
Total expenses	3,367,014	3,321,861	1,066,003	1,040,216	4,433,017	4,362,077
Increase (decrease) in net position before transfers	182,859	586,149	(34,583)	231,664	148,276	817,813
Transfers	110,000	80,000	(110,000)	(80,000)	-	-
Increase (decrease) in net position	292,859	666,149	(144,583)	151,664	148,276	817,813
Net position - beginning, as restated	6,735,788	6,069,639	2,910,036	2,758,372	9,645,824	8,828,011
Net position - ending	\$ 7,028,647	\$ 6,735,788	\$ 2,765,453	\$ 2,910,036	\$ 9,794,100	\$ 9,645,824

Certain reclassifications have been made to the prior year data to conform with current year presentation.

- Charges for services governmental activities decreased by \$166,623 (21.34%) during the year. The majority of this decrease is the product of a decrease in revenue from municipal court collections and host fees.
- Capital grants and contributions increased by \$134,535 (89.69%) for governmental activities during the year. The majority of this decrease is the product of the completion of a grant for sidewalk and lighting upgrades received in the previous year.

- Capital grants and contributions decreased by \$271,011 (100.00%) for business-type activities during the year. The majority of this decrease is the product of the completion of a grant for sewer system improvements received in the previous year.
- Host fees decreased by \$59,298 (4.11%) during the year. The majority of this decrease is the product of the decreased tonnage of garbage collected at the landfill.
- General government expenses decreased by \$194,429 (21.26%), public safety expenses increased by \$197,125 (12.45%), and public work expenses increased by \$60,409 (15.39%).

## Financial Analysis of Governmental Funds

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

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,861,247, an increase of \$59,967 in comparison with the prior year. Approximately 96% of this total amount (\$1,785,660) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form (\$1,155), or 2) restricted for particular purposes (\$74,432).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,785,660 while total fund balance reached \$1,787,713. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 58% of total general fund expenditures, while total fund balance represents 58% of that same amount.

The fund balance of the City's general fund increased \$66,260 during the current fiscal year.

**Proprietary Funds.** The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Wastewater fund at the end of the year amounted to \$415,877. Net position decreased in 2015 by \$144,583. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

## General Fund Budgetary Highlights

**Original budget compared to final budget.** During the year, the City increased the original estimated expenditures of the general fund by \$51,393. This was offset with an increase in the use of existing fund balance.

**Final budget compared to actual results.** General fund budgeted revenues of \$2,955,579 exceeded actual revenues of \$2,924,495 by \$31,084.

- The fines and forfeitures decrease of \$96,922 (15.1%) is primarily due to officers writing less citations than were budgeted as a result of increased speed limits inside the City.
- The host fees decrease of \$60,070 (4.1%) is due to a decrease in the tonnage of garbage collected at the landfill.

Budgeted general fund expenditures of \$3,060,449 exceeded actual expenditures of \$2,957,449 by \$103,000. This positive variance in expenditures was achieved through a series of expenditure restrictions imposed during the year.

## Capital Assets and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015 amounts to \$10,342,016 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

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

- Construction in progress of approximately \$592,000 was completed.
- Building additions of approximately \$64,000.
- Machinery and equipment purchases of approximately \$150,000.
- Machinery and equipment disposals of approximately \$24,000.
- Improvements other than buildings of approximately \$147,000

### Capital Assets at Year-End Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 495,734	\$ 495,734	\$ 27,817	\$ 27,817	\$ 523,551	\$ 523,551
Construction in progress	7,658	301,118	-	298,511	7,658	599,629
Buildings	1,309,504	1,241,860	46,199	51,473	1,355,703	1,293,333
Improvements	169,649	7,701	2,717,145	2,555,202	2,886,794	2,562,903
Machinery and equipment	349,923	355,620	90,060	94,520	439,983	450,140
Infrastructure	5,128,327	5,164,927	-	-	5,128,327	5,164,927
Total	\$ 7,460,795	\$ 7,566,960	\$ 2,881,221	\$ 3,027,523	\$ 10,342,016	\$ 10,594,483

Additional information on the City of Ferris' capital assets can be found in note 2.C on pages 32-33 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had a total bonded debt of \$2,980,000. Of this amount, \$2,980,000 comprises bonded debt backed by the full faith and credit of the government.

**Outstanding Debt at Year End  
Bonds and Note Payable**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Certificates of obligation	\$ 1,180,000	\$ 1,265,000	\$ 570,000	\$ 610,000	\$ 1,750,000	\$ 1,875,000
Tax and revenue refunding bonds	1,230,000	1,230,000	-	-	1,230,000	1,230,000
Total	\$ 2,410,000	\$ 2,495,000	\$ 570,000	\$ 610,000	\$ 2,980,000	\$ 3,105,000

Additional information on the City of Ferris' long term-debt can be found in note 2.F on pages 36-38 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

In the 2015-16 Adopted Budget, all combined revenue sources less expenditures leave the City with positive fund balances. The City is focused on revenue diversification, stabilization, and enhancement. General Fund revenues increased 11% from the 2014-15 budget year. Host fees from Waste Management total about 43% of the General Fund budgeted revenues and the City anticipates an increase in revenue due to steady utilization of the service and a 2.5% increase in rates. Ferris' overall assessed value of property increased by \$3,000,000 creating an increase of 5% in property taxes collected while our ad valorem tax rate remained unchanged. The City is focused on restructuring debt in order to lower the current 37% of the property tax rate dedicated to I & S. A major priority for FY 2016 is in economic development initiatives aimed at increasing the tax base of the City. As such Ferris has restructured our Economic Development program inclusive of investing resources in large scale development.

The Utility Fund is another area of focus for 2015-16 and an increase in the water/sewer rates is expected. As Ferris' participation in regional water/wastewater programs has continued to increase cost, this fiscal year will require an increase in the rate charged to customers. The City is also restructuring our Public Works Department by strengthening partnerships with outside agencies who can share in the cost of repairs/maintenance, increasing our internal staff capacity with more training and expertise, and investing in analysis for prioritizing capital improvement projects. Combined this effort will stabilize the performance of the Utility Fund.

### **Request for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 100 Town Plaza, Ferris, Texas 75125.



**CITY OF FERRIS, TEXAS**  
**STATEMENT OF NET POSITION**  
September 30, 2015

				Component Units	
				Ferris 4A	Ferris 4B
	Primary Government			Economic	Economic
	Governmental	Business-type	Total	Development	Development
	Activities	Activities		Corporation	Corporation
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,671,708	\$ 441,237	\$ 2,112,945	\$ 559,432	\$ 116,109
Receivables (net of allowance for uncollectibles)	508,800	115,331	624,131	-	-
Internal balances	(84)	84	-	-	-
Due from primary government	-	-	-	21,744	21,744
Inventories	1,155	11,537	12,692	-	-
Restricted assets:					
Cash and cash equivalents	-	38,355	38,355	-	-
Capital assets:					
Non-depreciable	503,392	27,817	531,209	18,000	-
Depreciable (net of accumulated depreciation)	6,957,403	2,853,404	9,810,807	-	-
Total Assets	<u>9,642,374</u>	<u>3,487,765</u>	<u>13,130,139</u>	<u>599,176</u>	<u>137,853</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred charge on refunding	49,015	-	49,015	-	-
Deferred outflows - contributions	70,193	7,892	78,085	-	-
Deferred outflows - investment experience	24,814	3,268	28,082	-	-
Total Deferred Outflows of Resources	<u>144,022</u>	<u>11,160</u>	<u>155,182</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	137,848	21,487	159,335	7,923	4,481
Accrued payroll payable	75,437	9,616	85,053	-	-
Accrued interest payable	6,580	2,089	8,669	-	-
Due to component units	43,488	-	43,488	-	-
Customer deposits payable	-	100,175	100,175	-	-
Unearned revenue	25,000	-	25,000	-	-
Noncurrent liabilities:					
Due within one year	367,040	45,912	412,952	-	-
Due in more than one year	2,058,048	548,956	2,607,004	-	-
Total Liabilities	<u>2,713,441</u>	<u>728,235</u>	<u>3,441,676</u>	<u>7,923</u>	<u>4,481</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows - actuarial experience	44,308	5,237	49,545	-	-
Total Deferred Outflows of Resources	<u>44,308</u>	<u>5,237</u>	<u>49,545</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>					
Net investment in capital assets	5,298,410	2,349,576	7,647,986	18,000	-
Restricted for:					
Debt service	30,830	-	30,830	-	-
Public safety	43,602	-	43,602	-	-
Unrestricted	1,655,805	415,877	2,071,682	573,253	133,372
Total Net Position	<u>\$ 7,028,647</u>	<u>\$ 2,765,453</u>	<u>\$ 9,794,100</u>	<u>\$ 591,253</u>	<u>\$ 133,372</u>

The notes to financial statements are an integral part of this statement.

