

City Council



Agenda Pack

for

March 8, 2016

Regular Meeting

NOTICE OF REGULAR MEETING

March 8, 2016

MONTGOMERY CITY COUNCIL

STATE OF TEXAS

AGENDA

COUNTY OF MONTGOMERY

CITY OF MONTGOMERY

NOTICE IS HEREBY GIVEN that a Regular Meeting of the Montgomery City Council will be held on Tuesday, March 8, 2016 at 6:00 p.m. at the City of Montgomery City Hall, 101 Old Plantersville Road, Montgomery, Texas for the purpose of considering the following:

CALL TO ORDER

INVOCATION

PLEDGE OF ALLEGIANCE TO FLAGS

VISITOR/CITIZENS FORUM:

Any citizen with business not scheduled on the agenda may speak to the City Council. Prior to speaking, each speaker must be recognized by the Mayor. Council may not discuss or take any action on an item, but may place the issue on a future agenda. The number of speakers along with the time allowed per speaker may be limited.

CONSENT AGENDA:

1. Matters related to the approval of minutes for the Regular Meeting held on February 23, 2016.

CONSIDERATION AND POSSIBLE ACTION:

2. Consideration and possible action regarding adoption of the following Resolution:
A RESOLUTION SUPPORTING THE MONTGOMERY COUNTY THOROUGHFARE, PLAN.
(Tabled at the February 23, 2016 Meeting)
3. Consideration and possible action to receive the Annual Audit for the year ending September 30, 2015 as prepared by BrooksCardiel, PLLC.
4. Consideration and possible action to receive and accept the Certification of Unopposed Candidates for the May 7, 2016 City of Montgomery General Election as presented by the City Secretary.
5. Consideration and possible action regarding adoption of the following Ordinance;
AN ORDINANCE DECLARING UNOPPOSED CANDIDATES IN THE MAY 7, 2016 CITY OF MONTGOMERY, TEXAS GENERAL ELECTION ELECTED TO OFFICE; CANCELING THE ELECTION; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

6. Consideration and possible action regarding adoption of the following Ordinance:
AN ORDINANCE OF THE CITY COUNCIL OF MONTGOMERY, TEXAS, AUTHORIZING PARTICIPATION WITH OTHER ENTERGY SERVICE AREA CITIES IN MATTERS CONCERNING ENTERGY TEXAS, INC. AT THE PUBLIC UTILITY COMMISSION OF TEXAS AND THE FEDERAL ENERGY REGULATORY COMMISSION IN 2016.
7. Consideration and possible action regarding Baja Street and accompanying CDBG Project.
8. Consideration and possible action regarding adopting a Banking Resolution for renewal of the Certificate of Deposit with Independent Bank.

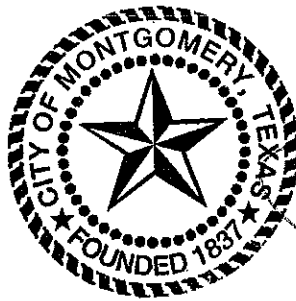
EXECUTIVE SESSION:

The City Council reserves the right to discuss any of the items listed specifically under this heading or for any items listed above in executive closed session as permitted by law including if they meet the qualifications in Sections 551.071(consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.076 (deliberation regarding security devices), and 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Government Code of the State of Texas. (No current items at this time.)

COUNCIL INQUIRY:

Pursuant to Texas Government Code Sect. 551.042 the Mayor and Council Members may inquire about a subject not specifically listed on this Agenda. Responses are limited to recitation of existing policy or a statement of specific factual information given in response to the inquiry. Any deliberation or decision shall be limited to a proposal to place on the agenda of a future meeting.

ADJOURNMENT



Susan Hensley
Susan Hensley, City Secretary

I certify that the attached notice of meeting was posted on the bulletin board at City of Montgomery City Hall, 101 Old Plantersville Road, Montgomery, Texas, on the 4th day of March 2016 at 2:45 o'clock p.m. I further certify that the following news media was notified of this meeting as stated above: The Courier

This facility is wheelchair accessible and accessible parking spaces are available. Please contact the City Secretary's office at 936-597-6434 for further information or for special accommodations.

To: Mayor and City Council members
From: Jack Yates
Subject: March 8 Council meeting
Date: March 4, 2016

Item #2 A RESOLUTION SUPPORTING THE MONTGOMERY COUNTY THOROUGHFARE PLAN — County Judge Craig Doyal will be present to answer questions regarding the Resolution. The Resolution and Thoroughfare Plan is in your packet.

The Plan was produced by the Houston Galveston Area Council (HGAC) through discussions with Mayor Jones and myself with a HGAC transportation planner several months ago and then following an open meeting that I attended in December at Shenandoah. The Plan has become the recommended thoroughfare plan for the County.

The significance of the Plan is as a funding method for major thoroughfares for the County and the city and a planning tool for the city for right-of-way securing as subdivisions occur in the path of the proposed roads. The HGAC transportation committee uses the Plan as a basis for distribution of federal funds for highway projects in the area.

Your approval of the plan does not bind the city in any way to placing the roads or financing the roads. The mobility study now underway, that you will consider and approve, will be the precise, actual plan for streets in Montgomery.

Allow me to remind you of the upcoming County projects in the city; \$4 million Lone Star Parkway, \$400,000-600,000 for Lone Star Bend (connects Lone Star Pkwy. to Bois d'arc Road), \$30,000 for Mobility Study participation. If the city can help the County obtain grant funds for these or other projects it seems worthwhile to be of assistance.

Item #3 Consideration and possible action to receive the Annual Audit for the year ending September 30, 2016 as prepared by BrooksCardiel, PLLC --This is the presentation of the audit by Anthony Cardiel. It is a "clean" audit with the city and utility fund gaining in net value so nothing too exciting is expected. A Mangement Letter is in your binder.

Also, as to the time allowed for him to complete the audit the law is 180 days following the end of the fiscal year which is March 30.

Cathy Branco and I had a discussion regarding the auditor, and it is our opinion that he has done a good job with the audit as to thoroughness and explanation of the figures also. We agree that he is worthy to complete his third year of our current agreement by performing the audit for next year also.

Item #4 Consideration and possible action to receive and accept the Certification of Unopposed Candidates for the May 7, 2016 City of Montgomery General Election as presented by the City Secretary – This is simply as said in the caption, it is your official action saying that the candidates who filed were unopposed.

Item #5 AN ORDINANCE DECLARING UNOPPOSED CANDIDATES IN THE MAY 7, 2016 CITY OF MONTGOMERY, TEXAS GENERAL ELECTION ELECTED TO OFFICE; CANCELING THE ELECTION; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE— This is the official canceling of the election

Item #6 AN ORDINANCE OF THE CITY COUNCIL OF MONTGOMERY, TEXAS, AUTHORIZING PARTICIPATION WITH OTHER ENTERGY SERVICE AREA CITIES IN MATTERS CONCERNING ENTERGY TEXAS, INC. AT THE PUBLIC UTILITY COMMISSION OF TEXAS AND THE FEDERAL ENERGY REGULATORY COMMISSION IN 2016--

From Larry Foerster “it appears that other county cities are approving this ordinance to permit the Cities’ Steering Committee to participate in or intervene in the PUC hearings on Entergy fuel rate increases in 2016. Conroe and Shenandoah lawyers tell me that their cities have recently approved the ordinance. I suggest we put it on the next agenda in March for council consideration.”

Item #7 Baja St. and accompanying CDBG project--The Baja Street project has been reviewed by the engineer and is recommended to be an underground drainage pipe for the storm water. The Baja cost is estimated at approximately \$125,000. A CDBG grant project maximum is \$350,000. The proposal is to improve water and sewer lines and possibly some street work throughout the Northwest part of the city of \$225,000 to complete the total grant funds available.

At this point what needs to happen is to get your general approval for the grant application purpose, then to determine who will be applying for the grant, the grant person will then perform an income survey to assure the worthiness of the application, have public meetings regarding the grant, get a precise budget from the engineer, back to Council for approval of the application budget and make the application. All this needs to happen between now and mid-August, the grant deadline.

Item #8 CD renewal resolution— This is simply a resolution that is required from the bank whenever we renew a CD. In the past this resolution has been simply signed by the city administrator, but in the wording of the document it says the resolution was passed on X date and is in the minutes— so it seems necessary for the Council to actually act on the resolution.

Other Notes to Council Water/sewer Rates— I suggest that we not call the public hearing, yet, for three reasons:

- 1) commercial rates are not in the spreadsheet and they need to be,
- 2) that we wait and see what the result of the meters will be to consumption because if the consumption billings Foerster and in and you will be in go up considerably the revenues will go up considerably also, and
- 3) we need to reduce the gap between the waters gallons pound and the amount

billed to customers before having such a large increase in rates— which I think the gap will be reduced dramatically with the new meters that we will know about in the next month or two.

Water and sewer tap fees— At the next meeting I will have proposed new water and sewer tap fees that will at least cover city cost.

MINUTES OF REGULAR MEETING

February 23, 2016

MONTGOMERY CITY COUNCIL

CALL TO ORDER

Mayor Kirk Jones declared a quorum was present, and called the meeting to order at 6:08 p.m.

Present:	Kirk Jones	Mayor
	Jon Bickford	City Council Position # 1
	John Champagne	City Council Position # 2
	Rebecca Huss	City Council Position # 4

Absent:	T.J. Wilkerson	City Council Position # 3
	Dave McCorquodale	City Council Position # 5

Also Present:	Jack Yates	City Administrator
	Larry Foerster	City Attorney

INVOCATION

John Champagne gave the invocation.

PLEDGE OF ALLEGIANCE TO FLAGS

Mayor Jones stated that during the Texas Flag pledge he was reminded that this is a time of celebration in the State of Texas. Mayor Jones said that about this time many years ago, the siege of the Alamo started and after that Texas became the great State it is today.

VISITOR/CITIZENS FORUM:

Any citizen with business not scheduled on the agenda may speak to the City Council. Prior to speaking, each speaker must be recognized by the Mayor. Council may not discuss or take any action on an item, but may place the issue on a future agenda. The number of speakers along with the time allowed per speaker may be limited.

There were no comments made.

CONSENT AGENDA:

1. Matters related to the approval of minutes for the Regular Meeting held on February 9, 2016.

Rebecca Huss moved to approve the minutes as presented. Jon Bickford seconded the motion, the motion carried unanimously. (3-0)

CONSIDERATION AND POSSIBLE ACTION:

2. Consideration and possible action on department reports.

A. Administrator's Report – Mr. Yates presented his report to City Council. Mr. Yates advised that he had met with several developers during the month regarding Emma's Way, Wade Nelson regarding SH 105 in general, and a developer concerning SH 105 and Lone Star Parkway, Mr. Bowen regarding Waterstone Development, Kroger development, a 68-acre property that Council discussed last month, and Pizza Shack.

Mr. Yates said that he had worked with Mr. Washington regarding Wade Street, and with Mr. Brosch regarding Mason Street. Mr. Yates advised that he has worked on the dilapidated building issue, and the letters are ready to send out to the property owners.

Mr. Yates said that they are waiting for the Deputy Court Clerk to return from maternity leave to proceed with the new Court software.

Mr. Yates advised that he had discussed Baja Street with the City Engineer and it would be an item on the next Council Agenda.

Mr. Yates said that he had worked with the contractor and staff regarding the Automatic Meter Reading System water meters during the installation process.

Mr. Yates said that it had been suggested that he give the Departmental Reports for each of the departments. Mr. Yates said that he thought that this was to streamline the

time and to summarize the reports. Mr. Yates asked City Council how they felt about that suggestion.

Rebecca Huss said that she would prefer to continue to hear from the Departments, but would like it if they could keep their comments to two or three sentences regarding the highlights when items are important. Rebecca Huss said that she reads the reports, so if they are reading what they wrote in their report, she has already read it.

Mayor Jones said that there are some benefits to streamlining the reports, but there are some benefits for the citizens attending the meetings to hear details about what is going on in the City. Jon Bickford said that he felt the same way, he liked hearing from the Department Heads, but they could hit the top three or four key topics in their report. Mayor Jones said that with that feedback, he hoped that the Department Heads would make adjustments as necessary.

Dave McCorquodale arrived at 6:05 p.m.

- B. Public Works Report – Mr. Mike Muckleroy presented his report to City Council. Mr. Muckleroy said that they had replaced the photo cell for the security lighting at the Sewer Plant #2, painted all the hydrants at SH 105 west and Lake Creek Village, and they assisted Accurate with the meter change outs for the new meters.

Mr. Muckleroy said that they have begun the street sign replacements to the 9” inch blades on the main roads in the City. Rebecca Huss asked where one of the new signs had been placed so that she could go and look at them. Mr. Muckleroy advised that the closest one to City Hall was at the intersection of Old Plantersville Road and SH 105.

Mr. Muckleroy stated that they had removed the crushed granite from the Community Center restrooms and replaced it with asphalt. Mayor Jones said that was a good thing and a great project.

John Champagne said that the Department had done a great job replacing the French drain on the pathway at Fernland Park. Mr. Muckleroy said that Mr. Don Carter had done that job. Mr. Muckleroy said that it was a trial to see if it would work, and if it does, they will do the same to the other one.

Mr. Muckleroy said the docents reported 595 visitors to Fernland, and they provided 53 tours.

Jon Bickford asked how the lighting project was at Fernland. Mr. Muckleroy advised that the project was now complete. Jon Bickford asked whether it was functional and worked the way that it was supposed to. Mr. Muckleroy said that he had done a walk through with Mr. Mike Newman and the contractor, who showed them the controls and provided them with a book on the system. Mayor Jones said that it looked really good. Mr. Muckleroy said that they had a couple of minor issues, but everything was now working.

- C. Police Department Report – Chief James Napolitano presented his report to City Council. Chief Napolitano advised that it had been a busy month with 43 misdemeanors, 1 felony and 470 citations issued. John Champagne said that 470 was a lot of citations.

Rebecca Huss said that she did miss the spreadsheet that Lt. Joe Belmares prepares that shows the calls broken down by type. Chief Napolitano advised that they would put that information back into the report. Rebecca Huss said that she would find that information more useful than all the types of charges.

Mr. Yates stated that of the 52 reports for the month, only 7 were driving or warrant related, which said a lot about the Department. Chief Napolitano said that 98% percent of their calls are from issues outside the City while they are passing through the City. Chief Napolitano advised that the City residents are not the problem.

- D. Court Department Report – In the absence of Ms. Rebecca Lehn, Court Administrator, Mr. Yates presented the report to City Council. Mr. Yates advised that officer

Angelina Flores has been reassigned as the warrants officer, and the Police Department will be hiring a new police officer beginning in March.

Mr. Yates said that there were 470 cases filed for a total revenue for the month of \$44,702.82.

John Champagne asked about Ms. Rebecca Lehn, Court Administrator. Mr. Yates said that her ankle has improved, but her Father was very ill.

- E. Utility/Development Report – Mrs. Ashley Slaughter, Utility Billing Clerk, presented her report to City Council. Mrs. Slaughter advised that the month was pretty typical, but a little low on the permit side. Mrs. Slaughter said that she had assisted Accurate with the new meter software conversion.

Jon Bickford asked whether Mrs. Slaughter had seen any reports and data resulting from the new meters being installed. Mrs. Slaughter said that the meter reads had been done using the new software, which she had to input manually since they were not fully connected. Mrs. Slaughter said that there were several customers that had received larger bills during the conversion, but they were able to get everything sorted out.

Mrs. Slaughter said that the new building permit software had also been implemented, but they are still working out some of the bugs. Mrs. Slaughter said they would only be using the software for projects that are under the new International Building Codes and phasing out the older 2006 International Building Code projects. Mrs. Slaughter said that it would be an easier way to keep everything more organized for her and the inspector.

Dave McCorquodale asked which International Code they were using. Mrs. Slaughter said they use the 2015 International Code and 2014 National Electric Code.

Jon Bickford asked whether the City account consumption was in 1,000 gallons. Mrs. Slaughter said that was correct and noted that there was an error in the report from last month, which has been corrected. John Champagne asked what the City's cost is per

1,000 gallons. John Champagne said that they had come up with a cost basis per 1,000 gallons. Mr. Glynn Fleming said that it was costing the City a little over \$5.00 per 1,000 gallons. Rebecca Huss said that included depreciation and five year capital expenditures. Mr. Shackelford said that the cost would be \$3.00 without depreciation and capital expenditures.

