

CITY OF BLOOMING GROVE

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

City of Blooming Grove
Annual Financial Report
For The Year Ended September 30, 2014

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Financial Section

Independent Auditors' Report

To the City Council
City of Blooming Grove
P. O. Box 237
Blooming Grove, Texas 76626

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blooming Grove ("the City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, each major fund, and the aggregate remaining fund information of City of Blooming Grove as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note K to the financial statements, in 2014, City of Blooming Grove adopted new accounting guidance, Government Accounting Standards Board Statement No. 65 and No. 66, *Items Previously Reported as Assets and Liabilities* and *Technical Corrections-2012 - An Amendment of GASB Statements No. 10 and No. 62*. 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 schedule of funding progress for OPEB benefits identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Blooming Grove's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2015 on our consideration of City of Blooming Grove's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Blooming Grove's internal control over financial reporting and compliance.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
June 15, 2015

PLACE HOLDER Sheet For

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

CITY OF BLOOMING GROVE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
<i>Cash and Cash Equivalents</i>	\$ 365,629	\$ 300,942	\$ 666,571
<i>Receivables (net of allowances for uncollectibles)</i>	20,611	40,915	61,526
<i>Internal Balances</i>	7,342	(7,342)	--
<i>Inventories</i>	--	1,500	1,500
Restricted Assets:			
<i>Cash</i>	--	133,951	133,951
Capital Assets (net of accumulated depreciation):			
<i>Land</i>	33,454	3,549	37,003
<i>Buildings & Equipment, net</i>	92,553	1,383,380	1,475,933
LIABILITIES			
<i>Accounts Payable and Other Current Liabilities</i>	21,989	8,287	30,276
<i>Consumer Deposits</i>	--	46,119	46,119
<i>Repayable to Other Governments</i>	--	27,797	27,797
Noncurrent Liabilities-			
<i>Due within one year</i>	4,000	7,000	11,000
<i>Due in more than one year</i>	8,000	7,000	15,000
Total Liabilities	<u>33,989</u>	<u>96,203</u>	<u>130,192</u>
NET POSITION:			
Net Investment in Capital Assets	114,007	1,372,929	1,486,936
Restricted For:			
Debt Service	--	39,440	39,440
Other	--	94,511	94,511
Unrestricted	371,593	253,812	625,405

The accompanying notes are an integral part of this statement.

CITY OF BLOOMING GROVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues
Charges for Services		
PRIMARY GOVERNMENT:		
Governmental Activities:		
<i>General Government</i>	\$ 86,701	\$ --
<i>Public Safety</i>	44,076	53,774
<i>Highways & Streets</i>	37,869	--
<i>Sanitation</i>	89,575	96,575
<i>Culture & Recreation</i>	12,532	--
<i>Municipal Court</i>	28,861	--
<i>Interest and Fiscal Charges</i>	800	--
Total Governmental Activities	300,414	150,349
Business-type Activities:		
Water & Sewer	372,818	404,047
Total Primary Government	\$ 673,232	\$ 554,396

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
License and Permits
Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Net Position - Beginning
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (86,701)		\$ (86,701)
9,698		9,698
(37,869)		(37,869)
7,000		7,000
(12,532)		(12,532)
(28,861)		(28,861)
(800)		(800)
<u>(150,065)</u>		<u>(150,065)</u>
--	\$ 31,229	31,229
<u>(150,065)</u>	<u>31,229</u>	<u>(118,836)</u>
103,634	--	103,634
23,772	--	23,772
37,278	--	37,278
1,188	--	1,188
80	319	399
4,751	--	4,751
24,000	(24,000)	--
<u>194,703</u>	<u>(23,681)</u>	<u>171,022</u>
440,962	1,753,144	2,194,106
<u>\$ 485,600</u>	<u>\$ 1,760,692</u>	<u>\$ 2,246,292</u>