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2015

	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government		Component Units	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Expenses</b>							
\$ 720,050	\$ 30,232	\$ 34,746	\$ -	\$ (655,072)	\$ -	\$ (655,072)	\$ -
1,780,441	567,953	7,101	-	(1,205,387)	-	(1,205,387)	-
319,805	-	214,860	-	(104,945)	-	(104,945)	-
452,818	-	-	15,465	(437,353)	-	(437,353)	-
93,900	-	-	-	(93,900)	-	(93,900)	-
3,367,014	598,185	256,707	15,465	(2,496,657)	-	(2,496,657)	-
1,066,003	1,031,162	-	-	-	(34,841)	(34,841)	-
1,066,003	1,031,162	-	-	-	(34,841)	(34,841)	-
\$4,433,017	\$ 1,629,347	\$ 256,707	\$ 15,465	(2,496,657)	(34,841)	(2,531,498)	-
<b>Component Units</b>							
Ferris 4A Economic Development Corporation	\$ 60,753	\$ -	\$ -	\$ -	\$ -	\$ -	(42,753)
Ferris 4B Economic Development Corporation	243,495	-	-	-	-	-	(243,495)
Total component units	\$ 60,753	\$ -	\$ -	\$ -	\$ -	\$ -	(42,753)
General revenues:							
Property taxes				711,044	-	711,044	-
Sales taxes				237,136	-	237,136	-
Franchise taxes				127,294	-	127,294	-
Alcoholic beverage taxes				1,362	-	1,362	-
Host fees				1,384,941	-	1,384,941	-
Gas royalty				176,052	-	176,052	-
Investment earnings				6,555	258	6,813	74
Loss on disposal of capital asset				(867)	-	(867)	-
Miscellaneous				35,999	-	35,999	-
Transfers				110,000	(110,000)	-	-
Total general revenues and transfers				2,789,516	(109,742)	2,679,774	118,878
Change in net position				292,859	(144,583)	148,276	76,125
Net position - beginning, as restated				6,735,788	2,910,036	9,645,824	515,128
Net position - ending				\$ 7,028,647	\$ 2,765,453	\$ 9,794,100	\$ 591,253

The notes to financial statements are an integral part of this statement.

**CITY OF FERRIS, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2015

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,597,708	\$ 74,000	\$ 1,671,708
Receivables (net of allowance for uncollectibles)	508,800	-	508,800
Due from other funds	-	1,342	1,342
Inventories	1,155	-	1,155
Total assets	<u>\$ 2,107,663</u>	<u>\$ 75,342</u>	<u>\$ 2,183,005</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 136,040	\$ 1,808	\$ 137,848
Accrued payroll payable	75,437	-	75,437
Due to other funds	1,426	-	1,426
Due to component units	43,488	-	43,488
Unearned revenue	25,000	-	25,000
Total liabilities	<u>281,391</u>	<u>1,808</u>	<u>283,199</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	<u>38,559</u>	<u>-</u>	<u>38,559</u>
<b>FUND BALANCES</b>			
<b>Nonspendable:</b>			
Inventories	1,155	-	1,155
<b>Restricted:</b>			
Debt service	-	30,830	30,830
Public safety	898	42,704	43,602
<b>Unassigned</b>	1,785,660	-	1,785,660
Total fund balances	<u>1,787,713</u>	<u>73,534</u>	<u>1,861,247</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,107,663</u>	<u>\$ 75,342</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			7,460,795
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.			38,559
Pension related deferred items are not financial resources and, therefore, are not reported in the funds.			
Deferred outflows - contributions	\$ 70,193		
Deferred outflows - investment experience	24,814		
Deferred inflows - actuarial experience	<u>(44,308)</u>		50,699
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
Deferred charge on refunding	\$ 49,015		
Accrued interest	(6,580)		
Due within one year	(367,040)		
Due in more than one year	<u>(2,058,048)</u>		<u>(2,382,653)</u>
Net position of governmental activities			<u>\$ 7,028,647</u>

The notes to financial statements are an integral part of this statement.

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2015

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 434,144	\$ 273,453	\$ 707,597
Sales	237,136	-	237,136
Franchise	127,294	-	127,294
Alcoholic beverage	1,362	-	1,362
Licenses and permits	30,232	-	30,232
Fines and forfeitures	544,690	23,263	567,953
Host fee	1,384,941	-	1,384,941
Gas royalty	176,052	-	176,052
Golf course lease	15,000	-	15,000
Revenues from use of money	6,500	55	6,555
Other	20,135	-	20,135
Intergovernmental	47,634	-	47,634
Contributions and donations	14,737	-	14,737
Total revenues	<u>3,039,857</u>	<u>296,771</u>	<u>3,336,628</u>
<b>EXPENDITURES</b>			
Current:			
General government	718,875	-	718,875
Public safety	1,704,903	51,656	1,756,559
Cultural and recreational	228,392	5,041	233,433
Public works	276,069	-	276,069
Debt service:			
Principal retirement	85,000	230,000	315,000
Interest and fiscal charges	46,338	41,367	87,705
Total expenditures	<u>3,059,577</u>	<u>328,064</u>	<u>3,387,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,720)</u>	<u>(31,293)</u>	<u>(51,013)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	110,000	25,000	135,000
Transfers out	(25,000)	-	(25,000)
Insurance proceeds	864	-	864
Proceeds from sale of capital assets	116	-	116
Total other financing sources (uses)	<u>85,980</u>	<u>25,000</u>	<u>110,980</u>
Net change in fund balances	66,260	(6,293)	59,967
Fund balances - beginning	<u>1,721,453</u>	<u>79,827</u>	<u>1,801,280</u>
Fund balances - ending	<u>\$ 1,787,713</u>	<u>\$ 73,534</u>	<u>\$ 1,861,247</u>

The notes to financial statements are an integral part of this statement.

**CITY OF FERRIS, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net Change in Fund Balances - total governmental funds (page 15)		\$ 59,967
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current year.		295,144
The net effect of various miscellaneous transactions involving capital assets (i.e., sales) is to decrease net position.		(983)
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(400,326)
The issuance of long-term debt (e.g., bonds payable) 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 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.		
Bond principal retirement	\$ 315,000	
Amortization of bond premiums/discounts	2,751	
Amortization of bond refunding losses	<u>(9,803)</u>	307,948
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		856
Some property tax will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in amount deferred on fund statements.		3,447
Pension contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASBS 68 pension.		
Deferred outflows - contributions	\$ 16,262	
Deferred outflows - investment experience	24,814	
Deferred inflows - actuarial experience	<u>(44,308)</u>	(3,232)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	\$ 7,633	
Net pension liability	<u>22,405</u>	30,038
Change in net position of governmental activities (page 13)		<u><u>\$ 292,859</u></u>

The notes to financial statements are an integral part of this statement.

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
September 30, 2015

	<b>Business-type Activities - Enterprise (Water and Wastewater) Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 441,237
Receivables (net of allowance for uncollectibles)	115,331
Due from other funds	84
Inventories	11,537
Total current assets	<u>568,189</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents - revenue bond construction account	38,355
Capital assets (net of accumulated depreciation)	2,881,221
Total noncurrent assets	<u>2,919,576</u>
Total assets	<u>3,487,765</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - contributions	7,892
Deferred outflows - investment experience	3,268
Total deferred outflows of resources	<u>11,160</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	21,487
Accrued payroll payable	9,616
Accrued interest payable	2,089
Compensated absences	5,912
Customer deposits payable	100,175
Bonds payable	40,000
Total current liabilities	<u>179,279</u>
Noncurrent liabilities:	
Net pension liability	18,956
Bonds payable	530,000
Total noncurrent liabilities	<u>548,956</u>
Total liabilities	<u>728,235</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - actuarial experience	5,237
Total deferred outflows of resources	<u>5,237</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,349,576
Unrestricted	415,877
Total net position	<u>\$ 2,765,453</u>

The notes to financial statements are an integral part of this statement.