Mr. Yates said that they are charging Memory Park a residential irrigation cost. Mayor Jones asked whether that was showing up as a line item transfer from General Fund to Utilities. John Champagne said that the consumption is going to be an interesting thing to track and thanked Mrs. Slaughter for including the information. John Champagne said that it would give them a better idea as to what their true cost is to have these beautiful parks. Rebecca Huss said that she felt it was good because if you do not know how much you are using, you can't do anything about it.

- F. Water Report - Mr. Mike Williams presented his report to City Council. Mr. Williams advised that they had responded to eight district alerts during 12/18/15 – 01/20/16. Mr. Williams advised that on the 20th of the month Accurate Meters found a water main break caused by the ground shifting and making a break between the two pipes and punched a hole in the water line. Mr. Williams said that they did not know how long the leak had been occurring since it was going directly into a manhole.

Mr. Williams said that this month they had a 76% percent accountability. Mr. Williams noted that 93% percent was pumped through the Catahoula Well and the Wastewater Plant was in compliance.

Mayor Jones asked if Mr. Williams knew where the water went with a 76% percent accountability. Mr. Williams said that they had gone through the main break and they were still installing a good portion of the new meters. Rebecca Huss said that with the new meters, they should have higher accountability. Mr. Williams said that was correct. Mrs. Slaughter said that she had noticed a large increase in water consumption with the meter reads and rereads. Mrs. Slaughter said that the new meters were catching more water usage, with customers seeing higher usage, because in the past

they were seeing 1,000 – 2,000 gallons used and now they are seeing 4,000 to 5,000 gallons used. Mayor Jones said that as the meters age, they show less reading.

Dave McCorquodale asked about the average age of the meters that are in the ground before they were replaced, because when they reach 10 years they start to drop off. Mr. Muckleroy stated that a lot of the meters were over 10 years old. Mayor Jones said that the new meters should provide a lot of accountability.

Rebecca Huss said that she had received the notice that they were smoke testing the lines to check for leaks. Mr. Muckleroy advised that they would be conducting smoke tests tomorrow. Mr. Williams said that the smoke testing would identify sewer leaks, but if there is more water leaking into the sewer, it would identify that too. Mayor Jones asked whether they would be testing mainly in the older section of town. Mr. Muckleroy said that they were going to try to get everything south of Caroline Street, west to the Cowboy Church, and then east to Flagship. Mr. Muckleroy advised that they were saving the schools for a day when they are closed. Dave McCorquodale said that it might be a good idea to look at the trailer park at the east line. Mr. Muckleroy said that they are going to try to do it where they get smoke coming out of every vent stack at every house so that they can identify any leaks. Mr. Muckleroy said that you never know what you are going to find, such as rain gutters flowing into the sewer, etc.

Mr. Williams concluded his report by stating that they had 1.5 inches of rain last month.

- G. Engineer's Report – Mr. Glynn Fleming, Associate Engineer, presented his report to City Council. Mr. Fleming reported that the public improvements for Pizza Shack and Kroger are ongoing and he expects that he will be requesting to advertise both projects for bids next month.

Mr. Fleming advised that Capital Project No. 1, which is the Water Plant No. 2 Improvements Project continues to move along and they expect to bid out the project in mid to late April. Capital Project No. 2, which is completion of the waterline across the bridge is currently advertising, and they will receive bids for that project on

Thursday, March 3, 2016. Mr. Fleming advised that he would be back on March 8, 2016 with the bid tabulation.

Mayor Jones asked about the Water Plant No. 2 Project, and confirmed that it would not go out for bids until April 2016. Mr. Fleming said that they would probably advertise mid to late April. Mayor Jones asked if that was due to them still working on the engineering of the Project. Mr. Fleming said that they were through with the engineering and design, but they were wrapping up internal reviews and reviews with TCEQ. Mr. Fleming advised that it usually takes 30-35 days for the review period.

Mr. Fleming reviewed the plan and plat reviews with a few items of note. Mr. Fleming advised that Heritage Place Medical Center drawings have been reviewed and there is a variance request before Council tonight.

Rebecca Huss asked about the plat reviews for the Heritage Plaza, Phase II, where Mr. Fleming had returned his review comments on July 22, and they haven't responded in seven months. Mr. Fleming said that they had responded two weeks ago, advising that they had temporarily paused Phase II with a redesign of sorts. Mr. Fleming said that they might split Phase II to include a Phase III. Mr. Fleming said that they were going to break up the project to have two thirds of the project to come at a later date.

Mr. Fleming advised a preliminary plat submission was reviewed and accepted by the Planning and Zoning Commission Meeting held yesterday for a two acre commercial tract at the northeast corner of SH 105 and Lone Star Parkway.

Mr. Fleming advised that he and Mr. Yates had met with representatives regarding a 19 acre tract on the northern frontage of SH 105 in between Stewart Creek Road and Lone Star Parkway. Mr. Fleming advised that they were looking at some commercial development and possibly mixed use development. Mr. Fleming said that they were in the very early stages, and he would keep Council informed.

Mr. Fleming discussed a possible preliminary alignment of some north/south thoroughfares from SH 105 to Lone Star Parkway. One utilizing a proposed extension

of Emma's Way; and one utilizing a proposed throughway that would be in conjunction to the Montgomery Forest Development and Westway Drive.

Mayor Jones said that there have been some discussions among City staff concerning the extension of Emma's Way to make it go all the way to the Loop, and there are lots of reasons that would benefit folks. Mayor Jones said he just wanted City Council to start thinking about this information and to know that it is being discussed.

John Champagne asked about the Baja Project. Mr. Yates advised that the Baja Project would be on the Agenda for the next Council meeting.

H. Financial Report – Mrs. Cathy Branco presented her report to City Council. Mrs. Branco advised that she had gotten all of the payroll amounts for Mr. Muckleroy and Mrs. Slaughter transferred from the Operating Fund to the Utility Fund. Mrs. Branco advised that this is usually done on a quarterly basis, but she had been delayed this time. Mrs. Branco said that the transfer increased the net Operating Fund income for January from \$11,500 to \$53,200, and decreased the Utility Fund from \$41,500 to \$8,000.

Mayor Jones said that from a budgeting standpoint, those two employees are paid by the General Fund. Mrs. Branco said they used to pay them from two separate funds but the IRS could not keep the filings straight. Mrs. Branco said that they decided a long time ago to pay everyone out of Operating Funds and then if anyone needed to be paid from another fund, they would do the adjusting entry and transfer. Mayor Jones asked if the other two employees in Public Works came out of the General Fund. Mrs. Branco advised that they were paid out of the Public Works Fund.

Mrs. Branco said that she was in the process of checking all the adjusting entries that were sent over by the Auditor to make sure that everything follows right in her way of thinking. Mrs. Branco said that once she finishes, she will discuss the Audit with Mr. Yates and try to have everything ready for the March 8, 2016 Council Meeting.

Rebecca Huss asked whether the Auditor was done with the Audit. Mrs. Branco said that she believed that he was, but he still had questions as of Monday. Rebecca Huss

said that last year the Auditor had said that they were going to be right on top of the Audit and get everything done. Rebecca Huss said that this was the second year and the customer service has been quite poor on their part as far as timeliness. Rebecca Huss said that they should have all the questions done at once and then do the Audit.

Mayor Jones said that relative to the comments, are our expectations too high, and was there was a deadline that says that the City has to be audited by a certain time. Mrs. Branco said that she believed that it was 135 days. Rebecca Huss said that if the auditor is fumbling, it could be seen as the City's fault and the bond market could penalize us for not having our act together when it is not our fault it is them.

Rebecca Huss said that the City might consider looking at the audit firm and get a jump on it early, because they have had two years and botched them both. Mrs. Branco said that there were other audit firms out there. Mayor Jones said that the City had been through a few. Rebecca Huss said that they need to change auditors every few years anyway. Mrs. Branco said that there were a lot of auditing firms out there that the City probably has not seen and said that at this point she did not think that any of them were any less expensive than what the City has right now.

John Champagne asked Mr. Yates if he had any thoughts on this matter. Mr. Yates said that he thought that they were being a little too hard on the Auditor. Mr. Yates said that last year the audit was completed in either May or June. John Champagne said that he remembered that there was an issue last year. Mr. Yates said that was correct. Mr. Yates said that the Auditor had done a much better job this year.

Rebecca Huss said that in the terms of the amount of time that Mrs. Branco had to spend was an expense to the City. Rebecca Huss said that if the Auditor would send her a list of questions ahead of time that she could answer and that would be that, then she could get it done.

Mrs. Branco said that she felt that when they come out to do the Audit they should be prepared with the questions that they are going to ask so they can get the Audit done.

John Champagne asked Mrs. Branco if she has discussed this matter with Mr. Yates. Mrs. Branco said that she has talked with Mr. Yates about this matter. Mrs. Branco

said she was being a little hard on the Auditor. Mrs. Branco said that she thought the Auditor had done a much better job this year, as far as putting together the information.

Jon Bickford asked when they begin the Audit. Mrs. Branco said that she has to finalize all the transactions and then normally they start the Audit 45 days after the end of the fiscal year. Mayor Jones said that he thought that they had started before Christmas. Jon Bickford said that was 3 ½ months to complete the Audit. Jon Bickford said that there was a way to fix that by putting some penalty clauses in for not getting things done on time.

Mrs. Branco said that they could get penalized for not having the Audit in on time. Mrs. Branco said that it was the City's responsibility to provide the Auditor with the information that they need and to have a clean Audit. Mayor Jones said that Mrs. Branco has been with the City for a long time and should know what to expect for the Audit, so it should be clockwork on our end. Mrs. Branco said that she did not think that the organization was there, and she knew that he was working on it, and they have some personnel problems. John Champagne said that was not the City's problem.

John Champagne said that Rebecca Huss makes a good point, but they are micro managing, in his opinion. John Champagne said that if staff has not figured it out, whose responsibility is it? Mrs. Branco said that they did not have a problem with the City, she has a problem with them because she did not think that they were organized.

John Champagne said that Rebecca Huss made a point, if the Auditor is not performing, that is up to staff to evaluate. John Champagne said that he is assuming that everything is good because staff has not kicked out the Auditor. John Champagne said that for Council to assess the proficiency of this consultant he felt would be a bit silly, when staff is doing it every day, so if staff chooses not to terminate the firm then they will be responsible for whether the City made the date for the Audit. Mayor Jones said that they can't terminate at this point.

Mayor Jones said that they are supposed to switch every two years, so this would be the year. Mr. Yates advised that the option was after three years. Jon Bickford said that they could chose to go one more year or chose to get someone else. Mrs. Branco said that was correct. Mr. Yates said that he and Mrs. Branco would have that

discussion. Rebecca Huss asked that they please have that conversation. Mrs. Branco said that she knew that they had discussed it somewhat, but had not really had a sit down discussion, which is why she is checking the entries and then she will sit down with Mr. Yates to discuss the information before the March 8, 2016 Meeting.

Mrs. Branco reported that the debt service is due on March 1, 2016 in the amount of \$404,000 plus, which is covered. Mrs. Branco said that the letters for the wire transfer will be hand delivered to the bank tomorrow.

Rebecca Huss asked Mr. Muckleroy about the Utility Fund that is showing that the water treatment plants are \$7,000 over budget for utilities, which will end up being \$18,000 to \$20,000 over budget for the year. Rebecca Huss said that she thought that the cost for electricity should be falling, and should not be higher than their expectations. Mr. Muckleroy said that he would look into that matter. Mayor Jones asked if they had added some equipment that they were not expecting. Mr. Shackelford stated that the new well, Water Well #4, is a deeper well and is running more often, which could be some of the cost increase. Mr. Shackelford said that it could also be the cooling tower. Mayor Jones said that was not present this time last year. Rebecca Huss said that when they prepare the budget they will need to make sure that they account for that expenditure.

Jon Bickford moved to accept the Departmental Reports as presented. Rebecca Huss seconded the motion.

Discussion: Dave McCorquodale said that he had one quick questions, and apologized for being a few minutes late to the meeting. Dave McCorquodale said that looking back on the City Administrator's Report, he referred to where Mr. Yates had kept the MEDC minutes, and asked whether Ms. Shannan Reid had attended that MEDC meeting. Mr. Yates advised that Ms. Reid was at that meeting. Dave McCorquodale asked about when Mr. Yates met with the developers, such as the Emma's Way meeting, and whether Mr. Yates brought Ms. Reid to those meetings. Mr. Yates said that he did not normally have Ms. Reid attend those meetings. Dave McCorquodale said that was all the questions that he had.

The motion carried unanimously. (4-0)

3. Consideration and possible action regarding adoption of the following Resolution:

A RESOLUTION SUPPORTING THE MONTGOMERY COUNTY THOROUGHFARE PLAN.

Mr. Yates advised that County Commissioner Mike Meador had called him two weeks ago to ask City Council for their support because of the potential funding of the project and the important role of the adoption of the Plan to receive the funding. Mr. Yates stated that this is not a binding agreement of the City Council regarding the placing of the roads or financing of the roads. Mr. Yates advised that the City's true Plan will be the City Engineers Mobility Plan that they are currently preparing. Mr. Yates said the City's Mobility Plan will be a more solid plan for the City's streets.

Mr. Yates said that the County's Plan will allow them to be able to plan for streets as subdivisions come before City Council, such as development south of SH 105, it would allow Council to provide for the right of way during the subdivision platting process. Mr. Yates said that the Resolution states that the City supports the efforts of Montgomery County Commissioner's Court in passing the Thoroughfare Plan.

Mr. Yates said that this Resolution would not bind the City in any way to pay or put in any of these roads. Rebecca Huss said asked if it would support how the County has broken the Open Meetings Act rules in terms of how they got the funding or put the Bond projects, and asked if it had any judgement on that matter. Rebecca Huss stated that she thought the Texas Rangers were investigating whether or not the County Commissioner's had violated the Open Meetings Act. Mayor Jones said that he thought that had been resolved. Mr. Shackelford said that he understood the matter was still being investigated. Mayor Jones said that he did not feel that matter should influence Council's decision regarding the map.

John Champagne asked what the point was for the City to support or not support the Plan. Mr. Yates said that it helps the City and the County in receiving funds through the Houston Galveston Area Council for funding the roads. John Champagne asked whether Montgomery County would receive the funding. Mr. Yates advised that the City could receive funding for projects that are inside the City, and the County would receive funds for the projects in their

area. John Champagne asked who would be dispersing the funds. Mr. Yates advised the funds would be disbursed by the Houston Galveston Area Council Committee. Jon Bickford asked to confirm that there would not be any commitment on the City's part for the roads that are detailed in the Plan. Mr. Yates said that was correct, the City would not be responsible for funding the roads.

Dave McCorquodale said the reason he is not in favor of a Resolution that supports this Plan is because it looks like they are just going to plan on a bunch more new roads, but when they get locally in the enlarged area he does not see anything that reflects the nature or scale of the City of Montgomery. Dave McCorquodale said he sees a whole bunch of what they deem a County level thoroughfare, which their definition is a 4-6 lane road carrying traffic both ways. Dave McCorquodale said if someone asked him how this number of 4-6 lane roads in and around our City was going to either improve the quality of life or serve as an economic advantage to the City, he did not know if he could answer them.

Dave McCorquodale said that he felt that he did not have a blanket objection to any of this, but personally he felt that if he did not voice some type of a concern now, it will go from this stage to construction drawings relatively quietly. Dave McCorquodale said that he understood that this Plan would help secure right of ways and things like that, but if you look at it from another way, and these are very general, how they will be securing right of ways.

Mayor Jones said that on the blown up local map it shows that they would like to loop all the way around town, and based on the City's traffic issues, it would be beneficial. Mayor Jones said that there would be roads to the south of the City that would cut over to FM149 that would keep people from having to come through town. Mayor Jones said that the City does get a say on what they get locally, because through the thoroughfare plan they are participating with Montgomery County Precincts 1 and 2. Mayor Jones said that the City's input will be listened to and most of this Plan is outside the City.

Jon Bickford asked if the Mayor was suggesting that planning is already underway for some of these thoroughfares. Mayor Jones said that what he had mentioned was more local and would be a City action, not a County action.

