

VILLAGE OF VOLENTE, TEXAS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2013

VILLAGE OF VOLENTE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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Independent Auditor's Report

Honorable Mayor and Council
Village of Volente, Texas
Volente, TX 78641

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Volente, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Volente, Texas, as of September 30, 2013, 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.

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 the Schedule of Funding Progress for the Retirement Plan on pages 3-7, 23 and 25 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.

Neffendorf, Knopp, Dooss Company, P.C.
NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas

September 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Village of Volente, we offer readers of the Village's financial statements this narrative overview and analysis of the financial statements of the Village for the year ended September 30, 2013. Please read it in conjunction with the independent auditors' report on page 1, and Village's Basic Financial Statements which begin on page 8.

FINANCIAL HIGHLIGHTS

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$1,017,364 (net position). Of this amount, \$712,453 (unrestricted net position) may be used to meet the Village's ongoing obligations to citizen's and creditors.
- The Village's net position increased by \$45,016 as a result of this year's operations.
- At September 30, 2013, the Village's governmental funds reported an ending fund balance of \$703,508, a decrease of \$54,328 in comparison with the prior year. The decrease in fund balance was due to the expenditures exceeded revenues.
- At September 30, 2013, the unreserved fund balance of the general fund was \$703,508 or 186 percent of total general fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 and 9). These provide information about the activities of the Village as a whole and present a longer-term view of the Village's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 11 & 13) report the Village's operations in more detail than the government-wide statements by providing information about the Village's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 15) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedule (operating fund) is presented as required supplementary information on page 23.

Reporting the Village as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the Village's overall financial condition and operations begins on page 8. Its primary purpose is to show whether the Village is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the Village's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the Village's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the Village's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the Village's net position and changes in them. The Village's net position (the difference between assets and liabilities) provide one measure of the Village's financial health, or financial position. Over time, increases or decreases in the Village's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the Village, however, you should consider other factors as well, such as changes in the Village's customers or its property tax base and the condition of the Village's facilities.

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

- Governmental activity - The Village's basic services are reported here, including the public safety, public works, and administration. Property taxes, user charges, sales tax and franchise tax finance most of these activities.

Reporting the Village's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 11 & 13 provide detailed information about the most significant funds - not the Village as a whole. Governmental fund types include the general fund.

- Governmental funds - All of the Village's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the Village's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in Note I to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the Village's governmental activities.

Net position of the Village's governmental activities increased from \$970,855 to \$1,017,364. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$712,453 at September 30, 2013. This increase in governmental net position was the result of three factors. First, the Village's expenditures exceeded the revenues by \$54,328. Second, the Village acquired capital assets in the amount of \$111,198. Third, the Village recorded depreciation in the amount of \$12,524.

Table I
VILLAGE OF VOLENTE

NET POSITION
in thousands

	Governmental Activities	
	2013	2012
Current and Other Assets	\$ 738	\$ 772
Capital Assets	305	206
Total Assets	\$ 1,043	\$ 978
Other Liabilities	\$ 26	\$ 7
Total Liabilities	\$ 26	\$ 7
Net Position:		
Net Investment in		
Capital Assets	\$ 305	\$ 206
Unrestricted	712	765
Total Net Assets	\$ 1,017	\$ 971

Table II
VILLAGE OF VOLENTE

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2013	2012
Revenues:		
Maintenance & Operations Taxes	\$ 183	\$ 197
Other Taxes	94	82
Investment Earnings	2	2
Grants	36	84
Miscellaneous	10	15
Total Revenue	\$ 325	\$ 380
Expenses:		
General Government	\$ 224	\$ 210
Judicial	12	
Public Works	44	3
Total Expenses	\$ 280	\$ 213
Increase in Net Position Before Net Position, Beginning	\$ 45	\$ 167
Prior Period Adjustment	971	804
Net Position, Ending	1	
	\$ 1,017	\$ 971

The cost of all governmental activities this year was \$280,015. Total revenues for the Village were \$325,031 which consisted of property taxes (\$182,945), other taxes (\$94,394), grants (\$35,835), interest earnings (\$1,854) and miscellaneous (\$10,003).

THE VILLAGE'S FUNDS

As the Village completed the year, its governmental fund (as presented in the balance sheet on page 11) reported a fund balance of \$703,508, which is less than last year's total of \$756,343.

