

TOWN OF SHADY SHORES, TEXAS

FINANCIAL STATEMENTS
AND
ACCOUNTANTS' OPINION

SEPTEMBER 30, 2013

TOWN OF SHADY SHORES, TEXAS

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TOWN OF SHADY SHORES, TEXAS
PRINCIPAL TOWN OFFICIALS
SEPTEMBER 30, 2013

Mayor	Cindy Spencer
Mayor Pro-Tem	Cindy Aughinbaugh
Council Members:	Paula Woolworth
	Patty Durkin
	Charles Grimes
	Matthew Haines
Town Secretary	Sarah Swanson
Town Attorney	James E. Shepherd Shepherd Law Firm
Town Engineer	Richard Arvizu

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council
Town of Shady Shores, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Shady Shores, Texas ("Town"), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town'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 and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town'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 and each major fund of the Town of Shady Shores, Texas as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2013 the Town adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Positions*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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* on pages 7 through 12 and the budgetary comparison information on page 35, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Shady Shores, Texas's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 January 24, 2014 on our consideration of the Town of Shady Shores, Texas's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Shady Shores, Texas's internal control over financial reporting and compliance.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 24, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

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TOWN OF SHADY SHORES, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

As management of the Town of Shady Shores, we offer readers of the Town of Shady Shores' financial statements this narrative overview and analysis of the financial activities of the Town of Shady Shores for the year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the Town's basic financial statements.

Financial Highlights

- The assets of the Town of Shady Shores exceeded its liabilities at September 30, 2013 by \$2,882,872. The unrestricted net position amount of \$1,791,663 may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position decreased by \$194,823. A portion of this decrease is attributable to an increase in expenses.
- As of September 30, 2013, the Town of Shady Shores' governmental fund reported an ending fund balance of \$1,780,529, a decrease of \$111,703 in comparison with the beginning of the period. Approximately 40.3 percent of this total amount, \$716,919, is available for spending at the government's discretion (*unassigned fund balance*).

Overview of the Financial Statements

The management discussion and analysis are intended to serve as an introduction to the Town of Shady Shores' basic financial statements. The Town of Shady Shores' basic financial statements comprises of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to 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 Town of Shady Shores' finances, in a manner similar to a private-sector business.

The statement of net position presents information on the entire Town of Shady Shores' assets and liabilities, with the difference reported as net position. Over time, increase or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Shady Shores is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent period. All of the current period's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the Town has one kind of activity:

- **Governmental activities.** All of the Town's basic services are reported here, including public works and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

TOWN OF SHADY SHORES, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by state law or bond covenants. However, the Town Council may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental Funds. All of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at period-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town of Shady Shores' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Town of Shady Shores does not currently have any fiduciary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and funds financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information highlighting budgetary information for the general fund.

Government-wide Financial Analysis

The Town's net position was \$2,882,872 as of September 30, 2013. This analysis focuses on the net position (Table 1) and changes in general revenues (Table 2) and significant expenses of the Town's governmental activities.

A portion of the Town's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

TOWN OF SHADY SHORES, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

Table I

Net Position

	Governmental Activities	
	2012	2013
Current and other assets	\$1,924,462	\$1,821,359
Capital assets	1,174,770	1,088,487
Total assets	<u>3,099,232</u>	<u>2,909,846</u>
Other liabilities	21,537	26,974
Total liabilities	<u>21,537</u>	<u>26,974</u>
Net position:		
Net investment in capital assets	1,174,770	1,088,487
Restricted	2,077	2,722
Unrestricted	1,900,848	1,791,663
Total net position	<u>\$3,077,695</u>	<u>\$2,882,872</u>

Governmental Activities. The Town's general revenues for governmental activities for the year ended September 30, 2013 are detailed below (Table 2).

Table 2
General Revenues

	2012	2013
Property taxes	\$651,485	\$670,896
Sales taxes	55,120	61,783
Franchise taxes	128,727	117,438
Investment earnings	3,153	4,039
Miscellaneous	2,065	1,559
	<u>\$840,550</u>	<u>\$855,715</u>

The following table provides a summary of the Town's operations for the year ended September 30, 2013. Governmental activities decreased the Town's net position by \$194,823.