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended September 30, 2015

	<b>Business-type Activities - Enterprise (Water and Wastewater) Fund</b>
<b>OPERATING REVENUES</b>	
Water sales	\$ 560,668
Wastewater service	404,012
Miscellaneous	66,482
Total operating revenues	<u>1,031,162</u>
<b>OPERATING EXPENSES</b>	
Water and wastewater	863,361
Depreciation	175,702
Total operating expenses	<u>1,039,063</u>
Operating income (loss)	<u>(7,901)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	258
Interest and fiscal charges	(26,940)
Total nonoperating revenue (expenses)	<u>(26,682)</u>
Income (loss) before capital contributions and transfers	(34,583)
Transfer out	<u>(110,000)</u>
Change in net position	(144,583)
Net position - beginning, as restated	2,910,036
Net position - ending	<u><u>\$ 2,765,453</u></u>

The notes to financial statements are an integral part of this statement.

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Fiscal Year Ended September 30, 2015

	<b>Business-type Activities - Enterprise (Water and Wastewater) Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,023,347
Payments to suppliers	(679,249)
Payments to employees	(182,491)
Net cash provided by (used for) operating activities	<u>161,607</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Advances to other funds	(84)
Repayment of advances from other funds	(174)
Transfers to other funds	(110,000)
Net cash provided by (used for) noncapital financing activities	<u>(110,258)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	37,515
Acquisition and construction of capital assets	(60,420)
Principal paid on bond maturities	(40,000)
Interest and fiscal charges paid on bonds	(27,099)
Net cash provided by (used for) capital and related financing activities	<u>(90,004)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>258</u>
Net cash provided by investing activities	<u>258</u>
Net decrease in cash and cash equivalents	(38,397)
Cash and cash equivalents - beginning	<u>517,989</u>
Cash and cash equivalents - ending	<u>\$ 479,592</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	\$ (7,901)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	175,702
(Increase) decrease in accounts receivable	(12,845)
(Increase) decrease in inventories	1,060
(Increase) decrease in pension related deferred outflows	451
(Increase) decrease in prepaid expenses	519
Increase (decrease) in accounts payable and accrued expenses	2,239
Net increase in customer deposits	5,030
Increase (decrease) in net pension liability	(2,648)
Total adjustments	<u>169,508</u>
Net cash provided by (used for) operating activities	<u>\$ 161,607</u>

The notes to financial statements are an integral part of this statement.



**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**B. Reporting entity**

The City of Ferris, Texas (the "City") is a general law municipality and was incorporated 1874. The accompanying financial statements present the City and its component units, entities for which the government is considered financially accountable. The Corporations described below are included in the City's reporting entity because the City appoints the governing body and the Corporations are fiscally dependent on the City. The Corporations are reported as discretely presented component units since the governing body is not substantively the same as the governing body of the City, and it provides services to the citizens of Ferris and the surrounding area as opposed to only the primary government. To emphasize that it is legally separate from the City, they are reported in separate columns in the financial statements. Fund information for the component units may be found in the supplementary information in this report.

***Discretely presented component units.*** The *Ferris 4A Economic Development Corporation* was created under Section 4A of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The Corporation is presented as a governmental fund type and has a September 30 year-end.

The *Ferris 4B Economic Development Corporation* was created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended, and is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The Corporation is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements for the Corporations are not issued.

**CITY OF FERRIS, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Basis of presentation - government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds. The statement of net position reports all financial and capital resources. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

As discussed earlier, the City has two discretely presented component units. The Ferris 4A Economic Development Corporation and Ferris 4B Economic Development Corporation are considered to be major component units and are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**D. Basis of presentation - fund financial statements**

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

The *water and wastewater fund* accounts for the activities of the City's water distribution and wastewater collection system.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of presentation - fund financial statements (continued)**

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Measurement focus and basis of accounting (continued)**

Property taxes, sales taxes, franchise taxes, alcoholic beverage taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

**F. Budgetary information**

***1. Budgetary basis of accounting***

Annual budgets for the general and water and wastewater funds are adopted on the budgetary basis of accounting. The annual budget is adopted on a basis consistent with generally accepted accounting principles for the debt service fund. All annual appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

***2. Compliance with finance related legal and contractual provisions***

The City has no material violations of finance related legal and contractual provisions, including the Texas Public Funds Investment Act.

**G. Assets, liabilities, deferred inflows of resources, and net position/fund balance**

***1. Cash and cash equivalents***

For purposes of the statement of cash flows the City's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less from the date of acquisition.

***2. Receivables and Allowances for Doubtful Accounts***

All trade and property tax receivables are shown net of an allowance for uncollectibles. All past due trade accounts receivables comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)**

***3. Inventories and prepaid items***

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

***4. Restricted cash and cash equivalents***

Certain proceeds of the City's enterprise fund revenue bonds are classified as restricted assets on the statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

***5. Capital assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

As the City constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. No interest was capitalized during 2015.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)**

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	30-40
Improvements	10-30
Machinery and equipment	5-15
Infrastructure	15-40

**6. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources for contributions made to the City's defined benefit pension plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, (2) deferred outflows of resources related to the differences between the projected and actual investment earnings for the City's multiple-employer defined benefit fund and (3) deferred charge on refunding. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. No deferred outflows of resources affect the governmental funds financial statements in the current year.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the City's various statements of net position for the difference between expected and actual experience data used by the actuary. This deferred inflow of resources is attributed to pension expense over a total of 3.36 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes is reported in the governmental funds balance sheet.

**7. *Net position flow assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net positions are classified in the following categories:

*Net investment in capital assets* —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* —This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Assets, liabilities, deferred inflows of resources, and net position/fund balance (continued)**

***8. Fund balance flow assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***9. Fund balance policies***

The governmental fund financial statement present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

*Nonspendable fund balance*—amounts that are not in spendable form (such as inventories) are required to be maintained intact.

*Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

*Unassigned fund balance*—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

In the general fund, the City's underlying and overriding financial reserve strategy is to maintain the unassigned fund balance at a level of 20% of annual operating expenditures, excluding capital expenditures.



**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Revenues and expenditures/expenses**

**1. Program revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property taxes**

Property taxes attach as an enforceable lien on real property and are levied as of October 1st on the assessed value listed as of the prior January 1st for all real and personal property. Appraised values are established by the Ellis Appraisal District as market value and assessed at 100% of appraised value. The Ellis County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

**3. Compensated absences**

The City's policy permits employees to accumulate earned but unused vacation pay benefits. The liability for such unused vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused vacation shall be taken during the year following its accumulation.

**4. Proprietary funds operating and nonoperating revenues and expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater fund are charges to customers for sales and services. Operating expenses for the water and wastewater fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Revenues and expenditures/expenses (continued)**

***5. Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

***6. Pensions***

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

**I. New GASB pronouncement**

The Governmental Accounting Standards Board has issued a new pronouncement that the City has reviewed for application to their accounting and reporting.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**I. New GASB pronouncement (continued)**

GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, effective for periods beginning after June 15, 2014, replaces the requirements of GASB Statements No. 27 as it relates to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The standard requires government employers to recognize as a liability, for the first time, their long-term obligation for pension benefits. The employer liability is to be measured as the difference between the present value of projected benefit payments to be provided through the pension plan for past periods of service less the amount of the pension plan's fiduciary net position. Obligations for employers with cost sharing plans will be based on their proportionate share of contributions to the pension plan. The standard also requires more immediate recognition of annual service cost, interest and changes in benefits for pension expense; specifies requirements for discount rates, attribution methods; and changes disclosure requirements.

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash deposits with financial institutions and investments**

*Custodial credit risk-deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year-end, the City's bank balance was \$2,245,159. Of the bank balance, \$345,498 was covered by federal depository insurance and the remaining balance, \$1,899,660 was covered by collateral pledged in the City's name. The collateral was held in the City's name by the safekeeping departments of the pledging bank's agent and had a fair value of approximately \$2,470,000.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**A. Cash deposits with financial institutions and investments (continued)**

Investments – Public funds of the City of Ferris may be invested in the following: (1) obligations of the United States of America, its agencies and instrumentalities, (2) direct obligations of the State of Texas and agencies thereof, (3) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas and United States of America, (4) obligations of the States, agencies thereof, Counties, Cities and other political subdivisions of any state having been rates as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent; (5) certificates of deposit of state and national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance or its successor or secured by obligations described in 1 through 4 above, (6) fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies and instrumentalities pledged with a third party, and (7) joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law.