The Village adopted the General Fund budget. Actual revenues were less than the budgeted amount by \$101,711 while actual expenditures were less than the budgeted amount by \$55,906.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of 2013, the Village had \$337,885 invested in capital assets, including buildings, equipment and other improvements. This amount represents a net increase of \$109,142, or 48 percent, more than last year.

This year's major additions included:

Road Improvements	\$	105,655
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More detailed information about the Village's capital assets is presented in Note C to the financial statements.

DEBT

At year-end, the Village had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village's elected and appointed officials considered many factors when setting the fiscal-year 2014 budget and tax rates. The major factors are the assessed property values and population growth. These indicators were taken into account when adopting the General Fund budget for 2014. Amounts available for appropriation in the General Fund budget are \$362,686 and expenditures are estimated to be \$362,686.

If these estimates are realized, the Village's budgetary General fund balance is expected to remain the same by the close of fiscal year 2014.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Village's business office, at Village of Volente, Volente, Texas.

BASIC FINANCIAL STATEMENTS

VILLAGE OF VOLENTE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

EXHIBIT A-1

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 698,490
Receivables (net of allowance for uncollectibles)	39,574
Capital Assets:	
Infrastructure, net	273,303
Buildings, net	19,138
Machinery and Equipment, net	12,470
Total Assets	1,042,975
LIABILITIES	
Accounts Payable	25,611
Total Liabilities	25,611
NET POSITION	
Net Investment in Capital Assets	304,911
Unrestricted Net Position	712,453
Total Net Position	\$ 1,017,364

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

VILLAGE OF VOLENTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 223,546	\$ -	\$ -
Judicial	12,568	-	-
Public Works	43,901	-	-
Capital Outlay	-	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 280,015	\$ -	\$ -

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Sales Taxes

Franchise Taxes

Other Taxes

Miscellaneous Revenue

Investment Earnings

Total General Revenues

Change in Net Position

Net Assets - Beginning

Prior Period Adjustment

Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (223,546)
-	(12,568)
-	(43,901)
35,835	35,835
<u>\$ 35,835</u>	<u>(244,180)</u>

182,945
61,504
30,095
2,795
10,003
1,854
<u>289,196</u>
45,016
970,855
1,493
<u>\$ 1,017,364</u>

VILLAGE OF VOLENTE
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 698,490
Taxes Receivable	10,524
Allowance for Uncollectible Taxes (credit)	(1,579)
Receivables (Net)	<u>30,629</u>
Total Assets	<u>\$ 738,064</u>
LIABILITIES	
Accounts Payable	\$ 21,706
Wages and Salaries Payable	<u>3,905</u>
Total Liabilities	<u>25,611</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	<u>8,945</u>
Total Deferred Inflows of Resources	<u>8,945</u>
FUND BALANCES	
Unassigned Fund Balance	<u>703,508</u>
Total Fund Balances	<u>703,508</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 738,064</u>

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

VILLAGE OF VOLENTE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2013

Total Fund Balances - Governmental Funds	\$	703,508
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$228,743 and the accumulated depreciation was \$22,493. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		206,250
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2013 capital outlays is to increase net position.		111,185
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(12,524)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. The net effect of these reclassifications and recognitions is to increase net position.		8,945
Net Position of Governmental Activities	\$	1,017,364

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

VILLAGE OF VOLENTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT C-3

General
Fund

REVENUES:

Taxes:		
Property Taxes	\$	182,262
General Sales and Use Taxes		61,504
Franchise Tax		30,095
Other Taxes		2,795
Licenses and Permits		10,003
Intergovernmental Revenue and Grants		35,835
Investment Earnings		1,854
Total Revenues		324,348

EXPENDITURES:

Current:		
General Government		216,552
Judicial		12,568
Public Works		149,556
Total Expenditures		378,676
Net Change in Fund Balances		(54,328)
Fund Balance - October 1 (Beginning)		756,343
Prior Period Adjustment		1,493
Fund Balance - September 30 (Ending)	\$	703,508

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

VILLAGE OF VOLENTE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	(54,328)
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2013 capital outlays is to increase the change in net position.		111,185
Depreciation 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 year's depreciation is to decrease the change in net position.		(12,524)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. The net effect of these reclassifications and recognitions is to increase the change in net position.		683
Change in Net Position of Governmental Activities	<u>\$</u>	<u>45,016</u>

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

VILLAGE OF VOLENTE, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Volente, Texas, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The *Government Accounting Standards Board* (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Village's accounting policies are described below:

A. Reporting Entity

The Village was duly incorporated as a municipality on February 3, 2002. The Village is a general law Village, which operates under a council form of government. The Mayor is the chief administrative officer of the Village. The Village provides the following services: Community Development, Public Improvements, and General Administrative Services.