TOWN OF SHADY SHORES, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

Table 3
Changes in Net Position

	Governmental Activities	
	2012	2013
Revenues:		
Program Revenues:		
Charges for Services	\$ 167,350	\$ 74,804
Operating Grants:		
Government grant	2,672	2,409
General Revenues:		
Property taxes	651,485	670,896
Sales taxes	55,120	61,783
Franchise taxes	128,727	117,438
Investment Earnings	3,153	4,039
Miscellaneous	2,065	1,559
Total Revenue	<u>1,010,572</u>	<u>932,928</u>
Expenses:		
General government	246,831	282,135
Public safety	380,817	438,889
Public works/other	262,925	406,727
Total Expenses	<u>890,573</u>	<u>1,127,751</u>
Increase (decrease) in net position	119,999	(194,823)
Net position – October 1 (beginning)	<u>2,957,696</u>	<u>3,077,695</u>
Net position – September 30 (ending)	<u>\$3,077,695</u>	<u>\$2,882,872</u>

Financial Analysis of the Government's Funds

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the period.

As of the end of the current period, the Town's governmental fund, the general fund reported an ending fund balance of \$1,780,529, a decrease of \$111,703 in comparison with the beginning of the period. Approximately 40.3 percent of this total amount (\$716,919) constitutes unassigned fund balance, which is available for spending at the Town's discretion. A portion of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted for court security and technology. The Town has also assigned a portion of the fund balance for capital projects, roads and bridges and emergencies.

The fund balance of the Town's general fund decreased by \$111,703 during the current period. Key factors in this decrease are as follows:

- Increase in expenditures

TOWN OF SHADY SHORES, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

General Fund Budgetary Highlights

During the current year, the Town Council of the Town of Shady Shores amended the budget for the General Fund on one occasion.

Capital Assets and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities as of September 30, 2013, amounts to \$1,088,487 (net of accumulated depreciation). This amount represents a net decrease of \$86,283, or 7 percent, below the beginning of the period. The investment in capital assets includes land, buildings, equipment, furniture and roads.

There were no major capital asset additions during the current period.

Table 4
Capital Assets at Year-end
(Net of Depreciation)

	<u>Governmental Activities</u>
Land	\$ 6,000
Buildings	505,617
Furniture and Equipment	27,851
Vehicle	812
Infrastructure - Roads	<u>548,207</u>
Totals	<u>\$1,088,487</u>

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-term Debt. At the end of the current period, the Town had no long-term indebtedness.

Economic Factors and Next Year's Budgets and Rates

- The fiscal year 2013-2014 budget decreases by \$274,661 and leaves the tax rate at .314625 per \$100 valuation.
- Again this year we received an unmodified or good opinion from our auditing firm. It is just one more indication the Council is managing your tax dollars carefully.
- The Town continues to contract for the services of an animal control officer, police patrol services, fire and EMS services, and code enforcement officer.
- The Town plans to maintain a financial reserve with disciplined spending. The ending general fund balance for the fiscal year 2013 was \$1,780,529.

TOWN OF SHADY SHORES, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

Requests for Information

This financial report is designed to provide a general overview of the Town'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 Town of Shady Shores, P.O. Box 362, Lake Dallas, Texas 75065.

BASIC FINANCIAL STATEMENTS

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TOWN OF SHADY SHORES, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,456,142
Investments	351,152
Receivables (net of allowance for uncollectibles)	
Taxes - Ad Valorem	13,856
Other Receivables	209
Capital Assets (net of depreciation):	
Land	6,000
Buildings, net	505,617
Furniture and Equipment, net	27,851
Vehicles, net	812
Roads and Streets, net	<u>548,207</u>
 Total Assets	 <u>2,909,846</u>
LIABILITIES	
Accounts Payable	21,732
Payroll Liabilities	<u>5,242</u>
 Total Liabilities	 <u>26,974</u>
NET POSITION	
Net Investment in Capital Assets	1,088,487
Restricted for:	
Court Technology & Security	2,722
Unrestricted Net Position	<u>1,791,663</u>
 Total Net Position	 <u>\$ 2,882,872</u>

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program</u>	<u>Net (Expense) Revenue and</u>	
		<u>Revenues</u>	<u>Change in Net Position</u>	
		<u>Charges for</u>	<u>Operating</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants</u>	<u>Activities</u>
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 282,135	\$ -	\$ -	\$ (282,135)
Public Safety	438,889	23,316	2,409	(413,164)
Public Works/Other	<u>406,727</u>	<u>51,488</u>	<u>-</u>	<u>(355,239)</u>
Total Governmental Activities	<u>1,127,751</u>	<u>74,804</u>	<u>2,409</u>	<u>(1,050,538)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 1,127,751</u>	<u>\$ 74,804</u>	<u>\$ 2,409</u>	<u>(1,050,538)</u>