**B. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and water and wastewater funds in the aggregate, including the applicable allowances for uncollectible accounts:

<b>Receivables:</b>	<b>General</b>	<b>Water and Wastewater</b>	<b>Total</b>
Taxes	\$ 141,900	\$ -	\$ 141,900
Accounts	-	146,198	146,198
Other	381,072	-	381,072
Gross receivables	522,972	146,198	669,170
Less: allowance for uncollectibles	(14,172)	(30,867)	(45,039)
Net receivables	<u>\$ 508,800</u>	<u>\$ 115,331</u>	<u>\$ 624,131</u>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**C. Capital assets**

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

**Governmental activities:**

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 495,734	\$ -	\$ -	\$ 495,734
Construction in progress	301,118	-	(293,460)	7,658
Total capital assets not being depreciated	796,852	-	(293,460)	503,392
Capital assets being depreciated:				
Buildings	1,640,113	127,478	(2,982)	1,764,609
Improvements	13,283	165,887	-	179,170
Machinery and equipment	1,769,614	120,840	(6,720)	1,883,734
Infrastructure	7,205,455	191,478	-	7,396,933
Totals capital assets being depreciated	10,628,465	605,683	(9,702)	11,224,446
Less accumulated depreciation for:				
Buildings	(398,253)	(58,851)	1,999	(455,105)
Improvements	(5,582)	(3,939)	-	(9,521)
Machinery and equipment	(1,413,994)	(126,537)	6,720	(1,533,811)
Infrastructure	(2,040,528)	(228,078)	-	(2,268,606)
Total accumulated depreciation	(3,858,357)	(417,405)	8,719	(4,267,043)
Total capital assets, being depreciated, net	6,770,108	188,278	(983)	6,957,403
Governmental activities capital assets, net	<u>\$ 7,566,960</u>	<u>\$ 188,278</u>	<u>\$ (294,443)</u>	<u>\$ 7,460,795</u>

Certain reclassifications have been made to the prior year data to conform with current year presentation.

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

**Governmental activities:**

General government	\$ 25,681
Public safety	84,214
Cultural and recreational	117,958
Public works	172,473
Total depreciation expense - governmental activities	<u>\$ 400,326</u>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**C. Capital assets (continued)**

**Business-type activities:**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 27,817	\$ -	\$ -	\$ 27,817
Construction in progress	298,511	-	(298,511)	-
Total capital assets not being depreciated	326,328	-	(298,511)	27,817
Capital assets being depreciated:				
Buildings	172,776	-	-	172,776
Improvements	5,583,458	298,511	-	5,881,969
Machinery and equipment	309,940	29,400	(17,078)	322,262
Total capital assets being depreciated	6,066,174	327,911	(17,078)	6,377,007
Less accumulated depreciation for:				
Buildings	(121,303)	(5,274)	-	(126,577)
Improvements	(3,028,256)	(153,646)	17,078	(3,164,824)
Machinery and equipment	(215,420)	(16,782)	-	(232,202)
Total accumulated depreciation	(3,364,979)	(175,702)	17,078	(3,523,603)
Total capital assets being depreciated, net	2,701,195	152,209	-	2,853,404
Business-type capital assets, net	<u>\$ 3,027,523</u>	<u>\$ 152,209</u>	<u>\$ (298,511)</u>	<u>\$ 2,881,221</u>

As of September 30, 2015, the City has an active construction project for infrastructure improvements.

**D. Significant commitments**

The City has entered into a contract with the Trinity River Authority of Texas (Authority) – Ten Mile Regional Wastewater System to obtain wastewater treatment services, expiring in 2036. In the contract, the Authority agreed to acquire and construct a regional wastewater treatment system to serve the City and other contractual parties, in the area of the watershed or drainage basin of Red Oak Creek, being a tributary of the Trinity River, and located in Ellis and Dallas Counties, Texas. The Trinity River Authority is a governmental agency, which is controlled by directors appointed by the governor.

The City is responsible for a proportionate share of the system's annual operation, maintenance and debt service costs for the term of the contract. These costs are determined annually and are payable in monthly installments. The estimated future contracted payments due under the contract as of September 30, 2015 are shown below:

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**D. Significant commitments (continued)**

<b><u>Year Ending September 30</u></b>	<b><u>Monthly</u></b>	<b><u>Annual</u></b>
2016	\$ 26,641	\$ 319,692
2017	27,203	326,436
2018	27,726	332,712
2019	28,204	338,448
2020	28,884	346,608
2021-2025	155,191	1,862,292
2026-2030	149,662	1,795,944
2031-2035	149,164	1,789,968
2036	28,864	346,368
	<u>\$ 621,539</u>	<u>\$7,458,468</u>

Expenses incurred for the year ended September 30, 2015 were \$257,208. The payments to be received from the City of Ferris, Texas are used as collateral for the bonds issued by TRA to construct the facility.

The City has entered into a contract with the Authority whereby the City acquired the right to purchase .72 million gallons per day (MGD) of water annually from the Authority through its raw water supply contract with Tarrant County Water Control and Improvement District Number One. The contract is for a period of forty years commencing December 1, 1991 and ending November 30, 2031. The Authority is a governmental agency, which is controlled by directors appointed by the governor. The City agreed to pay to the Authority \$60 each month increasing \$1.50 per month each fiscal year for the Authority's costs and expenses of administering the contract. A current schedule of estimated future contractual payments due the Authority is shown below:

<b><u>Year Ending September 30</u></b>	<b><u>Amount</u></b>
2016	\$ 3,456
2017	3,510
2018	3,564
2019	3,618
2020	3,672
2021-2025	19,170
2026-2030	20,520
2031	4,266
	<u>\$ 61,776</u>

The City has entered into an agreement with the Authority whereby the Authority will provide inspection, sampling, and analytical services for the City for a period of five years commencing October 1, 2015 and expiring September 30, 2020. Total payment from the City to the Authority will not exceed \$75,000 for the period of this contract and shall not exceed \$15,000 per year.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**D. Significant commitments (continued)**

Complete separate financial statements for the Trinity River Authority may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76004.

The City has entered into a contract with Rockett Special Utility District (the "District") whereby the District agrees to sell treated water to the City. The contract requires the City to purchase at least an average of 100,000 gallons per day on an annualized basis whether or not the City actually takes and utilizes said water amount. The contract is for a period of twenty years commencing October 15, 2012 and ending October 14, 2032.

A schedule of future minimum payments due the District at the current rate of \$4.45 per thousand gallons is shown below:

<u>Year Ending September 30</u>	<u>Amount</u>
2016	\$ 162,420
2017	162,420
2018	162,420
2019	162,420
2020	162,420
2021-2025	812,100
2026-2030	812,100
2031-2032	324,840
	<u>\$2,761,140</u>

Incurred expenses for the year ended September 30, 2015 were \$160,904.

The City has entered into a contract with CareFlite to provide EMS ambulance services, effective October 1, 2013 and expiring September 30, 2018. Costs are determined annually and are payable in monthly installments. The City has agreed to pay CareFlite on an annual basis at a rate of \$36,000 per year, which shall be paid in twelve equal monthly installments.

The City has entered into an agreement with a Developer to provide financial assistance, effective March 5, 2012 and expiring May 1, 2022. The City has agreed to annually pay the Developer the portion of sales and use tax generated by and attributed solely to sales from the Developer's property, until the aggregate payments total \$65,728. Amounts paid to the Developer under the agreement for the year end September 30, 2015 totaled \$15,578. As of September 30, 2015 the unpaid amount associated with the agreement totaled \$25,916.



**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**E. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**F. Long-term liabilities**

**Certificates of Obligation**

The City issues certificates of obligation to provide fund for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for governmental and business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's water and wastewater system.