In evaluating how to define the Village, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

B. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Village of Volente nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, sales tax, franchise tax, municipal court fines, charges for services and other miscellaneous revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the Village operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the Village. The "grants and contributions" column includes amounts paid by organizations outside the Village to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the Village's functions. Taxes are always general revenues.

The fund financial statements provide reports on the financial condition and results of operations for governmental funds. The Village considers both governmental funds major and reports their financial condition and results of operations in a separate column.

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

The government-wide financial statements use 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 the 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The Village considers all revenues available if they are collectible within 60 days after year end.

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; that is, when they are both measurable and available. The Village considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the Village to refund all or part of the unused amount.

D. Fund Accounting

The Village reports the following major governmental funds:

1. **The General Fund** - The general fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

E. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position

1. Capital assets, which include land, buildings, furniture, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village as assets with an estimated useful life in excess of two years. 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 date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the Village are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-30
Infrastructure	20
Improvements	10-20
Machinery & Equipment	5-7

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2001 have not yet been capitalized.

2. Beginning with fiscal year end September 30, 2011, the Village 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. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the Village itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the Village takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the Village intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance . This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

3. Implementation of new GASB Accounting Standard:

The Village has implemented new GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* as well as the early implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63 and 65, amounts previously reported as deferred charges as a part of total assets have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

Implementation resulted in the reclassification of \$8,945 (deferred ad valorem tax revenue which is expected to be collected in future years) to a deferred inflow of resources in the Governmental Funds Balance Sheet.

4. When the Village incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
5. The original budget is adopted by the Village Council prior to the beginning of the fiscal year through passage of an ordinance. The budget includes proposed expenditures and the means of financing them.

Budgeted amounts for expenditures from the various funds may not exceed the beginning balances of those funds plus the anticipated revenues for the fiscal year. The final amended budget has been presented in this report. Unencumbered appropriations lapse at the end of each year.

6. The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At September 30, 2013, the carrying amount of the Village's deposits was \$698,490 and the bank balance was \$698,458. The Village's cash deposits at September 30, 2013 and during the year ended September 30, 2013 were covered by FDIC insurance or by pledged collateral held by the Village's agent bank in the Village's name.

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 Village 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 Village 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 acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the Village to have independent auditors perform test procedures related to investment practices as provided by the Act.

Policies Governing Deposits and Investments

In compliance with GASB Statement No. 45, the Village discloses the following:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the Village's deposits may not be returned to it. The Village was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2013 were covered by depository insurance or by pledged collateral held by the Village's agent bank in the Village's name.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2013, the District was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

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 located in the Village 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the Village fiscal year.

The Travis County Appraisal District appraises and collects taxes for the Village. For 2013, the Village of Volente had property with an assessed valuation of \$153,857,166. The tax rate was \$.1215 per \$100 valuation (general fund only). A summary of taxes receivable by years follows:

Tax Roll	Taxes Receivable 01/10/12	Taxes Assessed	Collections and Adjustments	Taxes Receivable 09/30/13
2012	\$	\$ 190,729	\$ 188,072	\$ 2,657
2011	2,659		606	2,053
2010	1,922		26	1,896
2009	1,905		5	1,900
2008	377		9	368
2007	676		5	671
2006	674		-	674
2005	303		-	303
2003	2		-	2
TOTAL	\$ 8,518	\$ 190,729	\$ 188,723	\$ 10,524

C. Capital Asset Activity

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

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Buildings and Improvements	\$ 185,260	\$ 105,655	\$	\$ 290,915
Furniture & Equipment	43,483	5,543	2,056	46,970
	-	-	-	-
Totals at Historic Cost	\$ 228,743	\$ 111,198	\$ 2,056	\$ 337,885
Less Accumulated Depreciation for:				
Buildings and Improvements	(5,887)	(6,760)		(12,647)
Furniture & Equipment	(16,606)	(5,764)	2,043	(20,327)
Total Accumulated Depreciation	\$ (22,493)	\$ (12,524)	\$ 2,043	\$ (32,974)
Governmental Activities Capital Assets, Net	\$ 206,250	\$ 98,674	\$ 4,099	\$ 304,911

D. Risk Management

The Village of Volente is exposed to various risks of loss relating to general liability, accidental loss of real and personal property, damage to assets, errors and omissions, acts of God and personnel risks which relate to workers compensation.