GENERAL REVENUES:

Taxes:	
Property Taxes	670,896
Sales Taxes	61,783
Franchise Taxes	117,438
Investment Earnings	4,039
Miscellaneous	<u>1,559</u>
Total General Revenues	<u>855,715</u>
Change in Net Position	(194,823)
NET POSITION - Beginning	<u>3,077,695</u>
NET POSITION - Ending	<u>\$ 2,882,872</u>

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,456,142
Investments	351,152
Ad valorem Tax Receivable	13,856
Other Receivables	<u>209</u>
Total Assets	<u>\$ 1,821,359</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 21,732
Payroll Liabilities	<u>5,242</u>
Total Liabilities	26,974
Deferred Inflows of Resources:	
Unavailable Revenue-Property Taxes	<u>13,856</u>
Total Deferred Inflows of Resources	<u>13,856</u>
Fund Balance:	
Restricted:	
Court Technology & Security	2,722
Assigned Fund Balance:	
Capital Projects	110,508
Roads and Bridges	365,937
Emergencies	584,443
Unassigned Fund Balance	<u>716,919</u>
Total Fund Balance	<u>1,780,529</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 1,821,359</u>

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total Fund Balances – Governmental Funds	\$1,780,529
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the period, the cost of these assets was \$1,656,503 and the accumulated depreciation was \$481,733. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	1,174,770
The current period depreciation expense increases accumulated depreciation. The net effect of the current period's depreciation is to decrease net position.	(86,283)
Property tax revenue reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	<u>13,856</u>
Net Position of Governmental Activities	<u>\$2,882,872</u>

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>General Fund</u>
Revenues:	
Taxes	
General Sales and Use Taxes	\$ 61,783
Ad Valorem Taxes and Penalties	667,733
Franchise Tax	117,438
Government Grants	2,409
Building Permits & Fees	51,488
Municipal Court Fines	23,316
Interest Income	4,039
Miscellaneous & Other Revenue	<u>1,559</u>
Total Revenues	<u>929,765</u>
Expenditures:	
General Government Administration	267,245
Public Safety	435,661
Public Works/Other	<u>338,562</u>
Total Expenditures	<u>1,041,468</u>
Excess of Expenditures Over Revenues	<u>(111,703)</u>
Net Change in Fund Balance	(111,703)
Fund Balance – October 1 (beginning)	<u>1,892,232</u>
Fund Balance – September 30 (ending)	<u>\$ 1,780,529</u>

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Total Net Change in Fund Balances – Governmental Funds \$ (111,703)

Deprecation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current period's depreciation is to decrease net position. (86,283)

Revenues from property taxes are shown as unavailable in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectible amounts, in the government-wide financial statements. 3,163

Change in Net Position of Governmental Activities \$ (194,823)

The accompanying Notes are an integral part of this statement.

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Shady Shores (the "Town") are presented in accordance with generally accepted accounting principles applicable to state and local governmental units as set forth by the Governmental Accounting Standards Board ("GASB").

In fiscal year 2004, the Town implemented GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement 34, GASB Statement No. 38, *Certain Financial Statement Disclosures*, which changes note disclosures requirements for governmental entities, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, which clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where difference have arisen, or potentially could arise, in interpretation and practice of GASB Statement No. 34.

GASB Statements No. 34 established a new financial reporting model for state and local governments that included the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the use of account groups to the already required fund financial statements and notes. GASB Statement No. 37 provides additional guidance in reporting infrastructure, program revenues and major criteria.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that the government-wide financial statements are needed to allow users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Town of Shady Shores (Town) is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints a voting majority of the organization's board

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is fiscal dependency by the organization on the Town

Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town.

The Town had no discretely presented component units at September 30, 2013.

B. Government-wide and Fund 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 non-fiduciary activities of the Town.

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. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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 Town 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 and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The Town reports the following major governmental fund:

General Fund - The General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Cash and Investments

The Town's cash and investments are considered to be cash on hand, demand deposits and certificates of deposit.

E. Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the Town has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The Town's availability period is sixty days. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the Town Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

F. Bad Debts

No allowance is provided for uncollectible real property taxes, since all real property taxes will ultimately be collected when title to the property is transferred, except in rare instances in which the taxes are discharged in bankruptcy.