Certificates of obligation currently outstanding and reported as liabilities of the City's governmental activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2011	\$ 1,500,000	3/1/2026	2.00-4.25%	<u>\$ 1,180,000</u>

Certificates of obligation currently outstanding and reported as liabilities of the City's business-type activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2006	\$ 850,000	3/1/2026	4.60%	<u>\$ 570,000</u>

**Tax and Revenue Refunding Bonds**

In a prior year, the City issued bonds in a partial refunding of certificates of obligation to reduce total future debt service payments.

Tax and revenue refunding bonds currently outstanding and reported as liabilities on the City's governmental activities are:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2005	\$ 2,355,000	3/1/2019	3.71%	<u>\$ 1,000,000</u>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**F. Long-term liabilities (continued)**

Changes in long-term liabilities –

Changes in the government's long-term liabilities for the year ended September 30, 2015 are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds payable:					
Certificates of obligation	\$ 1,265,000	\$ -	\$ (85,000)	\$ 1,180,000	\$ 90,000
Tax and revenue refunding	1,230,000	-	(230,000)	1,000,000	235,000
Less deferred amounts:					
For issuance					
discount/premium	34,151	-	(2,751)	31,400	-
Total bonds payable	2,529,151	-	(317,751)	2,211,400	325,000
Compensated absences	49,673	49,854	(57,487)	42,040	42,040
Net pension liability	194,053	-	(22,405)	171,648	-
Governmental activity					
Long-term liabilities	<u>\$ 2,772,877</u>	<u>\$ 49,854</u>	<u>\$ (397,643)</u>	<u>\$ 2,425,088</u>	<u>\$ 367,040</u>

Certificates of obligation and tax and revenue refunding bonds issued for governmental activity purposes are liquidated by the general fund and debt service fund. Governmental compensated absences and net pension obligation will be liquidated by the general fund.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Business-type activities:</b>					
Certificates of obligation	\$ 610,000	\$ -	\$ (40,000)	\$ 570,000	\$ 40,000
Compensated absences	4,568	5,115	(3,771)	5,912	5,912
Net pension liability	21,604	-	(2,648)	18,956	-
Business-type activity					
Long-term liabilities	<u>\$ 636,172</u>	<u>\$ 5,115</u>	<u>\$ (46,419)</u>	<u>\$ 594,868</u>	<u>\$ 45,912</u>

Certificates of obligations issued for business-type activities are repaid from those activities. Business-type compensated absences and net pension obligation will be liquidated by the water and wastewater fund.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**F. Long-term liabilities (continued)**

Annual debt service requirements to maturity are as follows -

Year Ending September 30	Governmental Activities			
	Certificates of Obligation		Tax and Revenue Refunding Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 90,000	\$ 44,363	\$ 235,000	\$ 32,741
2017	90,000	42,113	245,000	23,837
2018	95,000	39,206	255,000	14,562
2019	100,000	35,424	265,000	4,909
2020	100,000	31,424	-	-
2021-2015	575,000	90,299	-	-
2026	130,000	2,763	-	-
	<u>\$ 1,180,000</u>	<u>\$ 285,592</u>	<u>\$ 1,000,000</u>	<u>\$ 76,049</u>

Year Ending September 30	Business-Type Activities	
	Certificates of Obligation	
	Principal	Interest
2016	\$ 40,000	\$ 25,300
2017	45,000	23,345
2018	45,000	21,275
2019	45,000	19,205
2020	50,000	17,020
2021-2025	280,000	48,300
2026	65,000	1,495
	<u>\$ 570,000</u>	<u>\$ 155,940</u>

**G. Interfund receivables and payables**

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

***Due to/from other funds:***

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental fund	General	\$ 1,342
Water and wastewater	General	84
		<u>\$ 1,426</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**H. Interfund transfers**

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

Interfund transfers:

<b>Transfer Out:</b>	<b>Transfer In:</b>		
	<b>General</b>	<b>Nonmajor governmental</b>	<b>Total</b>
General	\$ -	25,000	\$ 25,000
Water and wastewater	110,000	-	110,000
	<u>\$ 110,000</u>	<u>\$ 25,000</u>	<u>\$ 135,000</u>

Transfers are primarily used to move funds from the Water and Wastewater Fund to the General Fund for administrative services, and from the General Fund to the nonmajor government to supplement revenues that were under budget.

**I. Discretely presented component unit**

**1. Ferris 4A Economic Development Corporation Fund**

Cash Deposits with financial institutions

At year end the bank balance of the Corporation's deposits was \$559,432. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance, \$309,432 was covered by collateral pledged in the Corporation's name. The collateral was held in the Corporation's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$429,000.

Capital Assets

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

<b>Governmental activities:</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ -	\$ 18,000	\$ -	\$ 18,000
Total capital assets not being depreciated	-	18,000	-	18,000
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ 18,000</u>

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**I. Discretely presented component unit (continued)**

**2. Ferris 4B Economic Development Corporation Fund**

Cash Deposits with financial institutions

At year end the bank balance of the Corporation's deposits was \$116,109. Of the bank balance, \$116,109 was covered fully by federal depository insurance.

**J. Related party transactions**

The significant transactions between the primary government and its component units during the year ended September 30, 2015 consisted of administrative services provided by the City in the amount of \$20,000 for both the Ferris 4A Economic Development Corporation and Ferris 4B Economic Development Corporation.

**K. Contingencies**

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

**L. Subsequent events**

- On October 19, 2015, the City approved a contract for soccer field improvements in the amount of \$21,950.
- On November 17, 2015, the City approved entering into a contract for the purchase of property in the amount of \$75,000.
- On January 14, 2016, the Ferris 4A Economic Development Corporation approved the purchase of property with funding not to exceed \$200,000.
- On January 27, 2016, the City approved a leasing agreement for 2 temporary buildings to hold the police and fire departments. Monthly rent will be \$2,807 for 24 months with approximately \$60,000 due on delivery and installation of buildings.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)**

**M. Prior period adjustment**

Corrections have been made to the governmental activities and business-type activities beginning net position in the government-wide financial statements and to the net position in the fund financial statements due to the implementation of GASB Statement No. 68 discussed in note 1.I. resulting in an understatement of assets and deferred outflows of resources, and an understatement of net position. The change to the beginning net position as of October 1, 2014 is summarized as follows:

	<b>Government-wide Financial Statements</b>		<b>Fund Financial Statements</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Enterprise Fund</b>
As previously reported, October 1, 2014	\$ 6,773,342	\$ 2,917,777	\$ 2,917,777
Correct understatement of assets	62,650	-	-
Correct understatement of deferred outflows of resources	53,931	6,374	6,374
Correct understatement of liabilities	(154,135)	(14,115)	(14,115)
Restated, October 1, 2014	<u>\$ 6,735,788</u>	<u>\$ 2,910,036</u>	<u>\$ 2,910,036</u>
Effect of restatement on operations for the year ended	<u>\$ 62,650</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 3 – DEFINED BENEFIT PENSION PLANS**

**A. Texas Municipal Retirement System**

**Plan Description**

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

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

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**A. Texas Municipal Retirement System (continued)**

**Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

	<b>Plan Provisions</b>
Employee deposit rate	5%
Municipal current matching ratio	1.5-1
Updated service credits:	
Rate (%)	100 T
Year effective	2000R
Increase benefits to retirees:	
Rate (%) <sup>(1)</sup>	70
Year effective	2000R
Vesting	5 yrs
Service retirement eligibilities	5 yrs/age 60, 20 yrs/any age
Restricted prior service credit effective date	8-01
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	9.50%

<sup>(1)</sup> For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**A. Texas Municipal Retirement System (continued)**

***Employees covered by benefit terms***

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

Inactive employees or beneficiaries currently receiving benefits	21
Inactive employees entitled to but not yet receiving benefits	31
Active employees	41
	<hr/> 93

**Contributions**

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

Employees for the City of Ferris, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Ferris, Texas were 5.13% and 5.99% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$98,220, and were equal to the required contributions.