The Village contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are sent annually to TML. Liability by the Village is generally limited to the contributed amounts. Contributions for the year ended September 30, 2013 were \$521.

E. Defined Benefit Pension Plan

Plan Description

The Village 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 village 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 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2013
Employee deposit rate:	6%
Matching Ratio (Village to Employee):	1.5 to1
Years required for vesting	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	0%
Annuity Increase (to retirees)	0% of CPI

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

Three-Year Trend Information				
Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2012	\$ 1,543	\$ 1,543	100%	-
2013	2,324	2,324	100%	-

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	12/31/2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	6.0 years; closed period
Amortization Period for new Gains/Losses	6 years
Asset Valuation Method	10-year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return*	7.0%
Projected Salary Increases*	Varies by age and service
*Includes Inflation at	3.00%
Cost-Of-Living Adjustments	0.00%

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented 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
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2012	\$ 4,467	\$ 6,641	67.3%	\$ 2,174	\$ 41,638	5.2%

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.

F. Contingent Liabilities

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

The Village is involved in a lawsuit. Management is of the opinion that the Village's liability in the case will not have a material effect on the Village's financial position.

G. Excess of Expenditures Over Appropriations

Actual expenditures exceeded budgeted amounts in several line items but not in total.

H. Prior Period Adjustment

A prior period adjustment in the amount of \$1,493 was made to correct accounts payable.

I. Subsequent Events

The Village has evaluated subsequent events through September 30, 2014, the date which the financial statements were available to be issued. The Village is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF VOLENTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 192,692	\$ 192,692	\$ 182,262	\$ (10,430)
General Sales and Use Taxes	40,000	40,000	61,504	21,504
Franchise Tax	35,000	35,000	30,095	(4,905)
Other Taxes	3,500	3,500	2,795	(705)
Licenses and Permits	78,500	78,500	10,003	(68,497)
Intergovernmental Revenue and Grants	73,067	73,067	35,835	(37,232)
Fines	100	100		(100)
Investment Earnings	2,000	2,000	1,854	(146)
Contributions and Donations from Private Sources	100	100		(100)
Other Revenue	1,100	1,100		(1,100)
Total Revenue	<u>426,059</u>	<u>426,059</u>	<u>324,348</u>	<u>(101,711)</u>
EXPENDITURES:				
Current:				
GENERAL GOVERNMENT				
Staff				
Salaries	46,000	56,238	63,306	(7,068)
Payroll Taxes			6,102	(6,102)
Benefits	8,100	8,100	9,127	(1,027)
Total Staff	<u>54,100</u>	<u>64,338</u>	<u>78,535</u>	<u>(14,197)</u>
Consultant				
Attorney	40,000	28,920	26,832	2,088
Professional Services	20,000	20,000	8,765	11,235
Development Inspection	10,000	1,854	2,069	(215)
Development Plan Review	10,000	6,673	6,476	197
Zoning & Code Enforcement	15,000	11,134	12,269	(1,135)
Audit	5,700	5,700	5,700	-
Police Service - Contract	15,000	23,980	20,620	3,360
Payroll Services			59	(59)
Contract Labor	1,000	-		-
Grant Writer	100	100		100
Special Consultant - Engineer	15,000	15,000	15,001	(1)
Special Consultant - Legislative	15,000	15,000		15,000
Travis CAD	1,500	1,349	990	359
Total Consultant	<u>148,300</u>	<u>129,710</u>	<u>98,781</u>	<u>30,929</u>
Operations				
Elections	1,000	(245)	100	(345)
Bank Service Charges	100	100		100
Farmers Market	2,500	2,500		2,500
Events	7,000	2,000	2,632	(632)
Books and Publications	250	250		250
Facilities - Repairs and Maintenance		1,411	1,545	(134)
Office Supplies & Postage	5,500	5,799	6,451	(652)
Mileage Reimbursement		1,367	1,618	(251)
Industrial Relations		639	708	(69)
Equipment Lease	3,500	3,500	2,808	692
Website Maintenance	4,000	7,652	8,465	(813)
Dues, Fees & Subscriptions	1,300	1,967	1,767	200
Rent	2,000	2,567	2,321	246
Utilities & Telephone	3,000	5,628	5,417	211
Insurance	2,550	2,550	938	1,612
Advertising	1,000	245	190	55
Training & Education	3,500	5,958	696	5,262

The notes to the Financial Statements are an integral part of this statement.