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The Town defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of governmental activities is not included as part of the capitalized value of the assets constructed.

Depreciation expense is calculated on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives of major categories of property are as follows:

<u>Category</u>	<u>Estimated Life</u>
Infrastructure	15-30 years
Buildings	50 years
Furniture and equipment	7-10 years

H. Estimates

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

I. Net Position

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

J. Budgets

The Town prepares an annual budget for the General Fund in order to provide appropriate budgetary control over revenues and expenditures through comparison of actual data to budgetary data. If a change in the approved budget is required due to unforeseen circumstances, the Council may approve amendments to the budget. All annual appropriations lapse at fiscal year-end.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

Beginning in 2013, the Town implemented GASB Statement Numbers 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and 65, Items Previously Reported as Assets and Liabilities. These two statements:

- Defined transactions that result in the consumption of net assets in one period that are applicable to a future period as “deferred outflows of resources.”
- Defined transactions that result in the acquisition of net assets in one period that are applicable to a future period as “deferred inflows of resources.”
- Defined the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as “net position.”
- Required certain items previously reported as assets and liabilities that meet the definition of deferred outflows or inflows of resources to be retroactively reclassified in the Statements of Net Position and Balance Sheets, if practical, for all prior periods presented.

The effects of these changes in accounting principle on the Town's 2013 financial statements were

- Governmental fund financial statements
 - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.

3. FUND BALANCE

The Town has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town had no nonspendable fund balances.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Court security and technology fees are being restricted because their use is restricted pursuant to the regulations that allow the collection of those fees.

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. The Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Council had not committed any resources as of September 30, 2013.

- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to other individuals in the Town. Under the Town's policy, only the council may assign amounts for specific purposes. The Town had assigned fund balance resources of the General Fund as of September 30, 2013, for capital projects, roads and bridges and emergencies.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (page 17) and are described below:

General Fund

The General Fund has unassigned fund balance of \$716,919 at September 30, 2013. The fund balances of the Court Technology Fund and Court Security Fund (totaling \$2,722) are shown as restricted for those purposes. The Town had assigned fund balances of \$110,508 for capital projects, \$365,937 for roads and bridges and \$584,443 for emergencies.

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

4. DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

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

1. Cash Deposits:

At September 30, 2013, the carrying amount of the Town's deposits in checking accounts and interest-bearing savings accounts was \$1,456,142 and the bank balance was \$1,483,470. The Town's cash deposits at September 30, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the Town's agent bank in the Town's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Town to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the Town to invest in (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 acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the Town to have independent auditors perform test procedures related to investment practices as provided by the Act. The Town is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the Town has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2013, the Town's cash balances totaled \$1,456,142. This entire amount was either collateralized with securities held by the Town's financial institution's agent in the Town's name or covered by FDIC insurance. Thus, the Town's deposits are not exposed to custodial credit risk.

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2013, the Town's investments were two certificates of deposit.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. Credit risk is monitored and controlled by purchasing quality related instruments that have been evaluated by agencies such as Standards and Poor's or Moody's Investment Services.
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2013, the Town was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the Town's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The Town is subject to the concentration of credit risk, since all cash and investments are held at Northstar Bank.

The Town's investments at September 30, 2013, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificate of Deposit	\$ 100,276	\$ 100,276
Certificate of Deposit	<u>250,876</u>	<u>250,876</u>
Total	<u>\$ 351,152</u>	<u>\$ 351,152</u>

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Primary Government				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,000	\$ -	\$ -	\$ 6,000
Total capital assets, not being depreciated	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Capital assets being depreciated:				
Roads & Streets	1,022,441	-	-	1,022,441
Buildings & Improvements	563,091	-	-	563,091
Vehicles	11,400	-	-	11,400
Furniture & Equipment	53,571	-	-	53,571
Total capital assets, being depreciated	<u>1,650,503</u>	<u>-</u>	<u>-</u>	<u>1,650,503</u>
Less accumulated depreciation for:				
Buildings & Improvements	46,038	11,436	-	57,474
Furniture & Equipment	22,265	3,455	-	25,720
Vehicles	8,959	1,629	-	10,588
Roads & Streets	404,471	69,763	-	474,234
Total accumulated depreciation	<u>481,733</u>	<u>86,283</u>	<u>-</u>	<u>568,016</u>
Total capital assets, being depreciated, net	<u>1,168,770</u>	<u>(86,283)</u>	<u>-</u>	<u>1,082,487</u>
Governmental activities capital assets, net	<u>\$1,174,770</u>	<u>\$ (86,283)</u>	<u>\$ -</u>	<u>\$1,088,487</u>