CITY OF BLOOMING GROVE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
<i>Assets:</i>			
<i>Cash and Cash Equivalents</i>	\$ 365,629	\$ --	\$ 365,629
<i>Receivables (net of allowances for uncollectibles)</i>	20,611	--	20,611
<i>Due from Other Funds</i>	7,342	--	7,342
<hr/>			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
<i>Liabilities:</i>			
<i>Accounts Payable</i>	\$ 21,989	\$ --	\$ 21,989
<i>Total Liabilities</i>	<u>21,989</u>	<u>--</u>	<u>21,989</u>
<i>Deferred Inflows of Resources:</i>			
<i>Unavailable Resources-Property Taxes</i>	9,071	--	9,071
<i>Total Deferred Inflows of Resources</i>	<u>9,071</u>	<u>--</u>	<u>9,071</u>
<i>Fund Balances:</i>			
<i>Unassigned</i>	362,522	--	362,522
<i>Total Fund Balance</i>	<u>362,522</u>	<u>--</u>	<u>362,522</u>
 <i>Total Liabilities, Deferred Inflows</i>			

The accompanying notes are an integral part of this statement.

CITY OF BLOOMING GROVE
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2014*

Total fund balances - governmental funds balance sheet	\$ 362,522
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	126,007
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	9,071
Payables for bond principal which are not due in the current period are not reported in the funds.	<u>(12,000)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 485,600</u>

The accompanying notes are an integral part of this statement.

CITY OF BLOOMING GROVESTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
<i>General Property Taxes</i>	\$ 103,758	\$ --	\$ 103,758
<i>General Sales and Use Taxes</i>	23,772	--	23,772
<i>Franchise Taxes</i>	37,278	--	37,278
<i>License and Permits</i>	1,188	--	1,188
<i>Charges for Services</i>	96,575	--	96,575
<i>Fines</i>	53,774	--	53,774
<i>Investment Earnings</i>	80	--	80
<i>Miscellaneous</i>	4,751	--	4,751
Total revenues	<u>321,176</u>	<u>--</u>	<u>321,176</u>
Expenditures:			
Current			
<i>General Government</i>	84,179	--	84,179
<i>Public Safety</i>	42,795	--	42,795
<i>Highway & Streets</i>	36,768	--	36,768
<i>Sanitation</i>	86,971	--	86,971
<i>Culture & Recreation</i>	12,168	--	12,168
<i>Municipal Court</i>	28,022	--	28,022
Debt Service			
<i>Principal</i>	--	4,000	4,000
<i>Interest and Fiscal Charges</i>	--	800	800
Total Expenditures	<u>290,903</u>	<u>4,800</u>	<u>295,703</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,273</u>	<u>(4,800)</u>	<u>25,473</u>
Other Financing Sources (Uses):			
<i>Operating Transfers In</i>	24,000	4,800	28,800
<i>Operating Transfers Out</i>	(4,800)	--	(4,800)
Total Other Financing Sources (Uses)	<u>19,200</u>	<u>4,800</u>	<u>24,000</u>
Net Change in Fund Balances	49,473	--	49,473
Fund Balances - Beginning	313,049	--	313,049

The accompanying notes are an integral part of this statement.

CITY OF BLOOMING GROVE

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

Net change in fund balances - total governmental funds	\$ 49,473
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(8,711)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(124)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	<u>4,000</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 44,638</u>

The accompanying notes are an integral part of this statement.

CITY OF BLOOMING GROVE

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2014

Enterprise
Fund
<u>Water</u>
and Sewer
<u>Fund</u>

ASSETS:

Current Assets:

Cash and Cash Equivalents

\$ 300,942

Receivables (net of allowances for uncollectibles)

40,915

Inventories

1,500

Total Current Assets

343,357

Noncurrent Assets:

Restricted Cash, Cash Equivalents and Investments-

Cash

133,951

Capital Assets:

Land

3,549

*Property, Plant and Equipment-Net*1,383,380

Total Noncurrent Assets

1,520,880

Total Assets

1,864,237

LIABILITIES:

Current Liabilities:

Accounts payable

8,287

Consumer deposits

46,119

Due to other funds

7,342

Repayable to Other Governments

27,797

Current Liabilities Payable from Restricted Assets-

Revenue bonds payable

7,000

Long term Liabilities Payable from Restricted Assets-

*Revenue Bonds Payable*7,000

Total Liabilities

103,545

NET POSITION:

Net Investment in Capital Assets

1,372,929

Restricted For:

Debt Service

39,440

Other

94,511

*Unrestricted Net Position*253,812

The accompanying notes are an integral part of this statement.