John Champagne asked the City Attorney what would be the main reason for garnering support through Resolutions by the County, and what would be the negative if the City did not participate. Mr. Foerster said that he would like to suggest that City Council table this item and invite either the Commissioner or someone from the County to come and answer Council's questions. Mr. Foerster said that if he is being asked to speculate, he is sure that there are H-GAC grants out there that may be available, if there is local support for certain proposed thoroughfares. Mr. Foerster said that right now they do not know exactly what is on the priority list. John Champagne asked who determines the priority list. Mr. Foerster said that ultimately it would be Commissioner's Court. Mr. Foerster said that in his experience, Commissioner's Court tries to share the wealth and make sure that each Precinct gets some portion of that grant and other grants. John Champagne said that it was similar to the San Jacinto River Authority.

Mr. Foerster said that his recommendation would be to maybe table this item and either invite County Commissioner Mike Meador or somebody from the County Engineer's Office to come before Council and explain this Resolution with a little more detail so that they can have a better understanding of the Plan. Mr. Foerster said that Dave McCorquodale's concern is a righteous one and if they support this Resolution, as it is currently proposed, are they not saying that in the future the City supports the right of way at a particular location around the City of Montgomery. John Champagne said that is absolutely correct.

Jon Bickford stated that was why he asked if City Council voted in favor of the Resolution, does that mean that they are sponsoring the roads as they are on this map. Jon Bickford said if the answer to his question is no, then will the City get funds for streets/roads that they could use for other streets/roads that are not on the map. John Champagne said that as he understands it, that would be determined by the County Commissioner's. Mayor Jones said that most of the streets are outside the City limits, and the City would be indirect beneficiaries of those projects. Rebecca Huss said that then they would not need the City if it is outside the City. John Champagne said that he failed to see where the City's participation has some merit.

Rebecca Huss said that she would also like to point out that the current improvement where FM149 is being widened, is not necessarily an improvement to downtown businesses. Rebecca Huss said that the businesses feel like it will hurt them because they will have traffic whipping by them and their buffer is much shorter. Rebecca Huss said that this is a project that is

happening completely without any input from government, businesses or the Historical District. Mayor Jones said that was not true, stating that project has been discussed for many years and they have held many meetings with people from downtown to discuss the matter. Mayor Jones said that it is a State highway. Mayor Jones said that they listened to the City's concerns and tried to accommodate the concerns as best as they could, but their job is to move traffic. Rebecca Huss said that it proved her point that stuff just happens. Mayor Jones said they can't stop it because we have a quaint little downtown.

John Champagne said that he just wanted to understand what being part of the Resolution brings to the party. Mayor Jones said it brings good will. John Champagne said he is looking at Baja Street, where they did a great job. Mayor Jones said that is true, maybe they need a Resolution for Baja Street. John Champagne said that was fine with him.

After discussion, John Champagne moved to table action on this item. Dave McCorquodale seconded the motion.

Discussion: Mayor Jones asked Mr. Yates to contact either one of the Montgomery County Commissioners to come and present the information to City Council. Mr. Yates advised that he would contact the County Commissioners.

The motion carried unanimously. (4-0)

4. Consideration and possible action regarding amendment to Jones & Carter EJCDC Contract pertaining to Milestone Development.

Mr. Fleming advised that after review of the Contracts for both Milestone Development (Kroger) and Pizza Shack by the Texas Department of Agriculture, the State reviewer took no issue with anything material to the contracts, however, they did highlight that there was some language that was missing that they would like to see related to Federal Civil Rights language, with very specific wording related to an equal opportunity clause.

Mr. Fleming said that the reviewer had requested that they add that language in to the Contract, which they agreed to do. Mr. Fleming said that it does not materially alter anything in terms of the Contract.

Jon Bickford asked if it added any cost to the City. Mr. Fleming advised it did not. John Champagne asked whether the Civil Rights wording was addressing specific ethnic groups. Mr. Fleming advised that was correct, it is the nondiscrimination clause. Mr. Fleming advised that the new Form 1295 has also been included, which is now required to be filed with the Texas Ethics Commission disclosing all interested parties.

Jon Bickford moved to accept the proposed amendment to Jones & Carter EJCDC Contract pertaining to Milestone Development. Dave McCorquodale seconded the motion, the motion carried unanimously. (4-0)

5. Consideration and possible action regarding amendment to Jones & Carter EJCDC Contract pertaining to Pizza Shack Development.

Jon Bickford asked to confirm that this would not add any cost to the City. Mr. Fleming advised that was correct.

Jon Bickford moved to approve the amendment to Jones & Carter EJCDC Contract pertaining to Pizza Shack Development. Dave McCorquodale seconded the motion, the motion carried unanimously. (4-0)

6. Consideration and possible action on final plat submission and construction drawings for Pizza Shack.

Mr. Fleming advised that they reviewed the plat late last year and made comments. Mr. Fleming advised that they have received the revised final plat submission and stated that all review comments have been satisfactorily addressed, with some minor text corrections in the signature blocks, otherwise it is complete and in good order and in keeping with the Code of Ordinances.

Dave McCorquodale said that they only have one area on the plat with the varying buffers on either side. Mr. Fleming said that the building setbacks, vegetative buffers and utility easements are shown. Mayor Jones said that the property was a funny shape. Mr. Fleming said that it was largely driven by geography and the western property line.

Dave McCorquodale asked about the construction drawings. Mr. Fleming said that he had received those late last week and it appears that all review comments have been satisfied. Mr. Fleming said that in conversations with both the design engineer and contractor for the project, they have indicated that they are still in somewhat of a holding pattern while they work out some minor engineering items on the building plan and possibly some drainage items on the civil site plan, otherwise he takes no issue with either one of the submissions. Mr. Fleming said that in order to keep the project moving along, he had placed it on the Planning and Zoning Agenda yesterday for approval, which they did approve and passed on to City Council.

Mr. Fleming said that his request would be for City Council approval with some minor corrections on both the plat and any revisions to site drainage would need to be accomplished to evaluate their engineering. Rebecca Huss asked whether they would need to come back before City Council to approve the drainage plans. Mr. Fleming advised that they would not, unless there was a significant change to the site plan, which would require them to come back to Council.

Dave McCorquodale asked whether onsite detention required for a project like this with a proximity to Stewart Creek Lake. Mr. Fleming advised that there would not be any onsite detention, because their drainage would flow into the tributary and creek.

Dave McCorquodale moved to approve the final plat submission and construction drawings for Pizza Shack, pending comments from the City Engineer being satisfied. Rebecca Huss seconded the motion, the motion carried unanimously. (4-0)

7. Consideration and possible action on final plat submission for the King Land.

Mr. Fleming advised that they had reviewed this plat last year and returned it with comments. Mr. Fleming advised that the final plat had been returned to him in the last few weeks. Mr. Fleming said that he has reviewed the plat and all the comments have been satisfactorily addressed and he has no issues with the final plat. Mr. Fleming advised that this was a subdivision of an existing parcel of land.

Rebecca Huss asked whether the gravel drive went through Reserve B and into Reserve C that will have a permanent easement, or do we care. Mr. Fleming said that they do not care about the easement because this is located in the un-zoned extraterritorial jurisdiction of the City, and does not really qualify as what they would consider a flag lot, because it is actually a full width easement or front lot that the driveway runs through. Mayor Jones said that it could be trailer houses. Mr. Fleming advised that this had gone before the Planning and Zoning Commission yesterday and they approved the plat.

Rebecca Huss said that buildings are shown in the subdivision and asked if they really reflects the facts on the ground. Mr. Fleming said that was correct, and they are all existing structures.

Dave McCorquodale moved to approve the final plat submission for the King Land, as submitted. Rebecca Huss seconded the motion, the motion carried unanimously. (4-0)

8. Consideration and possible action on Utility and Economic Feasibility for Waterside Estates.

Mr. Fleming requested that this item be deferred until March 8, 2016. Mr. Fleming advised that the study was largely complete, but he had just received the anticipated home and lot values this morning, which precluded him being able to complete the financial information.

John Champagne moved to table this Agenda Item 8. Rebecca Huss seconded the motion, the motion carried unanimously. (4-0)

9. Consideration and possible action on L Squared Engineering request for revision to City approved paving improvements for West Side at the Park Development.

Mr. Fleming advised West Side at the Park Development is a residential development located directly across SH 105 from City Hall, which includes 11 lots that wrap around the north side of the Park on Caroline Street, and then down the west side on Shephard Street. Mr. Fleming stated that the project was designed by L Squared Engineering, and was approved by the previous City Administrator and previous City Engineer in 2014.

Mr. Fleming stated that most of the water, sanitary sewer, drainage and paving improvements have been completed, and L Squared Engineering called for a final walk through in December. Mr. Fleming advised that when he conducted the walk through, there was a handful of punch list items that have been included in the materials presented.

Mr. Fleming said that an item of particular interest was number 22 on the list, which identifies a proposed completion or expansion of paving on Shephard Street, north of SH 105. Mr. Fleming advised Council that he had provided them with a couple of exhibits, the first one being a current layout of Shephard Street as is, with the color green displaying what the existing asphalt paving, and the blue shading represents the expanded asphalt paving. Mr. Fleming then went to the next page, which was a third area shaded in orange, indicating what on the approved construction drawings was intended to be full width concrete paving. Mr. Fleming said that the item identified on the punch list is that paving has not been completed to date. Mr. Fleming said that the third display that he has is a photo of the area as it appears today. Mr. Fleming advised that it was the intersection of Shephard Street and Caroline Street looking south to SH 105. Mr. Fleming advised that on the left side of the photograph you can see that the existing asphalt paving and the expanded paving dead ends into the commercial reserve at SH105.

Mayor Jones said that he understood that the last 200 feet is supposed to be concrete. Mr. Fleming said that was correct, according to the drawings, it was intended to be full width concrete. Mayor Jones asked what they were considering. Mr. Fleming said that he had identified the item on the punch list as an outstanding item that needs to be completed prior to City acceptance.

Mayor Jones said that Mr. Levi Love wanted to speak to this issue. Mr. Love said that Mr. Fleming had very well laid out what was going on with the project. Mr. Love said that essentially everyone was here when they got this approved and they left that meeting thinking

that the paving of the portion of the front of the commercial tract was contingent upon the commercial tract. Mr. Love said that in their response on June 24, 2014, which he believed was attached to the letter. Mr. Love said that they basically stated in the response that it was their understanding that the development of the portion in front of the commercial tract, and the subsequent TxDOT Permit, would be contingent upon development of the commercial tract. Mr. Love said that the reason for that was because that was a significant cost that really could only be justified by the development of the commercial tract.

Mr. Love said that by putting in asphalt that they did, and once again they are not trying to get anything by the City, but they left that meeting with the understanding and also their meetings with Bill Kotlan, this would be the accepted route to go on this. Mr. Love said that they added all the widening that they were supposed to do along the residential, and he believed that Jon Bickford and John Champagne all had a concern about parking and the street not being wide enough, so they did everything that they were supposed to do on that area. Mr. Love said that it is just the area in front of the commercial tract, they would like to wait until they get the commercial tract developed, and in lieu of a bond or any kind of financial guarantee, they would like to withhold any approvals or Certificate of Occupancy on the commercial tract until all the obligations are met, planned for or bonded. Mr. Love said that was their proposal to City Council so they won't have to do the concrete right now.

Mr. Love said if they can get the right commercial leverage there then maybe they can go to the Montgomery EDC to seek some assistance, so there are some options there, or they can get some commercial development in there to justify the road.

Mayor Jones said that he has been up and down that road many times and it just seems so strange that you can be driving along and suddenly you do not have any road anymore. Mr. Love said that he thought that they could stripe that area for parking for the meantime, or put in a transition. Mayor Jones said that they could make the pavement blend in with the road by adding a little more pavement.

Jon Bickford said that it does not look like a big thoroughfare today, but it will be more of a thoroughfare when there are homes and the people that live there will know about the road, but the visitors will not. Jon Bickford said that the current road looks very dangerous to him. Mr.

Fleming said that he would identify it as a potential safety concern and he would be remiss not to call it out before the City accepts the road as their own. Jon Bickford said that he thought there should be a guardrail or something.

Mr. Love said that he felt striping the area as parallel parking would be a solution, which is the intent and spirit of the main argument that they had before when they wanted on-street parking available for any residents. Mayor Jones said that would be temporary parallel parking. Mr. Love said absolutely, it would be temporary.

Rebecca Huss asked what the expected timeline for the commercial tract. Mr. Love said that they did not have a timeline yet. Rebecca Huss said that it could be 5 or 10 years. Mr. Love said that there has not been any significant interest in the commercial tract yet. Mr. Love said that he could speculate, but it would only be a guess. Rebecca Huss asked what would be the cost of extending the asphalt as a temporary measure. Mr. Love said that it would be a significant cost because the street tie in with TxDOT is not sufficient to accommodate the full width of the asphalt. Mayor Jones said that he did not see a reason to build the concrete street, but he would like to see a gradual transition.

Jon Bickford said that this idea is a pretty big change from what was presented when they agreed on the street because it was going to be 28 feet wide, but now it is going to be 28 feet wide until you hit the grass. Now they are going to do something so that people don't drive off into the grass until some indeterminate time that they might put something commercial at that location. Jon Bickford said that he did not like it and he did not think that was what they agreed on. Rebecca Huss said that she understood the economic end of it, but if there is an option where the striping of the area at the end had signage as well, such as "the road ends" or something like that, or make it contingent on it actually working. Rebecca Huss said that if the street is not safe then they need to address the matter.

Jon Bickford said that his frustration is that they agreed on this in June. By their own admission they had an understanding and here they are six months later. Rebecca Huss said that it is 18 months later. Mr. Love said that it has been 18 months and their understanding when they left that meeting, and what they had documented in their response letter, was that they did not have to build the road until the commercial tract developed.

Mr. Fleming said that to be fair they were pretty matter of fact with specific dates when this matter was taken up in open Council Meetings. Mr. Fleming said that he went back and checked the minutes for those meetings, and there are not mention of it. Rebecca Huss said that they were decidedly abbreviated back then. Mr. Love said that they were, they compared recent minutes with those minutes, and had they had the same detail they think it would have been in there. Rebecca Huss said it could have been more confusing because she seemed to recall there was a lot of back and forth. Mr. Love said that they had requested a variance on streets and did not get those, and requested a variance using asphalt because the existing road was asphalt, which they did get that variance. Mr. Love said that this matter was just a part of the discussion that was not really variance worthy at the time.

John Champagne said that he would like to defer personally to our engineering group to have some suggestions as to make this less apt to have issues in terms of accidents or mishaps, and submit that, because the way that it now is not good. John Champagne said that if he made a motion for the engineering group to discuss a modification of this design to make it safer for traffic and pedestrians.

Mr. Yates said that in the L Squared letter dated February 17, 2016, the engineers say that in lieu of the immediate completion of the paving in question, the design engineer shall submit a traffic control plan for review and approval by the City Engineer, which includes pavement striping on the non-travel lane and installation of a Type-3 barricade at the southern terminus of the expanded asphalt paving. Mr. Yates said that would be a standard traffic control device. John Champagne said that would be his motion. Mayor Jones said that they still needed to ease people over, you can't just put up a barricade. Rebecca Huss said if it was parking you could. John Champagne said that once again he was going to defer to the professionals.

Mr. Fleming said that first and foremost this is an outstanding item on his punch list, which will preclude that from being closed out and accepted by the City. Mr. Fleming said that he has two recommendations, one would be to pave the road as designed and approved by the City. Mr. Fleming said if Council chose not to go that route, they need to do something to mitigate the concerns discussed, by at least some striping on the pavement and a Type-3 barricade. Jon Bickford said that if the proposal is to not follow through with what was approved by paving the whole thing and finishing the last part with concrete, then it sounds

like they need an alternate. Rebecca Huss said that they also need to have some type of language that makes it clear that the concrete comes with the Certificate of Occupancy or construction drawings with the commercial insert. Mr. Fleming said that it should be completion of the paving as it was designed will become necessary at such time as the commercial tract builds out. Mr. Fleming said that they need to be clear that the Certificate of Occupancy offered to that commercial tract until that has been completed.

Jon Bickford said that they need to make sure that language is registered so that if anybody buys that property we don't come back here with some big surprise that they did not know they needed to do that, can they have a waiver, because the answer would be no. Mayor Jones asked whether that would be covered somewhere else.