**Net Pension Liability**

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



**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**A. Texas Municipal Retirement System (continued)**

***Actuarial assumptions***

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

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

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

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**A. Texas Municipal Retirement System (continued)**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Arithmetic)</b>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.5%
Total	100%	

***Discount Rate***

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

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**A. Texas Municipal Retirement System (continued)**

***Changes in the Net Pension Liability***

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balance at 12/31/2013	\$ 3,225,628	\$ 3,021,238	\$ 204,390
Changes for the year:			
Service cost	157,389	-	157,389
Interest	224,607	-	224,607
Difference between expected and actual experience	(70,569)	-	(70,569)
Contributions - employer	-	83,861	(83,861)
Contributions - employee	-	81,736	(81,736)
Net investment income	-	172,835	(172,835)
Benefit payments, including refunds of employee contributions	(191,312)	(191,312)	-
Administrative expense	-	(1,804)	1,804
Other changes	-	(148)	148
Net Changes	\$ 120,115	\$ 145,168	\$ (25,053)
<b>Balance at 12/31/2014</b>	<b>\$ 3,345,743</b>	<b>\$ 3,166,406</b>	<b>\$ 179,337</b>

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

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

	<b>1.0% Decrease in Discount Rate (6.0%)</b>	<b>Discount Rate (7.0%)</b>	<b>1.0% Increase in Discount Rate (8.0%)</b>
City's net pension liability	\$ 666,849	\$ 179,337	\$ (213,990)

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**A. Texas Municipal Retirement System (continued)**

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

For the year ended September 30, 2015, the City recognized pension expense of \$77,431.

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

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between expected and actual economic experience	\$ -	\$ 49,544
Difference between projected and actual investment earnings	30,922	-
Contributions subsequent to the measurement date	74,665	-
Total	<u>\$ 105,587</u>	<u>\$ 49,544</u>

\$74,665 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ended December 31**

2015	\$ (13,295)
2016	(13,295)
2017	236
2018	7,732

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**B. Texas Emergency Services Retirement System**

**Plan Description and Benefits Provided**

The City of Ferris, Texas is a nonemployer contributing entity in the Texas Emergency Services Retirement System (TESRS) for its volunteer firefighters. TESRS administers a cost-sharing multiple employer pension system (the 'System') established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine members Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at [www.tesrs.org](http://www.tesrs.org). The separately issued actuarial valuations which may be of interest are also available at the same link.

**Contributions**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. No contributions are required from the individuals who are members of the System, nor are they allowed. The City is required to make contributions for each month a member performs emergency services for a department. The State of Texas is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year. For the fiscal year ending September 30, 2015, total contributions to the plan were \$3,420.

**CITY OF FERRIS, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
September 30, 2015

**NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)**

**B. Texas Emergency Services Retirement System (continued)**

**Net Pension Liability**

At September 30, 2015, the City reported a liability of \$11,267 for its proportionate share of the net pension liability. The net pension liability was measured as of August 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions to the pension plan for the fiscal year ended August 31, 2014 relative to the contributions of all participating entities. At August 31, 2014, the City's proportion was 0.062 percent.

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

For the year ended September 30, 2015, the City recognized pension expense of \$3,487.

**NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS**

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

TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$853, \$788 and \$715, respectively, which equaled the required contributions each year.

## REQUIRED SUPPLEMENTARY INFORMATION

### MAJOR GOVERNMENTAL FUNDS

This supplementary schedule is included to supplement the basic financial statements as required by the Governmental Accounting Standards Board.

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**MAJOR GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2015

	Budget Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	Budget	Budget	Final Budget
			Basis	Basis	Basis	
<b>REVENUES</b>						
Taxes:						
Property	\$ 427,209	\$ 427,209	\$ 434,144	\$ 3,038	\$ 437,182	\$ 9,973
Sales	190,000	190,000	237,136	2,534	239,670	49,670
Franchise	119,500	119,500	127,294	(1,598)	125,696	6,196
Alcoholic beverage	1,000	1,000	1,362	(5)	1,357	357
Licenses and permits	22,450	22,450	30,232	-	30,232	7,782
Fines and forfeitures	640,600	640,600	544,690	(1,082)	543,608	(96,992)
Host fee	1,450,000	1,450,000	1,384,941	4,989	1,389,930	(60,070)
Gas royalty	-	-	176,052	(176,052)	-	-
Golf course lease	20,000	20,000	15,000	5,000	20,000	-
Revenues from use of money	600	600	6,500	(104)	6,396	5,796
Other	11,520	11,520	20,135	-	20,135	8,615
Intergovernmental	40,000	40,000	47,634	22,918	70,552	30,552
Contributions and donations	32,700	32,700	14,737	25,000	39,737	7,037
Total revenues	<u>2,955,579</u>	<u>2,955,579</u>	<u>3,039,857</u>	<u>(115,362)</u>	<u>2,924,495</u>	<u>(31,084)</u>
<b>EXPENDITURES</b>						
Current:						
General government:						
City council	94,770	110,170	111,080	-	111,080	910
City manager	336,823	342,823	322,457	(1,827)	320,630	(22,193)
Municipal finance	159,979	160,779	160,836	(499)	160,337	(442)
Senior services	24,187	24,187	22,942	(274)	22,668	(1,519)
Information technology	102,346	102,346	101,560	(295)	101,265	(1,081)
Total general government	<u>718,105</u>	<u>740,305</u>	<u>718,875</u>	<u>(2,895)</u>	<u>715,980</u>	<u>(24,325)</u>
Public safety:						
Code compliance	106,324	110,324	115,204	(287)	114,917	4,593
Fire	370,404	373,404	336,884	(5,151)	331,733	(41,671)
EMS	46,870	46,870	43,282	-	43,282	(3,588)
Police	977,553	978,078	978,652	5,400	984,052	5,974
Municipal court	157,568	158,568	167,117	134	167,251	8,683
Animal control	58,036	58,036	63,764	11	63,775	5,739
Total public safety	<u>1,716,755</u>	<u>1,725,280</u>	<u>1,704,903</u>	<u>107</u>	<u>1,705,010</u>	<u>(20,270)</u>
Cultural and recreational:						
Parks	60,500	60,500	75,737	-	75,737	15,237
Library	189,468	191,468	152,655	(638)	152,017	(39,451)
Total cultural and recreational	<u>249,968</u>	<u>251,968</u>	<u>228,392</u>	<u>(638)</u>	<u>227,754</u>	<u>(24,214)</u>
Public works						
Main Street Program	83,087	89,079	76,902	(516)	76,386	(12,693)
Streets and drainage	241,141	253,817	199,167	33,152	232,319	(21,498)
Total public works	<u>324,228</u>	<u>342,896</u>	<u>276,069</u>	<u>32,636</u>	<u>308,705</u>	<u>(34,191)</u>
Debt service:						
Principal and interest charges	-	-	85,000	(85,000)	-	-
Interest and fiscal charges	-	-	46,338	(46,338)	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>131,338</u>	<u>(131,338)</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,009,056</u>	<u>3,060,449</u>	<u>3,059,577</u>	<u>(102,128)</u>	<u>2,957,449</u>	<u>(103,000)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,477)</u>	<u>(104,870)</u>	<u>(19,720)</u>	<u>(13,234)</u>	<u>(32,954)</u>	<u>71,916</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	120,000	120,000	110,000	-	110,000	(10,000)
Transfers out	(25,000)	(25,000)	(25,000)	-	(25,000)	-
Insurance proceeds	8,000	8,000	864	-	864	(7,136)
Proceeds from the sale of capital assets	30,000	30,000	116	-	116	(29,884)
Total other financing sources and uses	<u>133,000</u>	<u>133,000</u>	<u>85,980</u>	<u>-</u>	<u>85,980</u>	<u>(47,020)</u>
Net change in fund balance	<u>\$ 79,523</u>	<u>\$ 28,130</u>	<u>\$ 66,260</u>	<u>\$ (13,234)</u>	<u>\$ 53,026</u>	<u>\$ 24,896</u>



**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Years (will ultimately be displayed)

	<u>2014</u>
<b>Total pension liability</b>	
Service Cost	\$ 158,522
Interest (on the Total Pension Liability)	229,599
Difference between expected and actual experience	(70,569)
Benefit payments, including refunds of employee contributions	<u>(193,896)</u>
<b>Net Change in Total Pension Liability</b>	123,656
<b>Total Pension Liability - Beginning</b>	<u>3,290,197</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 3,413,853</u></u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 83,861
Contributions - Employee	81,736
Contributions - Participating department	2,590
Contributions - State	949
Net Investment Income	180,218
Benefit payments, including refunds of employee contributions	(193,896)
Administrative Expense	(1,908)
Other	<u>(148)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	153,402
<b>Plan Fiduciary Net Position - Beginning</b>	<u>3,069,847</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 3,223,249</u></u>
 <b>Net Pension Liability - Ending (a) - (b)</b>	 \$ 190,604
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	  94.42%
 <b>Covered Employee Payroll</b>	 1,634,722
 <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	  11.66%

**Notes to Schedule:**

N/A

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF CONTRIBUTIONS**  
 Last 10 Fiscal Years (will ultimately be displayed)

	<u>2015</u>
Actuarially Determined Contribution	\$ 98,220
Contributions in relation to the actuarially determined contribution	<u>98,220</u>
Contribution deficiency (excess)	-
Covered employee payroll	1,705,659
Contributions as a percentage of covered employee payroll	5.76%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

Notes There were no benefit changes during the year.