CITY OF BLOOMING GROVE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund <u>Water and Sewer Fund</u>
OPERATING REVENUES:	
<i>Water</i>	\$ 266,311
<i>Sewer</i>	100,188
<i>Miscellaneous</i>	37,548
Total Operating Revenues	<u>404,047</u>
OPERATING EXPENSES:	
<i>Personal Services</i>	100,102
<i>Supplies & Materials</i>	108,096
<i>Depreciation</i>	65,300
<i>Water Purchased</i>	98,320
Total Operating Expenses	<u>371,818</u>
Operating Income	<u>32,229</u>
NON-OPERATING REVENUES (EXPENSES):	
<i>Interest Revenue</i>	319
<i>Interest Expense & Fees</i>	<u>(1,000)</u>
Total Non-operating Revenues (Expenses)	<u>(681)</u>
Income before Transfers	31,548
<i>Operating Transfers In</i>	--
<i>Operating Transfers Out</i>	<u>(24,000)</u>
Change in Net Assets	<u>7,548</u>
Total Net Assets - Beginning	<u>1,753,144</u>

The accompanying notes are an integral part of this statement.

CITY OF BLOOMING GROVE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Funds
	Water & Sewer Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 403,407
<i>Cash Payments to Employees for Services</i>	(100,102)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(226,129)
Net Cash Provided (Used) by Operating Activities	<u>77,176</u>
Cash Flows from Non-capital Financing Activities:	
<i>Operating Transfers From (To) Other Funds</i>	(24,000)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(24,000)</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Proceeds from Issuance of Long-term Debt</i>	--
<i>Principal</i>	(6,000)
<i>Net Interest Expense</i>	(1,000)
<i>Intergovernmental Revenue</i>	--
<i>Acquisition or Construction of Capital Assets</i>	(25,010)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(32,010)</u>
Cash Flows from Investing Activities:	
<i>Proceeds from Sale and Maturities of Securities</i>	319
Net Cash Provided (Used) for Investing Activities	<u>319</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,485
Cash and Cash Equivalents at Beginning of Year	279,457
Cash and Cash Equivalents at End of Year	<u>\$ 300,942</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 32,229
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation and amortization</i>	65,300
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(640)
<i>Decrease (Increase) in Restricted Cash & Investments</i>	(10,099)
<i>Increase (Decrease) in Accounts Payable</i>	(501)
<i>Increase (Decrease) in Interfund Payables</i>	--
<i>Increase (Decrease) in Accrued Expenses</i>	(12,000)
<i>Increase (Decrease) in Consumer Deposits</i>	2,887
Total Adjustments	<u>44,947</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 77,176</u>

The accompanying notes are an integral part of this statement.

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Significant Accounting Policies

The combined financial statements of City of Blooming Grove (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City and there is fiscal dependency by the organization on the City.
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the City has no component units. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. 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.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

The City reports the following major enterprise funds:

Water & Sewer Fund. This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There is an allowance for uncollectible taxes of \$2,637 included.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

g. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

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

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

h. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

i. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary statements of net position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end. During the year the City exceeded its budget in one function.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Cash Deposits:

At September 30, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$800,522 and the bank balance was \$807,844. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

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

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of Deposit included in cash total	N/A	\$ 50,780
Total Investments		<u>\$ 50,780</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At September 30, 2014, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

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

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

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

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 33,454	\$ --	\$ --	\$ 33,454
Total capital assets not being depreciated	<u>33,454</u>	<u>--</u>	<u>--</u>	<u>33,454</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	81,546	--	--	81,546
Equipment	246,565	--	--	246,565
Total capital assets being depreciated	<u>328,111</u>	<u>--</u>	<u>--</u>	<u>328,111</u>
Less accumulated depreciation for:				
Buildings and improvements	(20,963)	(2,667)	--	(23,630)
Equipment	(205,884)	(6,044)	--	(211,928)
Total accumulated depreciation	<u>(226,847)</u>	<u>(8,711)</u>	<u>--</u>	<u>(235,558)</u>
Total capital assets being depreciated, net	<u>101,264</u>	<u>(8,711)</u>	<u>--</u>	<u>92,553</u>
Governmental activities capital assets, net	<u>\$ 134,718</u>	<u>\$ (8,711)</u>	<u>\$ --</u>	<u>\$ 126,007</u>