Dave McCorquodale said that a couple of the points that he recalled from that time was some of the concern over residents living on Caroline Street with increased traffic, and this was going to be a new ingress/egress to this neighborhood. Dave McCorquodale said that there was merit to both sides, but in particular, one of the concerns was with the construction traffic, but as they get to a point of construction of the commercial tract, with the homes in place, should we as a City look to see whether this road should be widened prior to the construction of a commercial tract with the 11 homes there. Dave McCorquodale commented that with those 11 homes and then with commercial construction, should they take care of the road before the construction takes place, but like John Champagne, he would defer to the professionals.

Mr. Fleming said that as long as the conditions are tied to the Certificate of Occupancy, from a financial standpoint they would almost have to finish the paving and build out the tract, you can't build out the commercial pad site and allow it to sit on that frontage while you decide what to do with the paving. Dave McCorquodale asked about the Type-3 barricade. Mr. Fleming said that it was a large 3-post 3-4 rail orange and white wooden barricade with reflectors.

Mr. Love said that they could sort out what type of barricade would be best for that location. Jon Bickford said that it frustrated him that they are this far and now they want to come in, because he can't imagine that they believe this road is what the City approved. Mr. Love said that they did in 2014. John Champagne said that he did not remember approving this action.

Mr. Yates said that they could do some angled striping toward the end that would direct people away from the barricade. Mayor Jones said that he thought that would be a good idea, and he would assume that the City Engineers could come up with a safe way to do that.

John Champagne moved that in lieu of the immediate completion of the paving in question, the design engineer shall submit a traffic control plan for review and approval by the City Engineer, which includes pavement striping on the non-travel lane and installation possibly of a Type-3 barricade, if needed, at the southern terminus of the expanded asphalt paving, the finishing of the road in concrete shall be done prior to construction of the commercial tract. Rebecca Huss seconded the motion.

Discussion: Mr. Yates asked if John Champagne meant that it would be “prior to the awarding and issuance of the building permit”. John Champagne said that whatever it would take. Jon Bickford said that he would say that “prior to the award of the building permit”.

John Champagne accepted the verbiage as stated by Jon Bickford and amended his motion to state “in lieu of the immediate completion of the paving in question, the design engineer shall submit a traffic control plan for review and approval by the City Engineer, which includes pavement striping on the non-travel lane and installation possibly of a Type-3 barricade, if needed, at the southern terminus of the expanded asphalt paving, the finishing of the road in concrete shall be done prior to the award of the building permit for construction of the commercial tract”. Rebecca Huss seconded the amended motion.

Discussion: Mayor Jones stated that the engineers would work out the appropriate information.

The motion carried unanimously. (4-0)

10. Consideration and possible action regarding Agreement with Kevin Barnes pertaining to a parking variance at his building located at 401 College Street, Montgomery, Texas.

Mr. Yates stated that in February, 2014, Mr. Barnes requested a variance which was granted and an agreement was put together regarding parking at his building at 401 College Street. Mr. Yates advised that Mr. Barnes never signed the agreement. Mr. Yates said that now there is a hanging issue, regarding his off street parking spaces for his building that he is nearing completion.

In December, Mr. Yates advised that he went to see Mr. Barnes and suggested to him that he make the payment and sign the agreement. Mr. Barnes advised that he could not afford the \$5,000. Mr. Yates said that Mr. Barnes has proposed giving the City \$2,500, which he has submitted a check that is being held pending Council action, and another \$2,500 on or before May 31, 2016 and the remaining \$5,000 to be paid either at the completion of his building or by December 1, 2016, whichever comes first. Mr. Yates said that the proposed amendment would not affect the City because nothing would have to be done until the funds were paid by Mr. Barnes.

Dave McCorquodale asked if they said no, would that decision be final. Mr. Yates said that was correct. Mayor Jones said that the allowance of the variance allowed the building to be built. Rebecca Huss said that Mr. Barnes financial situation allowed him to get several other variances as he was building because if the project did not work, they would be left with a half constructed building in the middle of downtown. Rebecca Huss said that she believed that they had already extended Mr. Barnes quite a few adjustments to what they would have normally gotten. Rebecca Huss said that she understood what Mr. Yates was saying, this does seem the easier route, but she felt that there should be some penalties attached to this action, such as adding fines for missed dates and the total amount and if he drags this out for another year there should be some cost or incentive for him to comply. Mr. Yates said he did not know how the City had been penalized.

Jon Bickford said that he is going to have people working at that building and where are they going to park. Jon Bickford said that the funds were to pay for the parking and they will need to have parking available for that building. Jon Bickford said that he agreed with Rebecca Huss that they need to do something quick and he needs to pay the piper. Jon Bickford said that the City's loss is that they are going to have to provide parking spaces when he starts renting space in that building. Jon Bickford said that now the City won't get the other \$5,000

until the building is at least 50 percent full. Mr. Yates said that if it is occupancy status, it does not have to be rented.

Rebecca Huss moved to approve the agreement adding a \$1,000 penalty if Mr. Barnes misses the May 31st deadline, and an additional \$2,500 penalty if he missed December 2016 date, which ends up being a 30 percent penalty. Jon Bickford seconded the motion.

Discussion: Mayor Jones asked the City Attorney if the penalty clause was legal. Mr. Foerster said that it is an agreement that you can put what you want into it, because it is not set out in an ordinance. Mr. Foerster said that if Mr. Barnes is willing to sign the agreement and the two parties are in agreement, then he felt it would be enforceable. Mayor Jones asked if Mr. Barnes refuses to sign the agreement because he doesn't like the penalty, then what can they do. Dave McCorquodale said that he thought they would go back to the original agreement, which he technically did not sign, but accepted it when he pulled the construction permit. Mr. Foerster said that he won't get the Certificate of Occupancy until he has done something to satisfy the City. Mayor Jones said that there is still a Certificate of Occupancy to be done. Mr. Yates said that was correct.

The motion carried unanimously. (4-0)

11. Consideration and possible action regarding purchase of large diameter AMRS water meters.

Mr. Yates advised that when they replaced the residential meters and the 30 larger meters, they found four 1½ inch meters at a cost of \$950 that could not be retro fitted for a total of \$3,400. There are also 32 two inch meters at a cost of \$950 each for a total cost of \$30,400, and one four inch meter at a cost of \$5,500. Mr. Yates said that they were proposing not to change out the four inch meter because it is a good meter and is easy to read. Mr. Yates said that if there is a problem with the four inch meter, Mr. Muckleroy has advised that he can easily work on it. Mr. Yates said that they were asking if City Council wanted them to manually read those meters or to purchase the two inch meters and the 1 ½ inch meters for a cost of \$33,800.

Mayor Jones said that the reason that they missed the meters was because they just did not know how many of the meters or what size was in the holes. Mr. Yates said that was correct. Mayor

Jones said now they know how many meters and what size they are on a list. Mr. Yates advised that was correct.

Jon Bickford asked if the request for proposal was up to the bidding contractor to survey the meters. Mr. Muckleroy said that the contractor did not survey the meters beforehand, so they did not know how many there were. Mr. Yates said that the bid was so much per meter. Dave McCorquodale asked if these meters were relatively new meters or were they old meters. Mr. Muckleroy said it was a combination of meters, but they fall under the large diameter meters that are generally running more water through them. John Champagne said that it appears that the payback could be pretty quick. Mayor Jones asked Mr. Yates if his proposal was to buy the meters at \$950 x 32 meters and then the City will install them as they get to them. Jon Bickford said that \$950 was the installed price. Mr. Yates said that is what he is recommending that they get them installed. Mr. Yates said that they will use the Capital Improvement Bond money to pay the difference. Mayor Jones said that account has approximately \$201,000 that was for water projects. Mr. Yates said that they have already spent \$120,000 of that amount on the meter installation that has been completed. John Champagne asked if they wanted to replace the four inch meter. Mr. Yates said that he did not want to replace that one. Mayor Jones asked what the price was for the four inch meter. Mr. Yates advised that it was \$5,500. John Champagne asked how often the four inch meter is checked and calibrated. Mr. Muckleroy said that he did not know if that meter or any of them had ever been calibrated. Mr. Fleming said that with the meters, they are mostly about usage versus age, they replace the residential meters at one million gallons and the commercial larger diameter meters might run anywhere from 3-5 million gallons. Mr. Fleming said that monetarily it makes sense to pull them out of the ground every five years or so and test and recalibrate the meter. John Champagne asked what they were looking at for this four inch meter and how long has it been since it has been pulled and recalibrated. Mr. Muckleroy said that he was sure it was the original meter that has probably never been calibrated. Rebecca Huss asked how old the meter was. Mr. Muckleroy said it was between 8-10 years old.

Jon Bickford moved to upgrade and replace all the meters to complete the project, including the four inch meter, for a total of \$39,350, to be paid for out of the Capital Improvement Bond Funds. John Champagne seconded the motion.

Discussion: Jon Bickford asked to confirm that would give the City all electronic readability of every meter that they know they have. Mr. Yates advised that was correct. Mr. Muckleroy said that the only two that they will manually read are the two meters at the Water Wells.

The motion carried unanimously. (4-0)

Mr. Williams advised that the meters at the Water Wells were calibrated twice a year by GM Services.

12. Consideration and possible action regarding naming of the streets on SH 105 approaching the Montgomery High School Sports Complex.

Mayor Jones advised that this item was tabled from the last meeting.

Mr. Yates said that they changed the item to streets because he was told that the road on the west side is also a public road, but he had not researched that information yet so he was sure about that road.

Mr. Chris Cheatham, who was present, advised that in a Development Agreement between the City, Montgomery ISD and himself, as part of the trading that went on, MISD had given up those two 60 foot strips to the City, as part of the Agreement. Mr. Cheatham said that they were about to develop the northwest corner of the driveway. Mr. Cheatham said that he owns property between the two driveways. Mayor Jones asked whether there would be curb cuts off of those streets. Mr. Cheatham said that would be correct.

Mr. Yates advised that in the pack there was a listing from Mr. Foerster of possible names for the streets based on local historical significance.

Mr. Yates said that even though the Council's thought is to select a historical name, to his mind, these streets would be serving a specific destination point, namely the stadium, and the names of the streets should designate that destination point, so Victory Lane or something like that seemed to apply in this case.

Rebecca Huss said that she did disagree with Mr. Yates on his point, such as naming the street to the Post Office after the first Post Master, because if there was already a street of the same name,

you would have to name it something else anyway. Rebecca Huss said she did not think that the destination had to link to the name. Mayor Jones said that the streets exist because of the stadium and the City acquired them because of Mr. Cheatham and the MISD Agreement.

Mr. Foerster asked whether Montgomery ISD had been contacted to see if they had a suggestion. Rebecca Huss said there only comment was to make sure that since the stadium would be used by both the current high school and the new high school that they would not name it to conflict with the schools. Mayor Jones said that they need to stay away from the reference to "Bears".

Rebecca Huss said if they have two roads, she liked the idea of naming them after two suggested school teachers, such as, Imogene Giesinger.

After discussion, Rebecca Huss moved to nominate one street to be named Giesinger after Imogene Giesinger, and the other street to be named Washington after Timothy Washington, to honor educators. Jon Bickford asked to clarify that it was just going to be the last name of the person. Rebecca Huss said that was correct. John Champagne seconded the motion.

Discussion: Mr. Muckleroy asked whether they would be streets or drives. Jon Bickford asked whether all those letters would fit on the street signs. Mr. Muckleroy said that they would fit. Rebecca Huss said they could be named Giesinger Gate and Washington Way. Mayor Jones asked the City Engineer what would be appropriate, street or drive. Mr. Shackelford said that his only suggestion is that if they name something Boulevard, make sure that it is one. City Council concurred that they would both be named "Drive".

After discussion, Rebecca Huss accepted the amendment to her motion, as Council concurred, that the streets would be named Giesinger Drive and Washington Drive. John Champagne seconded the amended motion, the motion carried unanimously. (4-0)

13. Consideration and possible action on request for variance to required minimum driveway spacing at the proposed Heritage Place Medical Center.

Mr. Fleming advised this is a current plan review that is located at the northeast corner of SH105 and Houston Street. Mr. Fleming said that this is the proposed Heritage Place Medical Center that is showing two different points of egress one on Houston Street and the other on SH105. Mr.

Fleming said that the City's Code has qualifications for minimum driveway spacing. Mr. Fleming advised that neither of the driveways meet the minimum qualifications for the proposed construction plans.

Mr. Fleming advised that there is a clause in the Code that states if the City won't deny points of egress to a tract that lacks sufficient thoroughfare frontage to make those spaces, which is the argument here in at least one of these cases. Mr. Fleming said that the developer is requesting a variance for their driveways based on that clause in the Code.

Mr. Fleming said that the developer had presented this information to the Planning and Zoning Commission last night. Mr. Fleming said that the Planning and Zoning Commission chose to approve the variance request, but did so with a very stern admonition that we look very closely from an engineering stand point and work anyway they can with the developer to come up with the best possible solution where Houston Street is concerned. Mr. Fleming said the issue on SH105 would largely be settled by TxDOT. Mr. Fleming stated that it is his understanding that the developer has already applied for and received a driveway permit from TxDOT, based on the proposed curb cut and location shown. Mayor Jones said that it probably does not meet the City's requirements. Mr. Fleming said that it does not meet the City's requirements. Mr. Fleming said that in the case of SH 105, the approval from TxDOT probably supersedes the City's Code. Mayor Jones stated that whole general area probably does not meet those requirements.

Mr. Fleming said that the real issue at hand is the variance request as it pertains to Houston Street. Mr. Fleming said that there were some different suggestions made last night at the Planning and Zoning Commission Meeting, such as, looking at what it would take to widen Houston Street. Mayor Jones said that street has to be widened. Mr. Fleming said that it is a 40 foot right of way currently, however, there is only 18 feet of paving, very similar to what Shephard Street looked like originally. Jon Bickford asked if they did widen, could they afford to use concrete. Jon Bickford said that street is very narrow. Mr. Fleming said that there was a lot to consider regarding widening the road. There are residential areas just north of this tract that would abut up against them and there is a substantial amount of clearing that will have to be done on that side of the right of way, with existing power poles. Mr. Fleming said if they were to widen the other way and go toward the Park, there might be more room, while there would still be some clearing involved, it is City owned land.

Jon Bickford asked if there was no other option to have the two egress points in and off of SH105. Mr. Fleming said that he did not think that it was absolutely to have them both off of SH105, and the developer has expressed some concerns about the safety issues with the egress on SH105. Rebecca Huss said that turning left onto SH105 would be very difficult and it would be stupid not to let people use the traffic light.

Mr. Fleming said that the Planning and Zoning Commission approved the variance request as it was submitted and allowed them the ability to work with the developer and design engineer to come up with the best solution. Mayor Jones asked what the solution was for widening the road, stating that it had to be done. Mr. Fleming advised that the project is strictly in the review phase, and they have not reviewed or approved the preliminary plat nor any construction drawings for the project. Mr. Fleming stated that if the only reason for widening the road is for this development, then they would have a pretty good case to go to the developer and discuss an agreement for the road in return for their egress onto Houston Street. Jon Bickford said that there is no other possible commercial development on that part of Houston Street. Jon Bickford said that if they need to have the street widened to let people in and out, then he felt that it would be his case that the cost would need to be borne by those who are going to benefit the most, which is the developer.

Rebecca Huss said that it looks like the parking lot goes directly up the boundary or is there a second piece of property to the east of the tract. Mr. Fleming said the piece of property to the east was a separate owner. Rebecca Huss was wondering about the vegetative barrier between the properties. Mr. Fleming said that this is where you abut both the Historic District and commercial/residential zone. Dave McCorquodale asked if that called for a 25 foot landscape buffer. Mayor Jones said that it was only a visual barrier. Mr. Fleming said that despite the fact that this tract is commercial, it has been used as residential for some time. Mr. Fleming said that when they move forward with any replat all the building setbacks and utility easements will have to be met.