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

Governmental Activities:	
Administration	\$ 14,890
Public Safety	3,228
Public works	<u>68,165</u>
Total depreciation expense – Governmental activities	<u>\$ 86,283</u>

6. LITIGATION AND CONTINGENCIES

The Town Attorney (general legal counsel) expresses the opinion that there does not now exist any pending or threatened litigation, claim or assessment, or an unasserted claim and/or assessment which individually or collectively represent a potential loss exposure to the Town of Shady Shores, Texas.

TOWN OF SHADY SHORES, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

7. RISK MANAGEMENT

Significant losses to which the Town is exposed are covered by insurance obtained primarily through the Texas Municipal League. This includes property and liability insurance. The Town retains no risk of loss except for small deductibles on some of the policies.

For insured programs, there have been no significant reduction in insurance coverage, and settlement amounts have not been exceeded insurance coverage for the current year or the three prior years.

8. EMPLOYEE RETIREMENT PLAN

Plan Description

The Town 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 Town 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, TX 78714-9153 or by calling 800-924-8667; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2012	Plan Year 2013
Employee deposit rate	5.0%	5.0%
Matching ratio (Town to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	0%,	0%,
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each town 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 town. 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.

TOWN OF SHADY SHORES, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town 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:

1. Annual Required Contribution (ARC)	<u>\$2,077</u>
2. Annual Pension Cost (APC)	2,077
3. Contributions Made	<u>(2,077)</u>
4. Increase (decrease) in net pension obligation	-0-
5. Net Pension Obligation/(Asset), beginning of year	<u>-0-</u>
6. Net Pension Obligation/(Asset), end of year	<u>\$ -0-</u>

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

Valuation Date	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	0.0 years - closed period	100 years - closed period
Amortization Period for new Gains/Losses	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return*	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%
Cost-of-Living Adjustments	0.0%	0.0%

TOWN OF SHADY SHORES, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$7,203	\$5,028	143.3%	\$(2,175)	\$43,629	(5.0)%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SHADY SHORES, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		Actual Amounts (GAAP BASIS)	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Sales and Use Taxes	\$ 50,000	\$ 50,000	\$ 61,783	\$ 11,783
Ad Valorem Taxes and Penalties	660,325	660,325	667,733	7,408
Franchise Tax	131,540	131,540	117,438	(14,102)
Government Grants	2,700	2,700	2,409	(291)
Building Permits & Fees	32,000	32,000	51,488	19,488
Municipal Court Fines	30,000	30,000	23,316	(6,684)
Interest Income	2,000	2,000	4,039	2,039
Miscellaneous & Other Revenue	3,000	3,000	1,559	(1,441)
Total Revenues	<u>911,565</u>	<u>911,565</u>	<u>929,765</u>	<u>18,200</u>
Expenditures:				
General Government Administration	236,650	293,047	267,245	25,802
Public Safety	420,661	439,668	435,661	4,007
Public Works/Other	735,200	659,796	338,562	321,234
Total Expenditures	<u>1,392,511</u>	<u>1,392,511</u>	<u>1,041,468</u>	<u>351,043</u>
Excess (Deficiency) of Expenditures Over (Under)Revenues	<u>(480,946)</u>	<u>(480,946)</u>	<u>(111,703)</u>	<u>369,243</u>
Net Change in Fund Balance	(480,946)	(480,946)	(111,703)	369,243
Fund Balance – October 1 (Beginning)	<u>1,892,232</u>	<u>1,892,232</u>	<u>1,892,232</u>	<u>-</u>
Fund Balance – September 30 (Ending)	<u>\$ 1,411,286</u>	<u>\$ 1,411,286</u>	<u>\$ 1,780,529</u>	<u>\$ 369,243</u>