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,549	\$ --	\$ --	\$ 3,549
Total capital assets not being depreciated	<u>3,549</u>	<u>--</u>	<u>--</u>	<u>3,549</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	2,595,678	--	--	2,595,678
Equipment	105,200	25,010	--	130,210
Total capital assets being depreciated	<u>2,700,878</u>	<u>25,010</u>	<u>--</u>	<u>2,725,888</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,172,008)	(62,219)	--	(1,234,227)
Equipment	(105,200)	(3,081)	--	(108,281)
Total accumulated depreciation	<u>(1,277,208)</u>	<u>(65,300)</u>	<u>--</u>	<u>(1,342,508)</u>
Total capital assets being depreciated, net	<u>1,423,670</u>	<u>(40,290)</u>	<u>--</u>	<u>1,383,380</u>
Business-type activities capital assets, net	<u>\$ 1,427,219</u>	<u>\$ (40,290)</u>	<u>\$ --</u>	<u>\$ 1,386,929</u>

Depreciation was charged to functions as follows:

General Government	\$ 2,522
Public Safety	1,281
Highways & Streets	1,101
Sanitation	2,604
Culture & Recreation	364
Municipal Court	839
	<u>\$ 8,711</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Water & Sewer Fund	\$ 7,342	Short-term loans
	Total	<u>\$ 7,342</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2014, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Other Governmental Funds	\$ 4,800	Supplement other funds sources
Water & Sewer Fund	General Fund	24,000	Supplement other funds sources
	Total	<u>\$ 28,800</u>	

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2014 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Revenue bonds	\$ 16,000	\$ --	\$ (4,000)	\$ 12,000	\$ 4,000
Total business-type activities	\$ 16,000	\$ --	\$ (4,000)	\$ 12,000	\$ 4,000

Bonds

The City owes \$12,000 at the rate of 5% for improvements. The bond is repayable in annual payments of \$3,000 to \$5,000 ending in 2017.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type activities:</u>					
Revenue bonds	\$ 20,000	\$ --	\$ (6,000)	\$ 14,000	\$ 7,000
Total business-type activities	\$ 20,000	\$ --	\$ (6,000)	\$ 14,000	\$ 7,000

Bonds

The City owes \$14,000 at the rate of 5% for improvements. The bond is repayable in annual payments of \$5,000 to \$7,000 ending in 2068.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2014, are as follows:

Year Ending September 30,	Governmental-type Activities		
	Principal	Interest	Total
2015	\$ 4,000	\$ 600	\$ 4,600
2016	4,000	400	4,400
2017	4,000	200	4,200
Totals	\$ 12,000	\$ 1,200	\$ 13,200

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 7,000	\$ 700	\$ 7,700
2016	7,000	350	7,350
Totals	\$ 14,000	\$ 1,050	\$ 15,050

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2014, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. Pension Plan

1. Plan Description

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

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

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

Deposit Rate	7%
Matching Ratio (City to Employee)	1.28 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the city (expressed as years of service/age) are: 5 yrs/age 60; 25 yrs/any age. The Updated Service Credit is 100% repeating and the Annuity Increase (to retirees) is 0% of CPI.

2. Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$	9,773
Interest on Net Pension Obligation		--
Adjustment to the ARC		--
Annual Pension Cost (APC)		<u>9,773</u>
Contributions Made		<u>(9,773)</u>
Increase (Decrease) in Net Pension Obligation		--
Net Pension Obligation/(Asset), Beginning of Year		--
Net Pension Obligation/(Asset), End of Year	\$	<u><u>--</u></u>

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

3. Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Active Plan Members Cont Rate
September 30, 2012	\$ 7,352	100.0%	\$ --	5.00%
September 30, 2013	9,938	100.0%	--	5.00%
September 30, 2014	9,773	100.0%	--	5.00%

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	2011 Unit Credit	2012 Unit Credit	2013 Unit Credit
Actuarial Method			
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.1 years; closed period	25.0 years; closed period	25.0 years; closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-Year Smoothed Market	10-Year Smoothed Market	10-Year Smoothed Market
Assumptions:			
Investment Return	7.5%	7.0%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost of Living adjustments	3.0%	3.0%	3.0%
	--	--	--

For funded status as of December 31, 2013, please reference the Schedule of Funding Progress in the Required Supplementary Information section.