Rebecca Huss then stated that the drawing as planned looks like it does not include the two giant oak trees on front of the property. Mr. Fleming said that was a fair statement. Rebecca Huss said that despite the fact that was something that the City had stated that they were specifically interested in preserving, the drawing does not include the trees. Mayor Jones said that the drawing would not allow those trees. Rebecca Huss said that they could swap the layout over so that they could have the parking lot on the other side and park underneath the trees. Mr. Love said that they did make

every effort to go around the trees, but the frontage property is expensive property and they were already working with a parking constraint. Mr. Love said that this was going to be a medical plaza with different doctor's offices. Rebecca Huss asked if the next owner over is Mr. Skinner. Mr. Love said they looked at the tract and they followed the direction of their client and what his needs were for their tenants, and they could not make it work. Mr. Love said that the problem is those are huge trees. Rebecca Huss said that is the problem, those trees are really beautiful. Mayor Jones said that you have to protect the whole drip line for the trees, and that takes up a lot of space. Rebecca Huss said that they make impervious parking surfaces, so it is not completely impossible. Mayor Jones said that you definitely want the building to be the feature to see off of SH105, not the parking lot. Mr. Love said that they could not put in on-street parking on SH105 because that would be a total mess, so they moved the parking in the back and moved the building close to the street. Mr. Love said that in his experience, you can't park on roots of a tree and have the tree live, even using a pervious cover. Mr. Love said that you can do it in Austin, but not here, with native live oak trees that are more durable. Mayor Jones said that he thought that based on this developers history, there will be plenty of vegetation going on there. Mr. Love said that the developer has stated that they will do that. Mr. Love said that in the past, Mr. Cheatham on the apartment project and with Stylecraft, have set aside about 3 acres of property that had nice tree stands between the two developments. Mr. Love said that Mr. Cheatham does actively try to save trees. Mr. Love said that they have worked on this land plan for a long time.

Mr. Love said that they made every effort that they could to meet the ordinance requirements, but they do not have the frontage to be able to have the length. Mr. Love said that he even questioned whether they had a variance, because the ordinance specifically states that if you don't have the width you don't have to. Mr. Love said that TxDOT has stated where their driveway locations are to be.

Mayor Jones said that he was sure that they have had discussions about Houston Street needing to be widened and asked what their thoughts were about that. Mr. Love said that he felt there needs to be some kind of partnership with the City. Mr. Love said that their reason is this area was zoned by the City as commercial, and it has been invested in as commercial property because it has City frontage and City utilities, located on the corner with a controlled signal light. Mr. Love said that the fact that Houston Street is small has not played into a lot of the decisions that have been made. Mr. Love said that technically he felt that right now, the building is contained on one existing tract and is not crossing a tract line. Mr. Love said Houston Street is a little bit of a problem that they

can all contribute to solving. Mr. Love said there are other tracts of land around the City that have large traffic counts, with 18-20 foot roads, so they keep coming to the area around the park.

Dave McCorquodale said that to him there was an issue right now, when someone wanting to pull out of Houston Street onto SH105, no one is turning into Houston because there is essentially only room for one car at that spot. Dave McCorquodale said that he loves the park, but he would be more in favor of going into the park for land more so than going into private property. Jon Bickford said that he agreed, but his issue mainly was who was going to pay for the widening. Mr. Fleming said that part of the spirit behind either approving or disapproving the variance request is to give them a starting point on design so they can move forward, because the approval is not binding on either party.

Mayor Jones said that he thought that City Council could say yes or no on the variance request, and know that Houston Street has got to be widened and then they can fight over that matter somewhere else and some other time. Jon Bickford asked whether the motion should be contingent upon resolution or concluding a partnership of what they are going to do. Rebecca Huss said that she felt they need to be clear on the goals that they would like to achieve as part of this. Mayor Jones said that they were basically just approving an idea. Jon Bickford said that he thought they were approving more than an idea. Jon Bickford said if they put a preliminary plat with this variance approved, he does not want the City to have any obligation to widen Houston Street, zero responsibility to the City. Mr. Fleming said that he understood, and said that at this point there is no plat approval or construction drawing approval. Mr. Fleming said that this would give them a point to start from, so the City can get together with Mr. Love and work out the schematics to bring back to City Council. Mayor Jones said that TxDOT would also have to get involved.

Rebecca Huss asked the Mr. Foerster at what point do they reach, if the City decides to adopt a tree ordinance, that it would not be retroactive to this development. Mr. Foerster said that the City does not have a tree ordinance at this time. Mayor Jones said that if they are thinking of a tree ordinance that would stop a developer from building, he thinks they are crazy. Rebecca Huss said that is not necessarily what the tree ordinance says. Mayor Jones said he knows if you remove one tree this size, then you plant so many back to make up for that tree. Rebecca Huss said not to make fun of it because the voters are the ones who are deciding.

Rebecca Huss asked Mr. Foerster to continue with the answer. Mr. Foerster said that the City did not currently have a tree ordinance, so they would be grandfathered. Rebecca Huss asked if anything that happens once they approve even the variance, will be grandfathered. Mr. Foerster said that would be the argument that would be made. Rebecca Huss said that says to her that they do not want to do anything if they want to have a tree ordinance, regardless of what the Mayor thinks, she feels that it needs to come up because residents have expressed an interest in having tree preservation and she feels that it needs to be thought about. Mayor Jones said that he was not against preservation, he is just saying that it is not necessarily the priority and it should not hurt a builder. Mayor Jones said that maybe they say that everybody has to plant something acceptable, whatever that is. John Champagne said with all due respect to the Mayor, if Rebecca Huss makes a motion and this body agrees to it, and he is not saying that they would, it will happen. Mayor Jones said he understood, he was just giving his opinion. Rebecca Huss said that Mr. Foerster has said if they do anything at all, this property is grandfathered under the old rules.

Rebecca Huss moved to table the item until they decide whether or not they are having a tree ordinance. Rebecca Huss said that this is a big issue for the people in Montgomery, and you guys talk about why you moved to Montgomery. Rebecca Huss said that she does like the buildings that Mr. Cheatham builds, and while they add to the ambiance of downtown, she feels that the trees do as well. John Champagne said that in this case the developer could not build his building. Rebecca Huss said she is not saying that the trees have to stay, and if you look at Shenandoah's ordinance there is offsetting plantings that does not necessarily have to be on the same site, but it could be.

Mayor Jones said that there was a motion to table, and asked for a second. Dave McCorquodale said that without making a second to the motion, when you look at the number of trees at Heritage Plaza and you can argue the logic of planting a 60 foot mature tree under a power line, and there was not a tree ordinance then, and they got a number of reasonably large size trees with no obligation from the builder at all. Jon Bickford said that not knowing when a tree ordinance is going to be drafted or what the status is, or if it is even being worked on. Mr. Foerster said that it has not been worked on by him. Jon Bickford said that it could be months away from having an ordinance come before City Council to approve. Mayor Jones said that they have been talking about the tree ordinance for 7-8 years. Jon Bickford said that they would have to stop all development, otherwise it would all be grandfathered, and asked if an alternate would be if they approved this variance subject to not being grandfathered. Mayor Jones said that this action has nothing to do with trees. Rebecca Huss said that it does to her. Mayor Jones said that this is not a

plat it is just an idea. Rebecca Huss said that Mr. Foerster is saying that this will get grandfathered if they do anything.

Mr. Foerster stated that Mr. Love advised that construction plans have been submitted to the City, and asked if that was correct. Mr. Fleming advised that was correct. Mr. Shackelford made a suggestion, stating that if the developer were willing to offer a voluntary landscape plan with a condition of the variance, because right now the ordinance does not require a landscape plan, so that City Council could at least see what the developer is proposing to do on the property in lieu of retaining the existing trees, would that help them understand what he is proposing. Rebecca Huss said that she thought that would make a big difference. Mr. Yates said that the Planning and Zoning Commission has discussed a tree ordinance twice, and they are in favor, but they have not seen a draft of the ordinance. Mr. Yates said that he advised the Commission last night that he would have it for them at their next meeting on March 28, 2016.

Mayor Jones called for a second to the Motion on the table. There was no second, so the Motion died.

Jon Bickford moved to accept what has been submitted, pending the addition and approval of a comprehensive landscaping plan for the site.

John Champagne stated that there was also a recommendation from the City Engineer regarding a meeting between the City Engineer and the developer regarding the concern over Houston Street. Mr. Fleming said that was correct.

Jon Bickford added the recommended meeting between the City Engineer and the developer regarding the concern over Houston Street, and he also wanted to include that in no way does his motion include any responsibility of the City to widen Houston Street. John Champagne seconded the motion.

Discussion: Mr. Fleming asked for his own clarification, whether this motion included approval of the variance request. John Champagne said that he thought that was based on Mr. Fleming's interaction with the developer. Mr. Fleming said that was his question. John Champagne said that was the way that he understood the motion.

Jon Bickford said that for clarification, the motion he is proposing is that they approve the variance request, subject to a comprehensive landscaping plan for the site that City Council can see, have recommended meeting between the City Engineer and the developer regarding Houston Street schematics, and making it absolutely clear that there is no obligation to the City widen Houston Street to support this variance. John Champagne seconded the amended motion.

Rebecca Huss said that she felt this was a big improvement, but felt that they needed to deal with the issue of how they want the City to look before they make an irreversible decision and go forward without a mitigating plan or replacement plan, or whatever plan ends up being that is acceptable to the Planning and Zoning Commission and City Council. Rebecca Huss said that she felt they were missing an opportunity here. John Champagne said that her point was duly noted. Mayor Jones said that he did not hate trees.

The motion carried with 3-Aye Votes and 1-Nay Vote by Rebecca Huss.

EXECUTIVE SESSION:

The City Council reserves the right to discuss any of the items listed specifically under this heading or for any items listed above in executive closed session as permitted by law including if they meet the qualifications in Sections 551.071(consultation with attorney), 551.072 (deliberation regarding real property), 551.073 (deliberation regarding gifts), 551.074 (personnel matters), 551.076 (deliberation regarding security devices), and 551.087 (deliberation regarding economic development negotiations) of Chapter 551 of the Government Code of the State of Texas. (No current items at this time.)

COUNCIL INQUIRY:

Pursuant to Texas Government Code Sect. 551.042 the Mayor and Council Members may inquire about a subject not specifically listed on this Agenda. Responses are limited to recitation of existing policy or a statement of specific factual information given in response to the inquiry. Any deliberation or decision shall be limited to a proposal to place on the agenda of a future meeting.

John Champagne asked if the City Secretary was moving forward with getting information on getting set up with electronic agendas. The City Secretary advised that she was working on getting prices.

ADJOURNMENT

Jon Bickford moved to adjourn the meeting at 8:15 p.m. Dave McCorquodale seconded the motion, the motion carried unanimously. (4-0)

Submitted by:  Date Approved: _____

Susan Hensley, City Secretary

Mayor Kirk Jones

RESOLUTION NO. _____

A RESOLUTION SUPPORTING THE MONTGOMERY COUNTY THOROUGHFARE PLAN

WHEREAS, it is the desire of the City of Montgomery to support the economic environment and quality of life in Montgomery County, Texas and;

WHEREAS, the City's residents recognize that roadway improvement projects are critical, and;

WHEREAS, the area's transportation infrastructure has not been able to keep up with our area's unprecedented growth; and

WHEREAS, the plan was presented at countywide public input meetings, November 12, 2015, for the purpose of citizen comments; and

WHEREAS, this countywide thoroughfare plan has been publically vetted and is a long term roadmap for transportation needs.

NOW THEREFORE BE IT RESOLVED, that the City supports the efforts of the Montgomery County Commissioners Court in passing the Thoroughfare Plan.

PASSED AND APPROVED this _____ DAY OF MARCH, 2016.

ATTEST:

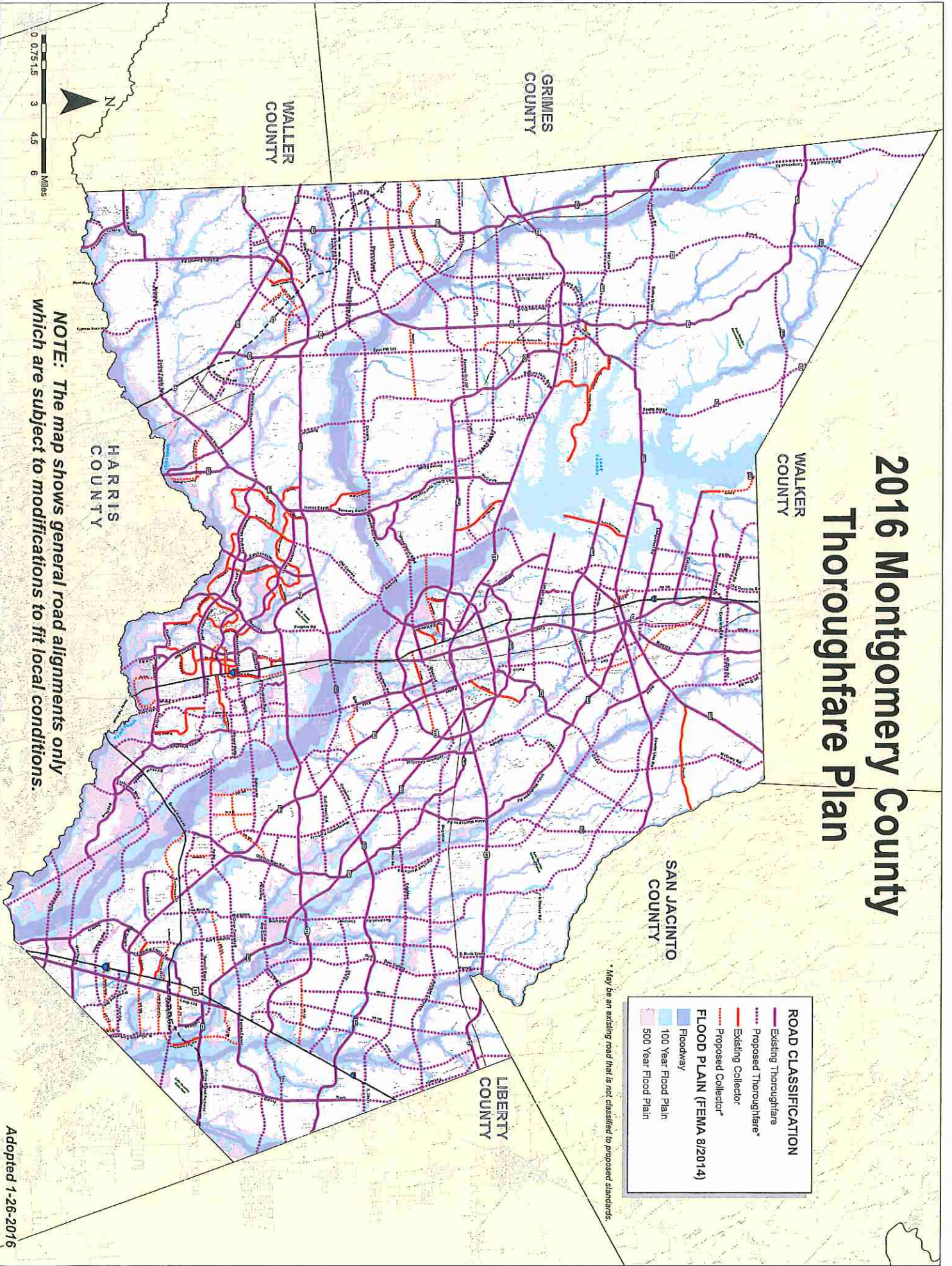
Kirk Jones, Mayor

Susan Hensley, City Secretary

APPROVED AS TO FORM:

Larry Foerster, City Attorney

2016 Montgomery County Thoroughfare Plan



ROAD CLASSIFICATION	
	Existing Thoroughfare
	Proposed Thoroughfare*
	Existing Collector
	Proposed Collector*
FLOOD PLAIN (FEEMA 8/2014)	
	Floodway
	100 Year Flood Plain
	500 Year Flood Plain

* May be an existing road that is not classified to proposed standards.

NOTE: The map shows general road alignments only which are subject to modifications to fit local conditions.