## NONMAJOR GOVERNMENTAL FUNDS

**SPECIAL REVENUE FUNDS** - Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to be used for specified purposes.

*Court Technology Fund* – This fund is used to account for revenues that are to be used for technological enhancements to the municipal court.

*Court Security Fund* – This fund is used to account for the revenues to provide security services for buildings housing a municipal court.

**DEBT SERVICE FUND** - The debt service fund is used to account for the accumulation of resources for the payment of principal and interest on general long-term debt.

**CAPITAL PROJECTS FUND** - The capital projects fund is used to account for the financial resources segregated for the acquisition of major capital projects other than those financed by enterprise funds.

**CITY OF FERRIS, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2015

	<b>Nonmajor Special Revenue</b>	<b>Nonmajor Debt Service</b>	<b>Nonmajor Capital Projects</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 43,170	\$ 30,830	\$ -	\$ 74,000
Due from other funds	1,342	-	-	1,342
Total assets	<u>\$ 44,512</u>	<u>\$ 30,830</u>	<u>\$ -</u>	<u>\$ 75,342</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 1,808	\$ -	\$ -	\$ 1,808
Total liabilities	<u>1,808</u>	<u>-</u>	<u>-</u>	<u>1,808</u>
<b>FUND BALANCES</b>				
<b>Restricted:</b>				
Debt service	-	30,830	-	30,830
Public safety	42,704	-	-	42,704
Total fund balance	<u>42,704</u>	<u>30,830</u>	<u>-</u>	<u>73,534</u>
Total liabilities and fund balances	<u>\$ 44,512</u>	<u>\$ 30,830</u>	<u>\$ -</u>	<u>\$ 75,342</u>

**CITY OF FERRIS, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended September 30, 2015

	Nonmajor Special Revenue	Nonmajor Debt Service	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ -	\$ 273,453	\$ -	\$ 273,453
Fines and forfeitures	23,263	-	-	23,263
Revenues from use of money	25	29	1	55
Total revenues	<u>23,288</u>	<u>273,482</u>	<u>1</u>	<u>296,771</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	51,656	-	-	51,656
Cultural and recreational	-	-	5,041	5,041
Debt service:				
Principal retirement	-	230,000	-	230,000
Interest and fiscal charges	-	41,367	-	41,367
Total expenditures	<u>51,656</u>	<u>271,367</u>	<u>5,041</u>	<u>328,064</u>
Excess (deficiency) of revenues revenues over (under) expenditures	<u>(28,368)</u>	<u>2,115</u>	<u>(5,040)</u>	<u>(31,293)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,000	-	-	25,000
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	(3,368)	2,115	(5,040)	(6,293)
Fund balances - beginning	<u>46,072</u>	<u>28,715</u>	<u>5,040</u>	<u>79,827</u>
Fund balances - ending	<u>\$ 42,704</u>	<u>\$ 30,830</u>	<u>\$ -</u>	<u>\$ 73,534</u>

**CITY OF FERRIS, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
September 30, 2015

	<u>Court Technology</u>	<u>Court Security</u>	<u>Totals</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 35,513	\$ 7,657	\$ 43,170
Due from other funds	767	575	1,342
Total assets	<u>\$ 36,280</u>	<u>\$ 8,232</u>	<u>\$ 44,512</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 1,808	\$ -	\$ 1,808
Total liabilities	<u>1,808</u>	<u>-</u>	<u>1,808</u>
<b>FUND BALANCES</b>			
<b>Restricted:</b>			
Public safety	34,472	8,232	42,704
Total fund balance	<u>34,472</u>	<u>8,232</u>	<u>42,704</u>
Total liabilities and fund balances	<u>\$ 36,280</u>	<u>\$ 8,232</u>	<u>\$ 44,512</u>

**CITY OF FERRIS, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
For the Fiscal Year Ended September 30, 2015

	<b>Court Technology</b>	<b>Court Security</b>	<b>Totals</b>
<b>REVENUES</b>			
Fines and forfeitures	\$ 13,293	\$ 9,970	\$ 23,263
Revenues from use of money	19	6	25
Total revenues	<u>13,312</u>	<u>9,976</u>	<u>23,288</u>
<b>EXPENDITURES</b>			
Current:			
Public safety	15,056	36,600	51,656
Total expenditures	<u>15,056</u>	<u>36,600</u>	<u>51,656</u>
Excess (deficiency) of revenues over expenditures	<u>(1,744)</u>	<u>(26,624)</u>	<u>(28,368)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	25,000	25,000
Total other financing sources (uses)	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Net change in fund balances	(1,744)	(1,624)	(3,368)
Fund balances - beginning	<u>36,216</u>	<u>9,856</u>	<u>46,072</u>
Fund balances - ending	<u><u>\$ 34,472</u></u>	<u><u>\$ 8,232</u></u>	<u><u>\$ 42,704</u></u>

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
For the Fiscal Year Ended September 30, 2015

	<b><u>Final Budgeted Amounts</u></b>	<b><u>Actual Amounts</u></b>	<b><u>Variance with Final Budget</u></b>
<b>REVENUES</b>			
Taxes:			
Property	\$ 277,714	\$ 273,453	\$ (4,261)
Revenues from use of money	75	29	(46)
Total revenues	<u>277,789</u>	<u>273,482</u>	<u>(4,307)</u>
<b>EXPENDITURES</b>			
Principal on bonds	230,000	230,000	-
Interest and fiscal charges	<u>41,367</u>	<u>41,367</u>	<u>-</u>
Total expenditures	<u>271,367</u>	<u>271,367</u>	<u>-</u>
Net change in fund balance	<u><u>\$ 6,422</u></u>	<u><u>\$ 2,115</u></u>	<u><u>\$ (4,307)</u></u>



## PROPRIETARY FUND

**ENTERPRISE FUNDS** - Enterprise funds account for services provided primarily to customers outside the financial reporting entity.

*Water and Wastewater Fund* - The City's water and wastewater utility operations are accounted for in this fund.

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL**  
**ENTERPRISE FUND - WATER AND WASTEWATER**  
For the Fiscal Year Ended September 30, 2015

	<b>Budget Amounts</b>		<b>Actual GAAP Basis</b>	<b>Adjustments Budget Basis</b>	<b>Actual Budget Basis</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>				
<b>OPERATING REVENUES</b>						
Water sales	\$550,000	\$550,000	\$ 560,668	\$ (13,831)	\$ 546,837	\$ (3,163)
Wastewater service	410,000	410,000	404,012	749	404,761	(5,239)
Miscellaneous	38,750	38,750	66,482	(97)	66,385	27,635
Total operating revenues	<u>\$998,750</u>	<u>\$998,750</u>	<u>\$1,031,162</u>	<u>\$ (13,179)</u>	<u>\$1,017,983</u>	<u>\$ 19,233</u>
<b>OPERATING EXPENSES</b>						
Water and wastewater operations	\$902,147	\$956,666	\$ 863,361	\$ 60,640	\$ 924,001	\$ (32,665)
Depreciation and amortization	-	-	175,702	(175,702)	-	-
Total operating expenses	<u>\$902,147</u>	<u>\$956,666</u>	<u>\$1,039,063</u>	<u>\$ (115,062)</u>	<u>\$ 924,001</u>	<u>\$ (32,665)</u>

## COMPONENT UNIT FINANCIAL STATEMENTS

*Ferris 4A Economic Development Corporation Fund* - This fund is used to account for the Ferris Economic Development Corporation created under Section 4A of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended.

*Ferris 4B Economic Development Corporation Fund* - This fund is used to account for the Ferris Economic Development Corporation created under Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas civil statutes, as amended.