OTHER SUPPLEMENTARY INFORMATION

TOWN OF SHADY SHORES, TEXAS
GENERAL FUND
STATEMENT OF REVENUES
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Property Taxes:			
Current Year Taxes and Penalties	\$ 660,325	\$ 667,733	\$ 7,408
Franchise Taxes:			
TXU Energy	90,000	74,496	(15,504)
Atmos Energy	20,000	16,013	(3,987)
CoServ Gas	40	45	5
Century Telephone	4,000	3,971	(29)
Charter Communications	16,000	21,414	5,414
Waste Management	1,200	1,499	299
Other Fees	300	-	(300)
Total	<u>131,540</u>	<u>117,438</u>	<u>(14,102)</u>
Other Revenues:			
Government Grants	2,700	2,409	(291)
Sales Taxes	50,000	61,783	11,783
Permits and Other Fees	32,000	51,488	19,488
Municipal Court Fines	30,000	23,316	(6,684)
Interest on Investments	2,000	4,039	2,039
Other Revenues	3,000	1,559	(1,441)
Total	<u>119,700</u>	<u>144,594</u>	<u>24,894</u>
 Total Revenues	 <u>\$ 911,565</u>	 <u>\$ 929,765</u>	 <u>\$ 18,200</u>

TOWN OF SHADY SHORES, TEXAS
GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
General Government Administration:			
Town Secretary	\$ 45,000	\$ 43,806	\$ 1,194
Office Clerk	9,558	9,558	-
Court Clerk	23,670	23,670	-
Payroll Taxes	8,591	6,263	2,328
Retirement	2,300	2,077	223
Municipal Judge	1,800	1,800	-
Computer Expense	7,758	3,052	4,706
Attorney Fees	54,433	61,612	(7,179)
Accounting/Audit Fees	6,500	6,405	95
Postage/Mailing	700	418	282
Staff Development/Training	3,000	1,710	1,290
Advertising	3,092	2,174	918
Engineering Fees	45,939	45,626	313
Building/Maintenance	10,000	6,655	3,345
Telephone & Utilities	18,245	17,866	379
Dues & Subscriptions	675	475	200
Office/Insurance	8,000	11,532	(3,532)
Community Events	2,500	1,951	549
Promotional	1,500	1,188	312
Court Fines to State	17,500	7,282	10,218
Court Software	1,925	1,925	-
Jury Fees	500	-	500
Elections	4,000	2,422	1,578
Other Expenditures	1,361	1,440	(79)
Tax Collection	7,500	6,338	1,162
Contingency	5,000	-	5,000
Building Deposit Refund	2,000	-	2,000
Total Administration	<u>293,047</u>	<u>267,245</u>	<u>25,802</u>
Public Safety:			
Police Services	131,143	126,536	4,607
Animal Control	14,700	15,300	(600)
Fire and Ambulance	<u>293,825</u>	<u>293,825</u>	<u>-</u>
Total Public Safety	<u>439,668</u>	<u>435,661</u>	<u>4,007</u>
Public Works:			
Inspections	57,000	30,915	26,085
Code Enforcement	7,200	5,730	1,470
Roads & Streets	524,141	252,447	271,694
Street Signs	6,455	5,213	1,242
Library	27,500	27,500	-
Public Works	35,000	16,757	18,243
Regional Storm Water	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total Public Works	<u>659,796</u>	<u>338,562</u>	<u>321,234</u>
Total Expenditures	<u>\$ 1,392,511</u>	<u>\$ 1,041,468</u>	<u>\$ 351,043</u>

TOWN OF SHADY SHORES, TEXAS
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2013

Tax Year	Balance September 30, 2012	Current Year Levy	Collections	Supplements/ Adjustments	Balance September 30, 2013
1999-2004	\$ 673	\$ -	\$ -	\$ (8)	\$ 665
2004-2005	213	-	-	-	213
2005-2006	306	-	-	-	306
2006-2007	397	-	234	89	252
2007-2008	768	-	1,254	1,117	631
2008-2009	1,263	-	1,319	1,164	1,108
2009-2010	2,174	-	1,912	1,596	1,858
2010-2011	2,307	-	1,860	1,480	1,927
2011-2012	2,592	-	1,199	953	2,346
2012-2013	<u>-</u>	<u>658,557</u>	<u>656,833</u>	<u>2,826</u>	<u>4,550</u>
Totals	<u>10,693</u>	<u>658,557</u>	<u>664,611</u>	<u>9,217</u>	<u>13,856</u>
Less allowance for uncollectible accounts					<u>-</u>
					<u>\$ 13,856</u>

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

Honorable Mayor and Town Council
Town of Shady Shores, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Shady Shores, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise The Town of Shady Shores, Texas's basic financial statements, and have issued our report dated January 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 Town'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 Town's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

January 24, 2014