ANNUAL FINANCIAL REPORT

of the

City of Montgomery, Texas

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

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City of Montgomery, Texas

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Montgomery, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Montgomery, Texas (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

The City's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

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

Emphasis of Matter

As discussed in Note V.E. the City adopted new accounting guidance GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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, the budgetary comparison information, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions to pension plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules of revenues, expenditures, and changes in fund balances – budget and actual for the debt service fund, and capital projects fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information noted above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Brooks Cardiel, PLLC

BrooksCardiel, PLLC
Certified Public Accountants
The Woodlands, Texas
February 16, 2016

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*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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City of Montgomery, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2015

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the City of Montgomery's (the "City") financial activities for the year ending September 30, 2015. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current-year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Financial Highlights

- The City's total combined net position was \$5,090,209 at September 30, 2015. Of this, \$1,098,191 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.
- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$1,541,399, a decrease of \$45,168.
- As of the end of the year, the unassigned fund balance of the general fund was \$1,170,839 or 52% of total general fund expenditures.
- The City had an overall decrease in net position of \$99,954, which is primarily due to expenses increasing at a greater rate than revenues compared to prior year.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City of Montgomery. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

City of Montgomery, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

The Statement of Net Position presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into three classes of activities:

1. **Governmental Activities** - Most of the City's basic services are reported here, including general government, public safety (police, municipal court), and culture and recreation. Sales tax, property tax, franchise taxes, municipal court fees and fines and permit fees finance most of these activities.
2. **Business-Type Activities** - Services involving a fee for those services. These services, the City's water distribution, wastewater collection/treatment and sanitation services are reported here.
3. **Component Unit Activities** – Services provided to promote economic development within the City are funded by a one-half of one percent sales tax.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Montgomery. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar

City of Montgomery, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2015

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

The City maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and debt service funds which are considered to be major funds.

The City adopts an annual appropriated budget for its general, debt service, capital projects, utility, and component unit funds. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses proprietary funds to account for its water distribution, wastewater collection/treatment, water construction operations and sanitation services. The proprietary fund financial statements provide separate information for the water distribution, wastewater collection/treatment fund, and sanitation funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Component Unit

The City has a component unit, the Montgomery Economic Development Corporation (MEDC), whose purpose is to promote economic development within the City. The city uses the funds for the MEDC to provide improvements to the City's culture, recreation, conservation, and development. Component unit financial statements accompany the governmental funds financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires

City of Montgomery, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

includes a budgetary comparison schedule for the general fund and schedule of funding progress for Texas Municipal Retirement System. RSI can be found after the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City, assets exceed liabilities by \$5,090,209 as of September 30, 2015, in the primary government.

The largest portion of the City's net position, \$3,664,006, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

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City of Montgomery, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 2,157,616	\$ 345,046	\$ 2,502,662	\$ 1,996,297	\$ 447,562	\$ 2,443,859
Capital assets, net	2,668,325	7,883,722	10,552,047	2,710,597	8,070,618	10,781,215
Total Assets	4,825,941	8,228,768	13,054,709	4,706,894	8,518,180	13,225,074
Total Deferred Outflows	37,152	3,511	40,663	16,098	1,789	17,887
Other liabilities	851,003	141,830	992,833	622,256	99,614	721,870
Long-term liabilities	6,971,068	-	6,971,068	7,292,113	-	7,292,113
Total Liabilities	7,822,071	141,830	7,963,901	7,914,369	99,614	8,013,983
Total Deferred Inflows	37,136	4,126	41,262	-	-	-
Net Position:						
Net investment in capital assets	(4,219,716)	7,883,722	3,664,006	(4,428,929)	8,070,618	3,641,689
Restricted	310,561	17,451	328,012	125,674	-	125,674
Unrestricted	913,041	185,150	1,098,191	1,111,878	349,737	1,461,615
Total Net Position	\$ (2,996,114)	\$ 8,086,323	\$ 5,090,209	\$ (3,191,377)	\$ 8,420,355	\$ 5,228,978

City of Montgomery, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

Statement of Activities:

The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2015			For the Year Ended September 30, 2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
			Primary Government			Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 570,719	\$ 750,641	\$ 1,321,360	\$ 385,593	\$ 697,038	\$ 1,082,631
Grants and contributions	155,000	89,794	244,794	157,732	24,340	182,072
General revenues:						
Property	409,172	-	409,172	371,002	-	371,002
Sales	1,348,055	-	1,348,055	1,318,303	-	1,318,303
Franchise and local	75,148	-	75,148	74,822	-	74,822
Interest	2,572	280	2,852	3,507	438	3,945
Other	36,494	-	36,494	33,702	-	33,702
Total Revenues	2,597,160	840,715	3,437,875	2,344,661	721,816	3,066,477
Expenses						
General government	539,697	-	539,697	432,161	-	432,161
Police department	852,976	-	852,976	640,471	-	640,471
Municipal court	242,285	-	242,285	172,851	-	172,851
Public works	551,790	-	551,790	469,356	-	469,356
Interest and fiscal charges	268,228	-	268,228	267,221	-	267,221
Water, sewer, & sanitation	-	1,082,853	1,082,853	-	788,986	788,986
Total Expenses	2,454,976	1,082,853	3,537,829	1,982,060	788,986	2,771,046
Change in Net Position before Transfers	142,184	(242,138)	(99,954)	362,601	(67,170)	295,431
Transfers	86,403	(86,403)	-	(1,434,989)	1,434,989	-
Total	86,403	(86,403)	-	(1,434,989)	1,434,989	-
Change in Net Position	228,587	(328,541)	(99,954)	(1,072,388)	1,367,819	295,431
Beginning Net Position	(3,224,701)	8,414,864	5,190,163	(2,118,989)	7,052,536	4,933,547
Ending Net Position	\$ (2,996,114)	\$ 8,086,323	\$ 5,090,209	\$ (3,191,377)	\$ 8,420,355	\$ 5,228,978

City of Montgomery, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

Governmental Activities - Revenues



For the year ended September 30, 2015, revenues from governmental activities totaled \$2,597,160. Sales taxes, property taxes, and fees & forfeitures are the City's largest revenue sources. Sales tax increased \$29,752 or 2% due to inflation. Court fines and fees increased by \$185,126 due to a fully staffed police force as compared to prior year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses

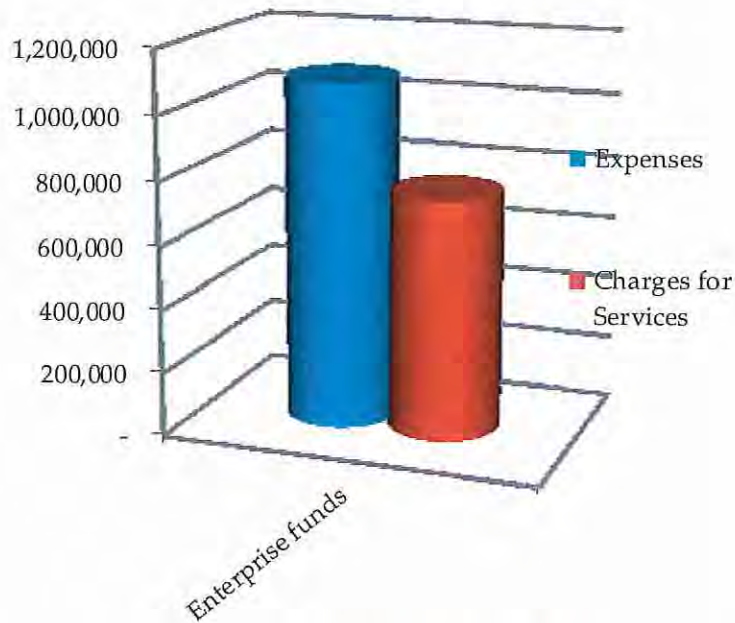


For the year ended September 30, 2015, expenses for governmental activities totaled \$2,454,976. This represents an increase of \$472,916 or 13% from the prior year. The City's largest functional expense is the police department of \$852,976 which is primarily salaries of police officers and equipment. All areas with the exception of interest and expense increased by 18% or more in the current year due to the City filling open personnel positions.

City of Montgomery, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2015, charges for services by business-type activities totaled \$750,641. This is an increase of \$53,603, or 4%, from the previous year. This increase directly relates to an increase in water usage.

Total expenses increased \$299,442 compared to prior year, at total of 37%. These increases are mostly related to engineering and maintenance expenses as the City prepares for growth and manages ongoing maintenance.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

City of Montgomery, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

As of the end of the year the general fund reflected a total fund balance of \$1,170,839, all of which is unassigned.

There was a decrease in total governmental fund balance of \$45,168 over the prior year. The decrease was due to planned decreases in the capital projects fund as well as increased general fund expenditures outpacing general fund revenues.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total negative budget variance of \$32,022 in the general fund. This is due primarily to a negative revenue variance of \$67,439. In general, expenditures were less than budgeted.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$2,668,325 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$7,883,722 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following:

- Three police vehicles for a total of \$115,746
- The completion of improvements to Water Plant #3 – Catahoula Well in the amount of \$1,002,921
- The completion and contribution of a utility extension for a local business by the Magnolia Economic Development Corporation in the amount of \$89,794.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds outstanding of \$7,075,000. During the year, the City issued a refunding bond in the amount of \$845,000 and made debt payments of \$245,000. More detailed information about the City's long-term liabilities is presented in note IV. E. to the financial statements.

City of Montgomery, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Montgomery and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Montgomery's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Administrator, City of Montgomery, P.O. Box 708, Montgomery, Texas 77356.

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FINANCIAL STATEMENTS

City of Montgomery, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	MEDC
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,441,260	\$ 223,609	\$ 1,664,869	\$ 468,743
Investments	300,000	-	300,000	100,000
Receivables, net	250,644	112,395	363,039	111,381
Prepays	240	-	240	8,350
Internal balances	8,409	(8,409)	-	-
Total Current Assets	2,000,553	327,595	2,328,148	688,474
Net pension asset	157,063	17,451	174,514	-
Capital assets:				
Non-depreciable	768,985	74,382	843,367	-
Net depreciable capital assets	1,899,340	7,809,340	9,708,680	-
Total Non-Current Assets	2,825,388	7,901,173	10,726,561	-
Total Assets	4,825,941	8,228,768	13,054,709	688,474
Deferred Outflows of Resources				
Pension contributions	23,493	2,610	26,103	-
Pension investment earnings	8,111	901	9,012	-
Deferred charge on refunding	5,548	-	5,548	-
Total Deferred Outflows of Resources	37,152	3,511	40,663	-

City of Montgomery, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	MEDC
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	407,571	83,403	490,974	12,344
Customer deposits	-	51,498	51,498	-
Compensated absences	37,821	5,812	43,633	-
Due to other governments	33,751	1,117	34,868	1,071
Accrued interest payable	17,440	-	17,440	-
Due within one year	354,420	-	354,420	19,807
Total Current Liabilities	851,003	141,830	992,833	33,222
Noncurrent liabilities:				
Due in more than one year	6,971,068	-	6,971,068	18,366
Total Liabilities	7,822,071	141,830	7,963,901	51,588
<u>Deferred Inflows of Resources</u>				
Actual pension experience vs. assumption	37,136	4,126	41,262	-
<u>Net Position</u>				
Net investment in capital assets	(4,219,716)	7,883,722	3,664,006	-
Restricted	310,561	17,451	328,012	636,886
Unrestricted	913,041	185,150	1,098,191	-
Total Net Position	\$ (2,996,114)	\$ 8,086,323	\$ 5,090,209	\$ 636,886

See Notes to Financial Statements.

City of Montgomery, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 539,697	\$ 153,565	\$ 155,000
Police department	852,976	417,154	-
Municipal court	242,285	-	-
Public works	551,790	-	-
Interest and fiscal charges	268,228	-	-
Total Governmental Activities	2,454,976	570,719	155,000
Business-Type Activities			
Water, Sewer, & Sanitation	1,082,853	750,641	89,794
Total Business-Type Activities	1,082,853	750,641	89,794
Total Primary Government	\$ 3,537,829	\$ 1,321,360	\$ 244,794

Primary Government			
Montgomery Economic Development Corporation (MEDC)			
	\$ 390,922	\$ -	\$ -

General Revenues:

- Taxes
- Property
- Sales
- Franchise and local
- Interest
- Other
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	MEDC
\$ (231,132)	\$ -	\$ (231,132)	\$ -
(435,822)	-	(435,822)	-
(242,285)	-	(242,285)	-
(551,790)	-	(551,790)	-
(268,228)	-	(268,228)	-
(1,729,257)	-	(1,729,257)	-
-	(242,418)	(242,418)	-
-	(242,418)	(242,418)	-
(1,729,257)	(242,418)	(1,971,675)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (390,922)</u>
409,172	-	409,172	-
1,348,055	-	1,348,055	449,382
75,148	-	75,148	-
2,572	280	2,852	603
36,494	-	36,494	1,664
86,403	(86,403)	-	-
1,957,844	(86,123)	1,871,721	451,619
228,587	(328,541)	(99,954)	60,697
(3,224,701)	8,414,864	5,190,163	576,189
<u>\$ (2,996,114)</u>	<u>\$ 8,086,323</u>	<u>\$ 5,090,209</u>	<u>\$ 636,886</u>

City of Montgomery, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2015

	General	Debt Service	Capital Projects	Nonmajor Hotel Tax
Assets				
Cash and cash equivalents	\$ 995,413	\$ 106,034	\$ 313,176	\$ 9,400
Investments	300,000	-	-	-
Receivables, net	239,343	11,301	-	-
Prepaid insurance	240	-	-	-
Due from other funds	8,409	16,487	-	-
Total Assets	\$ 1,543,405	\$ 133,822	\$ 313,176	\$ 9,400
Liabilities				
Accounts payable and accrued liabilities	\$ 311,457	\$ -	\$ 96,114	\$ -
Due to other governments	33,751	-	-	-
Due to other funds	20,577	-	-	-
Total Liabilities	365,785	-	96,114	-
Deferred Inflows of Resources				
Unavailable revenue -				
Property taxes	6,781	11,051	-	-
Total Deferred Inflows	6,781	11,051	-	-
Fund Balances				
Restricted for:				
Enabling legislation	-	-	-	-
Debt service	-	122,771	-	-
Tourism	-	-	-	9,400
Committed for:				
Capital improvements	-	-	217,062	-
Unassigned reported in:				
General fund	1,170,839	-	-	-
Total Fund Balances	1,170,839	122,771	217,062	9,400
Total Liabilities and Fund Balances	\$ 1,543,405	\$ 133,822	\$ 313,176	\$ 9,400

See Notes to Financial Statements.

Nonmajor Police & Court	Total Governmental Funds
\$ 17,237	\$ 1,441,260
-	300,000
-	250,644
-	240
4,090	28,986
<u>\$ 21,327</u>	<u>\$ 2,021,130</u>
\$ -	\$ 407,571
-	33,751
-	20,577
<u>-</u>	<u>461,899</u>
-	17,832
<u>-</u>	<u>17,832</u>
21,327	21,327
-	122,771
-	9,400
-	217,062
-	1,170,839
<u>21,327</u>	<u>1,541,399</u>
<u>\$ 21,327</u>	<u>\$ 2,021,130</u>

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City of Montgomery, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2015

Fund Balances - Total Governmental Funds \$ 1,541,399

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	768,985
Capital assets - net depreciable	1,899,340

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property tax receivable	17,832
Net pension asset	157,063

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.

Pension contributions	23,493
Pension investment earnings	8,111
Deferred charge on refunding	5,548

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pension losses	(37,136)
----------------	----------

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Accrued interest	(17,440)
Bond premium	(131,765)
Compensated absences	(42,023)
Non-current liabilities due in one year	(354,420)
Non-current liabilities due in more than one year	(6,835,101)

Net Position of Governmental Activities	\$ (2,996,114)
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City of Montgomery, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	General	Debt Service	Capital Projects	Nonmajor Hotel Tax
Revenues				
Property tax	\$ 153,132	\$ 259,563	\$ -	\$ -
Sales tax	1,348,055	-	-	-
Franchise and local taxes	73,072	-	-	2,076
License and permits	153,565	-	-	-
Intergovernmental	37,500	117,500	-	-
Fines and forfeitures	395,058	-	-	-
Interest	2,245	190	105	16
Other	36,494	-	-	-
Total Revenues	2,199,121	377,253	105	2,092
Expenditures				
Current:				
General government	497,487	-	-	-
Police department	771,766	-	-	-
Municipal court	295,813	-	-	-
Public works	468,597	-	-	-
Capital outlay	191,309	-	41,073	-
Debt Service:				
Principal	-	245,000	-	-
Sales tax withheld by state	68,051	-	-	-
Interest and fiscal charges	-	234,703	-	-
Bond issuance costs	-	38,430	-	-
Total Expenditures	2,234,023	518,133	41,073	-
Excess of Revenues				
Over (Under) Expenditures	(34,902)	(140,880)	(40,968)	2,092
Other Financing Sources (Uses)				
Transfers in (out)	2,880	125,300	-	-
Refunding bonds issued	-	845,000	-	-
Payment to bond agent	-	(816,164)	-	-
Total Other Financing (Uses)	2,880	154,136	-	-
Net Change in Fund Balances	(32,022)	13,256	(40,968)	2,092
Beginning fund balances	1,202,861	109,515	258,030	7,308
Ending Fund Balances	\$ 1,170,839	\$ 122,771	\$ 217,062	\$ 9,400

See Notes to Financial Statements.