**CITY OF FERRIS, TEXAS**  
**BALANCE SHEET**  
**COMPONENT UNITS**  
September 30, 2015

	<b>Ferris 4A Economic Development Corporation</b>	<b>Ferris 4B Economic Development Corporation</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 559,432	\$ 116,109
Due from primary government	21,744	21,744
Total assets	<u>\$ 581,176</u>	<u>\$ 137,853</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 7,923	\$ 4,481
Total liabilities	<u>7,923</u>	<u>4,481</u>
<b>FUND BALANCES</b>		
Unassigned	573,253	133,372
Total fund balances	<u>573,253</u>	<u>133,372</u>
Total liabilities and fund balances	<u>\$ 581,176</u>	<u>\$ 137,853</u>
 Total fund balances	 \$ 573,253	 \$ 133,372
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>18,000</u>	<u>-</u>
Net position of component units	<u>\$ 591,253</u>	<u>\$ 133,372</u>

**CITY OF FERRIS, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**COMPONENT UNITS**  
For the Fiscal Year Ended September 30, 2015

	<b>Ferris 4A Economic Development Corporation</b>	<b>Ferris 4B Economic Development Corporation</b>
<b>REVENUES</b>		
Taxes:		
Sales	\$ 118,568	\$ 118,568
Revenues from use of money	310	74
Total revenues	<u>118,878</u>	<u>118,642</u>
<b>EXPENDITURES</b>		
Current:		
Economic development	<u>60,753</u>	<u>243,495</u>
Total expenditures	<u>60,753</u>	<u>243,495</u>
Net change in fund balances	58,125	(124,853)
Fund balances - beginning	<u>515,128</u>	<u>258,225</u>
Fund balances - ending	<u><u>\$ 573,253</u></u>	<u><u>\$ 133,372</u></u>
Net change in fund balances	\$ 58,125	\$ (124,853)
The net effect of various miscellaneous transactions involving capital assets (i.e., capital contributions) is to increase net position.	<u>18,000</u>	<u>-</u>
Change in net position of component units (page 13)	<u><u>\$ 76,125</u></u>	<u><u>\$ (124,853)</u></u>

## SUPPLEMENTARY FINANCIAL DATA

**CITY OF FERRIS, TEXAS**  
**SCHEDULE OF CASH BALANCES - ALL FUNDS**  
September 30, 2015

**GENERAL FUND**

Cash on hand	\$	1,450	
Cash in bank - operating		1,191,518	
- Court Restricted		6,512	
- Court State Fees		48,164	
- Police Awarded Funds		22,765	
- WMI Meth Electric Funds		195,333	
- Deep Reserve General		<u>131,966</u>	\$ 1,597,708

**SPECIAL REVENUE FUNDS**

Cash in bank - Court Technology	35,513	
- Court Security	<u>7,657</u>	<u>43,170</u>

**DEBT SERVICE FUND**

Cash in bank - Interest and Sinking Funds		<u>30,830</u>
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**ENTERPRISE FUND - WATER AND WASTEWATER**

Cash on hand	200	
Cash in bank - operating	297,174	
- Fluid 1 Funds	3,761	
- Fluid 2 Funds	10,031	
- Deep Reserve - Water and Wastewater	130,071	
- restricted - 2000 CO Proceeds	<u>38,355</u>	<u>479,592</u>
		<u>\$ 2,151,300</u>

**CITY OF FERRIS, TEXAS**  
**COMBINED SCHEDULE OF BONDED DEBT - ALL FUNDS**  
For the Fiscal Year Ended September 30, 2015

	Original Amount	Balance Outstanding 10/1/2014	Bonds Issued	Retired	Balance Outstanding 9/30/2015	Interest Rate
<b>COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION</b>						
Series 2006	\$ 850,000	\$ 610,000	\$ -	\$ 40,000	\$ 570,000	4.60%
Series 2011	1,500,000	1,265,000	-	85,000	1,180,000	2-00%-4.25%
Total Certificates of Obligation		<u>\$1,875,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$1,750,000</u>	
<b>TAX AND REVENUE REFUNDING BONDS</b>						
Series 2005	\$2,355,000	\$1,230,000	\$ -	\$ 230,000	\$1,000,000	3.71%
Total Tax and Revenue Refunding Bonds		<u>\$1,230,000</u>	<u>\$ -</u>	<u>\$ 230,000</u>	<u>\$1,000,000</u>	
<b>TOTAL COMBINED BONDED DEBT</b>		<u>\$3,105,000</u>	<u>\$ -</u>	<u>\$ 355,000</u>	<u>\$2,750,000</u>	



**CITY OF FERRIS, TEXAS**  
**DEBT REQUIREMENTS**  
October 1, 2015 to Maturity

Issue: Combination Tax and Revenue Certificates of Obligation  
Date: March 1, 2006  
Original Amount: \$850,000  
Denomination: \$5,000  
Interest: 4.60%  
Payable from: Ad Valorem Taxes and Water and Wastewater Revenues

<b>Fiscal Year Ending 9/30</b>	<b>Principal Due 3/1</b>	<b>Interest Due 3/1</b>	<b>Interest Due 9/1</b>	<b>Totals</b>
2016	\$ 40,000	\$ 13,110	\$ 12,190	\$ 65,300
2017	45,000	12,190	11,155	68,345
2018	45,000	11,155	10,120	66,275
2019	45,000	10,120	9,085	64,205
2020	50,000	9,085	7,935	67,020
2021	50,000	7,935	6,785	64,720
2022	55,000	6,785	5,520	67,305
2023	55,000	5,520	4,255	64,775
2024	60,000	4,255	2,875	67,130
2025	60,000	2,875	1,495	64,370
2026	65,000	1,495	-	66,495
	<u>\$ 570,000</u>	<u>\$ 84,525</u>	<u>\$ 71,415</u>	<u>\$ 725,940</u>

Average Annual Requirements \$ 65,995

**CITY OF FERRIS, TEXAS**  
**DEBT REQUIREMENTS**  
October 1, 2015 to Maturity

Issue: Tax and Waterworks and Sewer System Revenue Refunding Bonds  
Date: September 1, 2005  
Original Amount: \$2,355,000  
Denomination: \$5,000  
Interest: 3.71%  
Payable from: Ad Valorem Taxes and Water and Wastewater Revenues

<b>Fiscal Year Ending 9/30</b>	<b>Principal Due 3/1</b>	<b>Interest Due 3/1</b>	<b>Interest Due 9/1</b>	<b>Totals</b>
2016	\$ 235,000	\$ 18,550	\$ 14,191	\$ 267,741
2017	245,000	14,191	9,646	268,837
2018	255,000	9,646	4,916	269,562
2019	265,000	4,909	-	269,909
	<u>\$ 1,000,000</u>	<u>\$ 47,296</u>	<u>\$ 28,753</u>	<u>\$ 1,076,049</u>

Average Annual Requirements \$ 269,012

**CITY OF FERRIS, TEXAS**  
**DEBT REQUIREMENTS**  
October 1, 2015 to Maturity

Issue: Tax and Waterworks and Sewer System Revenue Certificates of Obligation  
Date: March 15, 2011  
Original Amount: \$1,500,000  
Denomination: \$5,000  
Interest: 2-00% - 4.25%  
Payable from: Ad Valorem Taxes and Water and Wastewater Revenues

<b>Fiscal Year Ending 9/30</b>	<b>Principal Due 3/1</b>	<b>Interest Due 3/1</b>	<b>Interest Due 9/1</b>	<b>Totals</b>
2016	\$ 90,000	\$ 22,744	\$ 21,619	\$ 134,363
2017	90,000	21,619	20,494	132,113
2018	95,000	20,494	18,712	134,206
2019	100,000	18,712	16,712	135,424
2020	100,000	16,712	14,712	131,424
2021	105,000	14,712	12,612	132,324
2022	110,000	12,612	10,412	133,024
2023	115,000	10,412	7,969	133,381
2024	120,000	7,969	5,419	133,388
2025	125,000	5,419	2,763	133,182
2026	130,000	2,763	-	132,763
	<u>\$ 1,180,000</u>	<u>\$ 154,168</u>	<u>\$ 131,424</u>	<u>\$ 1,465,592</u>

Average Annual Requirements

\$ 133,236