VILLAGE OF VOLENTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Operations (Continued)				
Computer Software	1,500	835	453	382
Penalties and Interest			31	(31)
Miscellaneous			1,612	(1,612)
ROW Herbicide	2,000	2,000	1,483	517
Parkland Inf Development	55,000	55,000		55,000
JUDICIAL				
Municipal Court Operations	2,500	28	7,025	(6,997)
Software and Equipment	1,000	1,000	5,543	(4,543)
PUBLIC WORKS				
Mowing	2,500	2,500	963	1,537
Road and ROW	65,000	65,000	8,419	56,581
Street Signs	2,500	470	470	-
Tree Trimming	25,000	40,813	34,050	6,763
Capital Metro Road Project	29,000	29,000	105,655	(76,655)
Total Operations	<u>223,200</u>	<u>240,534</u>	<u>201,360</u>	<u>39,174</u>
Total Expenditures	<u>425,600</u>	<u>434,582</u>	<u>378,676</u>	<u>55,906</u>
Net Change in Fund Balances	<u>459</u>	<u>(8,523)</u>	<u>(54,328)</u>	<u>(45,805)</u>
Fund Balance - October 1 (Beginning)	756,343	756,343	756,343	
Prior Period Adjustment			1,493	
Fund Balance - September 30 (Ending)	<u>\$ 756,802</u>	<u>\$ 747,820</u>	<u>\$ 703,508</u>	<u>\$ (45,805)</u>

The notes to the Financial Statements are an integral part of this statement.

VILLAGE OF VOLENTE, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION

Texas Municipal Retirement System

Schedule of Funding Progress:

(unaudited)

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
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2012	\$ 4,467	\$ 6,641	67.3%	\$ 2,174	\$ 41,638	5.2%

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Certified Public Accountants

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MEMBER
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MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Honorable Mayor and Council
Village of Volente, Texas
Volente, TX 78641

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Village of Volente, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Volente, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of Village of Volente, Texas'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 deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Volente, Texas'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.

Neffendorf, Knopp, Dooss Company, P.C.

NEFFENDORF, KNOPP, DOSS & COMPANY, PC
Fredericksburg, Texas

September 30, 2014

NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Certified Public Accountants

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September 30, 2014

Honorable Mayor and Council
Village of Volente, Texas
Volente, TX 78641

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Volente, Texas for the year ended September 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 16, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Volente, Texas are described in Note 1 to the financial statements. The Village implemented new GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* as well as the early implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The application of existing policies was not changed during the year ended September 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Recommendations

Current Year Recommendations

Debit Cards

Members of management and certain councilmembers have been issued a Village debit card. Controls relating to who has possession of the cards were not adequate. Subsequent to the audit period these controls have been updated. We recommend additional controls be put in place regarding who is issued a card, card purchase authorizations and proper documentation of card purchases.

Budget Amendments

Several line items exceeded budgeted appropriations but not in total. We recommend the Village review line items prior to year end and prepare budget amendments.

Record Keeping

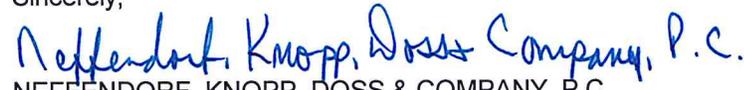
During transaction testing several invoices were not located in the filing system. We recommend additional controls be developed regarding invoice filing and record keeping.

Prior Year Recommendations

The Village uses a debit card for purchases but invoices for the purchases are not required. We again recommend invoices be required and approved for the debit card purchases.

This information is intended solely for the use of the Council and management of Village of Volente and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


NEFFENDORF, KNOPP, DOSS & COMPANY, P.C.
Fredericksburg, Texas