Nonmajor Police & Court	Total Governmental Funds
\$ -	\$ 412,695
-	1,348,055
-	75,148
-	153,565
-	155,000
22,096	417,154
16	2,572
-	36,494
22,112	2,600,683
-	497,487
-	771,766
6,758	243,571
-	468,597
-	232,382
-	245,000
-	68,051
-	234,703
-	38,430
6,758	2,799,987
15,354	(199,304)
(2,880)	125,300
-	845,000
-	(816,164)
(2,880)	154,136
12,474	(45,168)
8,853	1,586,567
\$ 21,327	\$ 1,541,399

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City of Montgomery, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(45,168)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		160,016
Depreciation expense		(202,288)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (3,523)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		18,735
Accrued interest		(306)
Pension expense		11,695

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities.

This amount is the net effect of these differences in the treatment of long-term debt and related items.

Net change in deferred charges on refunding		5,548
Amortization of premium		5,827
Principal payments		278,051

	\$	<u>228,587</u>
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Change in Net Position of Governmental Activities

See Notes to Financial Statements.

City of Montgomery, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2015

		<u>Water Sewer & Sanitation</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$	223,609
Receivables, net		112,395
Total Current Assets		336,004
<u>Noncurrent Assets</u>		
Net pension asset		17,451
Capital assets:		
Non-depreciable		74,382
Net depreciable capital assets		7,809,340
Total Noncurrent Assets		7,901,173
Total Assets		8,237,177
<u>Deferred Outflows of Resources</u>		
Pension contributions		2,610
Pension investment earnings		901
Total Deferred Outflows		3,511
<u>Liabilities</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued liabilities		83,403
Customer deposits		51,498
Compensated absences		5,812
Due to other governments		1,117
Due to other funds		8,409
Total Current Liabilities		150,239
<u>Deferred Inflows of Resources</u>		
Actual pension experience vs. assumption		4,126
<u>Net Position</u>		
Net investment in capital assets		7,883,722
Unrestricted		202,601
Total Net Position	\$	8,086,323

See Notes to Financial Statements.

City of Montgomery, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2015

	<u>Water Sewer & Sanitation</u>
<u>Operating Revenues</u>	
Water sales	\$ 296,896
Sewer revenue	168,747
Garbage collection	70,832
Meter installations	199,745
Late charges	14,421
Total Operating Revenues	<u>750,641</u>
<u>Operating Expenses</u>	
Cost of water	531,708
Cost of sewer	50,726
Cost of garbage	69,526
Salary and wages	89,213
Depreciation	341,680
Total Operating Expenses	<u>1,082,853</u>
	<u>Operating Loss</u> (332,212)
<u>Nonoperating Revenues (Expenses)</u>	
Investment income	280
Contributed capital	89,794
Total Nonoperating Revenues (Expenses)	<u>90,074</u>
	Loss Before Transfers (242,138)
Transfers (out)	<u>(86,403)</u>
	Change in Net Position (328,541)
Beginning net position	<u>8,414,864</u>
	Ending Net Position \$ <u><u>8,086,323</u></u>

See Notes to Financial Statements.

City of Montgomery, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2015

	Water, Sewer & Sanitation
<u>Cash Flows from Operating Activities</u>	
Receipts from customers	\$ 793,314
Payments to employees	(92,300)
Payments to suppliers	(612,447)
Net Cash Provided by Operating Activities	88,567
<u>Cash Flows from Noncapital Financing Activities</u>	
Transfers (out)	(125,300)
Net Cash Provided (Used) by Noncapital Financing Activities	(125,300)
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital purchases	(26,091)
Net Cash (Used) by Capital and Related Financing Activities	(26,091)
<u>Cash Flows from Investing Activities</u>	
Interest	280
Net Cash Provided by Investing Activities	280
Net Increase (Decrease) in Cash and Cash Equivalents	(62,544)
Beginning cash and cash equivalents	286,153
Ending Cash and Cash Equivalents	\$ 223,609
<u>Schedule of Non-Cash Capital and Related Financing Activities:</u>	
Contributions of capital assets	\$ 89,794
Transfer of assets constructed by governmental activities	\$ 38,898

See Notes to Financial Statements.

City of Montgomery, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2015

	Water, Sewer & Sanitation
<u>Reconciliation of Operating Income</u>	
<u>to Net Cash Provided by Operating Activities</u>	
Operating Income	\$ (332,212)
Adjustments to reconcile operating income to net cash provided:	
Depreciation	341,680
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	32,288
Increase (Decrease) in:	
Accounts payable and accrued liabilities	30,713
Customer deposits	10,385
Deferred outflows - pension contributions	(821)
Deferred outflows - investment earnings	(901)
Deferred inflows - pension (gains) losses	4,126
Due to other funds	7,684
Due to other governments	1,116
Net pension liability	(5,491)
Net Cash Provided by Operating Activities	\$ 88,567

See Notes to Financial Statements.

City of Montgomery, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Montgomery, Texas (the "City") was incorporated under the laws of the State of Texas in 1935.

The City operates under a "General Law" City which provides for a "Mayor-Council" form of government. The City Council is the principal legislative body of the City. The City Administrator is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all affairs of the City. The City Administrator is responsible for the appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget. The City provides the following services: general administration, public safety, public works, water services, and sewer services.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. Its activities are not considered a part of any other governmental or other type of reporting entity. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on this, and based upon their significant financial and operational relationships to the City, the City has a discrete component unit, as follows:

Discrete Component Unit

Montgomery Economic Development Corporation (4B fund)

On December 14, 1995, the City incorporated the "Montgomery Industrial Development Corporation"

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

("MIDC"). In July 2013, the name was changed to Montgomery Economic Development Corporation ("MEDC"). The purpose of this non-profit corporation is to promote economic development within the City and the State of Texas in order to eliminate unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City, and for improving the assessed valuations through the promotion of: (a) existing business enterprise expansion and retention and (b) new business enterprise development and attraction by developing, implementing, providing and financing projects. A one-half of one percent City sales tax is designated for this purpose.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Requirements of the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations;
- Financial statements prepared using full accrual accounting for all of the City’s activities;
- A change in the fund financial statements to focus on the major funds.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities. It requires the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets**—This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted**—This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted**—This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The government reports the following governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed and focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between its governmental fund assets and its liabilities and deferred inflows of resources as fund balance.

General Fund

The General Fund is the main operating fund of the City. The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety (police and municipal court), and public works. The general service fund is considered a major fund for reporting purposes.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund

The capital projects fund is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings, contributed capital or transfers from other funds, other than those recorded in the enterprise funds for acquisition of capital facilities. The capital projects fund is considered a nonmajor fund for reporting purposes.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted or designated for specified activities. The City's Special Revenue funds include the Hotel Tax Fund, and the Police and Court Fund. These funds are financed through taxes (Hotel Tax Fund) or forfeitures and fees (Police and Court fund). These funds are considered nonmajor funds for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

The government reports the following major enterprise fund:

Water, Sewer, and Sanitation Fund

This fund is used to account for the provision of water, sewer & garbage services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems, and contract garbage services. The fund also accounts for the accumulation of resources for and the payment of long-term debt, principal and interest. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured and basis of accounting refers to when transactions are recorded in the financial records and reported on the financial statements and relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

All governmental funds and component units are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available).

Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

E. Estimates

The preparation 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

F. Assets, liabilities, deferred inflows/outflows, and net position/fund balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code.

In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

component unit/primary government.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

3. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 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 date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 7 years
Furniture and equipment	5 to 20 years
Infrastructure	10 to 40 years
Water and sewer system	20 to 40 years
Buildings and improvements	20 years

5. Deferred outflows/inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

6. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance.

Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

9. Compensated Absences

The City maintains formal programs for vacation and sick leave. The City's full-time, permanent employees are granted vacation pay benefits in varying amounts to specified maximums depending on tenure with the City. The City's personnel policy permits its full-time, permanent employees to accumulate earned but unused vacation pay benefits. Upon separation with the City,

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

employees will be paid for their accrued and unused vacation pay benefits.

Sick leave accrues to full-time, permanent employees to specified maximums, but upon separation with the City, employees will not be paid for accumulated sick leave.

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

payment with an appropriate reduction of principal recorded in the government-wide financial statements.

G. Revenues and expenditures/expenses

1. Program revenues

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

2. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, debt service, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the function level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

A. Deficit Net Position

As of the end of the year, governmental activities reported deficit net position of \$2,996,114. This deficit is due to business-type assets financed with debt paid by governmental activities. The deficit will be resolved as the debt balance is paid and overall net position improves.

B. Expenditures Over Appropriations

For the year ended, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:

Police department	\$20,437
Municipal court	\$43,731
Sales tax withheld by state	\$68,051

Debt Service Fund

Bond issuance costs	\$38,430
Payment to refunded bond escrow agent	\$816,164

The City has implemented procedures to ensure budgetary compliance. No expenditure can be made unless there is a budget available or an approved budget amendment has been submitted. Department head and management will review the budget variances on a regular basis and the budget will be amended if necessary.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2015, the primary government had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 300,000	0.14
Total fair value	\$ 300,000	
Portfolio weighted average maturity		

As of September 30, 2015, the Montgomery EDC had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 100,000	0.16
Total fair value	\$ 100,000	
Portfolio weighted average maturity		

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2015, the City's investment in TexPool was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

value of not less than the principal amount of the deposits. As of September 30, 2015, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

The Texas Local Government Investment Pool ("TexPool") has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments. TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. The Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers Inc. and Federated Investors, Inc. under an agreement with the Comptroller, acting on behalf of the Trust Company.

The City reports all investments at fair value, except for "money market investments" and "2a-7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the Security and Exchange Commissions (SEC) Rule 2a-7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price. Such investments do not have interest rate risk disclosure requirements. The overall TexPool investment pool has a weighted average maturity of .44 years. The City is allowed to withdraw its funds from TexPool at anytime. Therefore, the City's deposits in TexPool have been included with cash. As of September 30, 2015, the primary government had \$496,199 in deposits with TexPool. As of September 30, 2015, the Montgomery EDC had \$232,579 in deposits with TexPool.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Water, Sewer & Sanitation	Total
Property taxes	\$ 6,781	\$ 11,301	\$ -	\$ 18,082
Sales tax	230,554	-	-	230,554
Accounts	-	-	139,612	139,612
Other	2,008	-	-	2,008
Allowance	-	-	(27,217)	(27,217)
	<u>\$ 239,343</u>	<u>\$ 11,301</u>	<u>\$ 112,395</u>	<u>\$ 390,256</u>

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 768,985	\$ -	\$ -	\$ 768,985
Construction in progress	20,750	20,750	(41,500)	-
Total capital assets not being depreciated	<u>789,735</u>	<u>20,750</u>	<u>(41,500)</u>	<u>768,985</u>
Capital assets, being depreciated:				
Infrastructure	1,268,119	-	-	1,268,119
Buildings and improvements	904,940	-	41,500	946,440
Vehicles	514,406	131,371	-	645,777
Furniture and fixtures	377,769	7,896	-	385,665
Total capital assets being depreciated	<u>3,065,234</u>	<u>139,267</u>	<u>41,500</u>	<u>3,246,001</u>
Less accumulated depreciation				
Infrastructure	(220,522)	(42,271)	-	(262,793)
Buildings and improvements	(303,975)	(47,322)	-	(351,297)
Vehicles	(358,354)	(87,062)	-	(445,416)
Furniture and fixtures	(261,522)	(25,633)	-	(287,155)
Total accumulated depreciation	<u>(1,144,373)</u>	<u>(202,288)</u>	<u>-</u>	<u>(1,346,661)</u>
Net capital assets being depreciated	1,920,861	(63,021)	41,500	1,899,340
Total Capital Assets	<u>\$ 2,710,596</u>	<u>\$ (42,271)</u>	<u>\$ -</u>	<u>\$ 2,668,325</u>

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Depreciation was charged to governmental functions as follows:

General government	\$	63,050
Public safety		88,344
Public works		<u>50,894</u>
Total Governmental Activities Depreciation Expense	\$	<u>202,288</u>

A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 66,581	\$ -	\$ -	\$ 66,581
Construction in progress	978,044	32,678	(1,002,921)	7,801
Total capital assets not being depreciated	<u>1,044,625</u>	<u>32,678</u>	<u>(1,002,921)</u>	<u>74,382</u>
Capital assets, being depreciated:				
Infrastructure	9,867,297	122,106	1,002,921	10,992,324
Furniture and equipment	173,642	-	-	173,642
Vehicles	102,404	-	-	102,404
Total capital assets being depreciated	<u>10,143,343</u>	<u>122,106</u>	<u>1,002,921</u>	<u>11,268,370</u>
Less accumulated depreciation				
Infrastructure	(2,926,099)	(322,674)	-	(3,248,773)
Furniture and equipment	(135,274)	(3,531)	-	(138,805)
Vehicles	(55,977)	(15,475)	-	(71,452)
Total accumulated depreciation	<u>(3,117,350)</u>	<u>(341,680)</u>	<u>-</u>	<u>(3,459,030)</u>
Net capital assets being depreciated	<u>7,025,993</u>	<u>(219,574)</u>	<u>1,002,921</u>	<u>7,809,340</u>
Total Capital Assets	<u>\$ 8,070,618</u>	<u>\$ (186,896)</u>	<u>\$ -</u>	<u>\$ 7,883,722</u>

Depreciation was charged to business-type activities as follows:

Water	\$	246,418
Sewer		95,262
Total Business-Type Activities Depreciation Expense	\$	<u>341,680</u>

D. Customer Deposits

The City had customer deposits of \$51,498 in the proprietary fund as of year-end. The City requires a \$250 refundable deposit for all new utility customers. This amount will be refunded when the customer terminates utility service with the City.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

E. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
General Obligation Refunding Bond	\$ 2,680,000	\$ 845,000	\$ (100,000)	\$ 3,425,000	\$ 180,000
Tax & Revenue Certificates of Obligations	4,605,000	-	(955,000)	3,650,000	115,000
Issuance Premiums	137,592	-	(5,827)	131,765	
Other liabilities:					
Sales Tax Due to State Comptroller	182,572	-	(68,051)	114,521	59,420
Compensated absences	60,758	29,558	(48,293)	42,023	37,821
Total Governmental Activities	<u>\$ 7,665,922</u>	<u>\$ 874,558</u>	<u>\$ (1,177,171)</u>	<u>\$ 7,363,309</u>	<u>\$ 392,241</u>
Long-term liabilities due in more than one year				<u>\$ 6,971,068</u>	
Business-Type Activities:					
Other liabilities:					
Compensated absences	5,812	3,180	(5,241)	3,751	3,376
Total Business-Type Activities	<u>\$ 5,812</u>	<u>\$ 3,180</u>	<u>\$ (5,241)</u>	<u>\$ 3,751</u>	<u>\$ 3,376</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Montgomery EDC					
Other liabilities:					
Sales Tax Due to State Comptroller	\$ 60,857	-	(22,684)	\$ 38,173	\$ 19,807
Long-term liabilities due in more than one year				<u>\$ 18,366</u>	

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2015

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Current Balance
Governmental Activities:			
2012 General obligation refunding bonds	2.00 - 4.00%	\$ 2,830,000	\$ 2,580,000
2012 Tax & Revenue certificates of obligation	3.00 - 3.50%	3,760,000	3,650,000
2015 General obligation refunding bonds	0.85-2.80%	845,000	845,000
Total Governmental Activities		\$ 7,435,000	\$ 7,075,000

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City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

The annual requirements to amortize governmental activities debt issues outstanding at year ending were as follows:

Year ending September 30,	2012 G.O. Bonds		Governmental Activities 2012 Tax & Revenue COs		2015 G.O. Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 105,000	\$ 79,468	\$ 115,000	\$ 119,501	\$ 75,000	\$ 16,841
2017	105,000	77,368	120,000	115,976	80,000	16,023
2018	105,000	75,268	120,000	112,376	80,000	14,903
2019	105,000	73,103	125,000	108,701	85,000	13,518
2020	110,000	70,750	130,000	104,876	85,000	11,903
2021	115,000	68,075	130,000	100,976	80,000	11,173
2022	115,000	65,200	135,000	97,001	85,000	8,294
2023	120,000	62,112	140,000	92,876	90,000	6,170
2024	125,000	58,744	145,000	88,601	90,000	3,853
2025	130,000	55,076	145,000	84,251	95,000	1,330
2026	130,000	51,176	150,000	79,451	-	-
2027	135,000	47,032	155,000	74,113	-	-
2028	140,000	42,563	160,000	68,600	-	-
2029	145,000	37,569	165,000	62,913	-	-
2030	155,000	31,944	170,000	57,051	-	-
2031	110,000	26,975	175,000	51,013	-	-
2032	115,000	22,756	180,000	44,800	-	-
2033	125,000	18,100	190,000	38,325	-	-
2034	125,000	13,100	190,000	31,675	-	-
2035	130,000	8,000	195,000	24,938	-	-
2036	135,000	2,700	200,000	18,026	-	-
2037	-	-	205,000	10,938	-	-
2038	-	-	210,000	3,675	-	-
	<u>\$ 2,580,000</u>	<u>\$ 987,079</u>	<u>\$ 3,650,000</u>	<u>\$ 1,590,653</u>	<u>\$ 845,000</u>	<u>\$ 104,008</u>

Series 2012 – General Obligation Refunding Bond - the bond is secured by water and sewer revenue and is repayable with property tax revenue. The proceeds were used to refund the City's Series 2005A and Series 2005B Certificates of Obligation.