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

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

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

4. Supplemental Death Benefits Fund

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.

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 2014, 2013 and 2012 were \$198, \$193 and \$121 based on an actual contribution rate of .13%, .13% and .10%, respectively.

I. Health Care Coverage

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$308 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2014, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Texas Municipal League are available for the year ended December 31, 2014, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

J. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

At September 30, 2014 the City was not involved in litigation.

CITY OF BLOOMING GROVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

K. New Pronouncements

During 2014 the City also adopted the provisions of GASB Statement No. 65 and 66. "*Items Previously Reported as Assets and Liabilities*" and "*Technical Corrections-2012-An Amendment of GASB Statements No. 10 and No. 62.*" These provisions recognize certain items previously reported as assets or liabilities as deferred outflows or resources (expenses or expenditures) or deferred inflows of resources (revenues) and resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

L. Budget Overages

The City exceeded its Sanitation budget by \$6,971 or 9% and the Culture and Recreation budget by \$4,106 or 51%.

M. Subsequent Events

During the year ending September 30, 2015, the City retired its General Fund debt of \$12,000 and its Water & Sewer Fund debt of \$14,000.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF BLOOMING GROVE
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
General Property Taxes	\$ 99,400	\$ 102,900		\$ 858
General Sales and Use Taxes	21,000	21,000		2,772
Franchise Taxes	37,000	37,000		278
License and Permits	400	1,300		(112)
Charges for Services	96,375	96,375		200
Fines	55,000	55,000		(1,226)
Investment Earnings	--	--		80
Miscellaneous	5,809	5,809		(1,058)
Total revenues	<u>314,984</u>	<u>319,384</u>		<u>1,792</u>
Expenditures:				
General Government	108,878	112,678		28,499
Public Safety	68,385	68,385		25,590
Highway & Streets	39,000	39,000		2,232
Sanitation	80,000	80,000		(6,971)
Culture & Recreation	8,062	8,062		(4,106)
Municipal Court	36,300	36,300		8,278
Total Expenditures	<u>340,625</u>	<u>344,425</u>		<u>53,522</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,641)</u>	<u>(25,041)</u>		<u>55,314</u>
Other Financing Sources (Uses):				
Operating Transfers In	24,000	24,000		--
Operating Transfers Out	(4,800)	(4,800)		--
Total Other Financing Sources (Uses)	<u>19,200</u>	<u>19,200</u>		<u>--</u>
Net Change in Fund Balances	(6,441)	(5,841)		55,314
Fund Balances - Beginning	313,049	313,049		--

CITY OF BLOOMING GROVE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS
 TEXAS MUNICIPAL RETIREMENT PLAN
 YEAR ENDED SEPTEMBER 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2013	\$ 285,631	\$ 332,462	\$ 46,831	85.9%	\$ 150,478	31.1%
12/31/2012	260,539	285,928	25,389	91.1%	148,370	17.1%
12/31/2011	237,362	263,303	25,941	90.1%	117,980	22.0%

CITY OF BLOOMING GROVE
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

EXHIBIT B-2

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Total revenues	\$ --		\$ --
Expenditures:			
<i>Principal</i>	4,000		--
<i>Interest and Fiscal Charges</i>	800		--
Total Expenditures	4,800		--
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,800)		--
Other Financing Sources (Uses):			
<i>Operating Transfers In</i>	4,800		--
Total Other Financing Sources (Uses)	4,800		--
Net Change in Fund Balances	--		--
Fund Balances - Beginning	--		--

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Independent Auditors' Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

City Council
City of Blooming Grove
P. O. Box 237
Blooming Grove, Texas 76626

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Blooming Grove, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Blooming Grove's basic financial statements, and have issued our report thereon dated June 15, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
June 15, 2015

CITY OF BLOOMING GROVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued:	<u>Unqualified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No	
Reportable condition(s) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	Yes	<u> X </u> No	

B. Financial Statement Findings

None noted

CITY OF BLOOMING GROVE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None noted		

CITY OF BLOOMING GROVE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2014

None noted so none required