Series 2012 Tax and Revenue Certificate of Obligation - the bond is secured by water and sewer revenues and is repayable with property tax revenue. The proceeds were used for construction of and improvements to the facilities and equipment of the City's water and sewer system.

Series 2015 General Obligation Refunding Bond - the bond is secured by water and sewer revenues and is repayable with property tax revenue. The proceeds were used to refund an existing bond that was used for improvements to the City's water and sewer system.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Sales Tax Overpayments

During the year ended September 30, 2012, the City received a notice from the Texas State Comptroller informing them that two businesses had erroneously reported their location to be within City limits. As a result, the City received more sales tax revenue than it should have. The City's sales tax will be reduced \$4,500 per month until this is corrected. The City received an additional notification from the State Comptroller that further overpayments were made totaling \$146,938. The City opted to have the State Comptroller withhold an additional amount of \$3,061 monthly for 48 months until the balance is paid. This overpayment was split between the City and the Montgomery EDC which also receives the sales tax revenue from the state.

The total balance of sales tax overpayments due to the State Comptroller for the year ended September 30, 2015 was \$114,521 for the City and \$37,901 for the Montgomery EDC.

F. Advanced Refunding Bond

The City issued \$845,000 in bonds with interest rates ranging from 0.85-2.80%. The proceeds were used to refund \$845,000 of outstanding 2005 Tax & Revenue certificates of obligations which had an interest rate of 4.89 – 5.740%. The net proceeds of 845,000 (after payment of \$38,430 in underwriting fees and other issuance costs) were used to refund the original bond holders. As a result, the liability for those bonds has been removed from the statement of net position. The difference between the reacquisition price and the net carrying amount of the old debt is \$6,164. This difference is being charged to operations through the year 2025 using the effective-interest method. The result is a reduction in total debt service payments over 10 years of \$249,562 and to obtain an economic gain of \$165,754.

G. Interfund Transactions

Transfers between the primary government funds during the 2015 year were as follows:

Transfer out	Transfer In	Amount
Nonmajor Police and Court	General	2,880
Water & Sewer	Debt Service	125,300
		\$ 128,180

Amounts transferred between funds relate to amounts collected to pay debt and to fund various capital projects. During the course of the year, assets constructed by the City's Capital Projects fund transferred assets to the Water & Sewer fund in the amount of \$38,898.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

The compositions of interfund balances as of year-end were as follows:

<u>Funds</u>	<u>Due from</u>	<u>Due to</u>
General:		
Water & Sewer	\$ 8,409	\$ -
Debt Service	-	16,487
Nonmajor Police & Court		4,090
Debt Service:		
General	16,487	-
Special Revenue:		
General	4,090	
Water, Sewer & Sanitation:		
General	-	8,409
	<u>\$ 28,986</u>	<u>\$ 28,986</u>

Amounts recorded as "due to/from" are considered to be temporary loans and will be repaid during the following year.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

The City uses a number of approaches to decrease risks and protect against losses to the City, including internal practices, employee training, and a code of ethics, which all employees are required to acknowledge

The City owns and operates motor vehicles and may provide such vehicle to employees for business use during the course and scope of their employment. The City is insured as to its own property losses, and the liability of loss to others.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

B. Contingent Liabilities

Amounts received or receivable from granting 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 amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City had not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

C. Commitments

In 2011, the City entered into an Interlocal Agreement (Agreement #1) with the City of Conroe for the City of Conroe's provision of fleet maintenance services for vehicles owned and operated by the City. This Agreement #1 is automatically renewed, unless explicitly terminated by the contract participants. Payments are made to the City of Conroe in amounts determined by the maintenance and related services as provided by the City of Conroe according to the agreement.

In 2011, the City entered into an Interlocal Agreement (Agreement #2) with Montgomery County, Texas for the purpose of providing fire code enforcement to the City by the Montgomery County, Texas Fire Marshal. This Agreement #2 is automatically renewed, unless explicitly terminated by the contract participants. There is no charge to the City for this service.

In 2013, the City entered into an Interlocal Agreement (Agreement #3) with Montgomery County, Texas for the purpose of the County providing construction, repair, and maintenance of public roads, right of ways, drainage ditches, parking lots, and other like facilities owned or administered by the City. This Agreement #3 is automatically renewed, unless explicitly terminated by the contract participants. Payments are made to the City of Conroe in amounts determined by the maintenance and related services as provided by Montgomery County, Texas according to the agreement.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

D. Agreements

Following is a summary of Development (Escrow) Agreements:

#1 Development: Lone Star Parkway Utilities - Developers: Philip LeFevre, Holly LeFevre, LC Acquisitions, Ltd., Virgin Development III, LP, Grandview Development, Inc., and MC Acquisitions, Ltd.

On January 23, 2007, the City entered into a 15-year term development agreement (the "Agreement") with Philip LeFevre, Holly LeFevre, LC Acquisitions, Ltd., Virgin Development III, LP, Grandview Development, Inc., and MC Acquisitions, Ltd., (the "Developers"). The Developers intend and propose to develop property (the "Property") in the City's extraterritorial jurisdiction for residential, commercial and retail use. As part of the Agreement, the Developers have agreed to convey to the City the Utility Extension Project and submit a petition to the City to annex the Property.

Subject to annexation of the Property and upon final completion of the Utility Extension Project, the City has agreed to make a grant consistent with Article III, Section 52-a of the Texas Constitution, Chapter 380, for reimbursement of the design and construction of public infrastructure (the Utility Extension Project) to the Developer limited to 70 percent of the construction costs. The amount of reimbursement to the Developer is limited to \$395,500 and will be paid from 1% sales and use taxes charged on the taxable sales collected by the City as generated by businesses on the property ("City Sales Tax Revenues"). The term City Sales Tax Revenues does not include sales and use taxes collected but dedicated for property tax reduction or industrial development.

#2 Development: Waterstone Section 1 - Developer: Waterstone on Lake Conroe, Inc.

On August 12, 2008, the City entered into a 10-year term development agreement (the "Agreement") with the Waterstone on Lake Conroe, Inc. (the "Developer"). The Developer intends and proposed to develop property (the "Property") in that is partially in the City and partially in the extraterritorial jurisdiction of the City (the "ETJ Property") for residential, commercial and retail use. As part of the Agreement, the Developer has agreed to accelerate construction of the Utility Extension Project and convey the Project to the City and to submit a petition to the City to annex the ETJ Property into the City.

Subject to annexation of the ETJ Property and upon final completion of the Utility Extension Project, the City has agreed to make a grant consistent with Article III, Section 52-a of the Texas Constitution, Chapter 380, for reimbursement of the design and construction of public infrastructure (the Utility Extension Project) to the Developer limited to 70 percent of the construction costs incurred as well as up to \$12,000 for escrowed funds for the City's engineering expenses.

The amount of reimbursement to the Developer is limited to \$512,000 and will be paid from ad valorem taxes generated from the Property annexed, and collected by the City, above the base

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

property tax (amount of ad valorem taxes levied and collected based on the total appraised value of the property as of January 1, 2008).

#3 Development: Buffalo Crossing - Developer: LeFevre Development Inc.

On February 22, 2011, the City entered into a 10-year term development agreement (the "Agreement") with the LeFevre Development Inc. (the "Developer"). The Developer intends and proposed to develop property (the "Property") in the City for residential, commercial and retail use. As part of the Agreement, the Developer has agreed to accelerate construction of the Utility Extension Project and convey the Project to the City.

Subject to annexation of the Property and upon final completion of the Utility Extension Project, the City has agreed to make a grant consistent with Article III, Section 52-a of the Texas Constitution, Chapter 380, for reimbursement of the design and construction of public infrastructure (the Utility Extension Project) to the Developer a sum of \$148,802.65 paid from ad valorem taxes generated from the Property annexed, and collected by the City, above the base property tax (amount of ad valorem taxes levied and collected based on the total appraised value of the property as of January 1, 2011).

#4 Development: Villas of Mia Lago, Section 1 - Developer: Estates of Mia Lago

On September 13, 2011, the City entered into a development agreement (the "Agreement") with the Estates of Mia Lago, Ltd. (the "Developer"). The Developer intends and proposed to develop property (the "Property") in the City's extraterritorial jurisdiction for primarily high-end single family residential use and a residential assisted living facility. As part of the Agreement, the Developer has agreed to convey to the City the Utility Extension Project and to submit a petition to the City to annex the Property.

Subject to annexation of the Property and upon final completion of the Utility Extension Project, the City has agreed to make a grant consistent with Article III, Section 52-a of the Texas Constitution, Chapter 380, for reimbursement of the design and construction of public infrastructure (the Utility Extension Project) to the Developer limited to 70 percent of the construction costs incurred as well as up to \$5,000 for escrowed funds for the City's engineering expenses. The amount of reimbursement to the Developer is limited to \$132,198 and will be paid from ad valorem taxes generated from the Property annexed, and collected by the City, above the base property tax (amount of ad valorem taxes levied and collected based on the total appraised value of the property as of January 1, 2011).

#5 Development: Hills of Town Creek, Section 1 - Developer: Christian C. Cheatham

On September 27, 2011, the City entered into a development agreement (the "Agreement") with the Christian C. Cheatham (the "Developer") and Montgomery Independent School District (the "School District"). The Developer intends and proposed to develop property (the "Property") in that was recently annexed into the City for primarily high-density, multi-family residential use, with a limited amount of commercial and retail uses. As part of the Agreement, the Developer has agreed to

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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accelerate the construction of the Utility Extension Project and to convey the completed project to the City and petition the City to annex 13.773 acres of land currently located in the extraterritorial jurisdiction of the City (the "ETJ Land"). Other considerations include transfers of property and facilities from the School District and the Developer to the City and transfer of property from the Developer to the School District.

Subject to the final completion of the Utility Extension Project, dedication of the facilities and easements to the City, other considerations, and annexation of the ETJ Land, the City has agreed to make a grant consistent with Article III, Section 52-a of the Texas Constitution, Chapter 380, for reimbursement of the design and construction of public infrastructure (the Utility Extension Project) to the Developer limited to 100 % of the cost to oversize utility lines and 70 percent of the remaining construction costs incurred as well as up to \$16,000 for escrowed funds for the City's engineering expenses. The amount of reimbursement to the Developer is limited to \$400,000 and will be paid from ad valorem taxes generated from the Property annexed, and collected by the City, above the base property tax (amount of ad valorem taxes levied and collected based on the total appraised value of the property as of January 1, 2012).

E. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

F. Pension Plans

1. Texas Municipal Retirement Systems

Plan Description

The City of Montgomery participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 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

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	24
Active employees	15
Total	47

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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3. Contributions

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

Employees for the City of Montgomery were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Montgomery were 4.13% and 3.0% in calendar years 2015 and 2014, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$25,597, and were equal to the required contributions.

4. Net Pension Liability (Asset)

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

Actuarial assumptions:

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

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

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

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate:

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

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

Changes in the Net Pension Liability:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) – (b)</u>
Balance at 12/31/13	\$ 762,399	\$ 881,999	\$ (119,600)
Changes for the year:			
Service Cost	81,979	-	81,979
Interest	55,068	-	55,068
Difference between expected and actual experience	(54,092)	-	(54,092)
Contributions – employer	-	26,597	(26,597)
Contributions – employee	-	61,367	(61,367)
Net investment income	-	50,475	(50,475)
Benefit payments, including refunds of emp. contributions	(33,403)	(33,403)	-
Administrative expense	-	(527)	527
Other changes	-	(43)	43
Net changes	49,552	104,466	(54,914)
Balance at 12/31/14	<u>\$ 811,951</u>	<u>\$ 986,465</u>	<u>\$ (174,514)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
\$ (44,846)	\$ (174,514)	\$ (277,146)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 41,262
Difference between projected and investment earnings	9,012	-
Contributions subsequent to the measurement date	26,103	-
Total	\$ 35,115	\$ 41,262

The City reported \$26,103 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2015	\$ 10,577
2016	10,577
2017	10,577
2018	519
Thereafter	-
Total	\$ 32,250

City of Montgomery, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2015

G. Restatement

The City has restated beginning net position within governmental and business type activities due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The restatement of beginning net position/fund balance is as follows:

	Governmental Activities	Business-type Activities
Prior year ending net position as reported	\$ (3,364,540)	\$ 8,401,115
Adoption of GASB 68	139,839	13,749
Restated beginning net position	\$ (3,224,701)	\$ 8,414,864

H. Subsequent Events

The City has evaluated events and transactions that may impact the financial statements for the year ended September 30, 2015 through February 16, 2016, the date the financial statements were available to be issued and noted there are no subsequent events or transactions that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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City of Montgomery, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2015

	Original Budget	Amended and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 144,398	\$ 146,850	\$ 153,132	\$ 6,282
Sales tax	1,325,000	1,347,500	1,348,055	555
Franchise and local taxes	63,000	75,000	73,072	(1,928)
License and permits	82,800	122,800	153,565	30,765
Intergovernmental	37,500	37,500	37,500	-
Fines and forfeitures	496,180	513,530	395,058	(118,472)
Interest	500	1,400	2,245	845
Other	5,780	21,980	36,494	14,514
Total Revenues	2,155,128	2,266,560	2,199,121	(67,439)
Expenditures				
Current:				
General government	489,296	539,521	497,487	42,034
Police department	690,528	749,329	771,766	(22,437) *
Municipal court	362,182	193,082	236,813	(43,731) *
Public works	477,117	486,061	468,597	17,464
Capital outlay	266,200	301,447	191,309	110,138
Debt Service				
Sales tax withheld by state	-	-	68,051	(68,051) *
Total Expenditures	2,285,323	2,269,440	2,234,023	35,417
Revenues Over (Under) Expenditures	(130,195)	(2,880)	(34,902)	(32,022)
Other Financing Sources (Uses)				
Transfers in	2,880	2,880	2,880	-
Total Other Financing Sources	2,880	2,880	2,880	-
Net Change in Fund Balance	\$ (127,315)	\$ -	(32,022)	\$ (32,022)
Beginning fund balance			1,202,861	
Ending Fund Balance			\$ 1,170,839	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

*2. Expenditures exceeded appropriations at the legal level of control.

City of Montgomery, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the Year Ended December 31, 2014

	2014	¹
Total pension liability		
Service cost	\$ 81,979	
Interest	55,068	
Changes in benefit terms	-	
Differences between expected and actual experience	(54,092)	
Changes of assumptions	-	
Benefit payments, including refunds of participant contributions	(33,403)	
Net change in total pension liability	49,552	
Total pension liability - beginning	\$ 762,399	
Total pension liability - ending (a)	\$ 811,951	
Plan fiduciary net position		
Contributions - employer	\$ 26,597	
Contributions - members	61,367	
Net investment income	50,475	
Benefit payments, including refunds of participant contributions	(33,403)	
Administrative expenses	(527)	
Other	(43)	
Net change in plan fiduciary net position	104,466	
Plan fiduciary net position - beginning	881,999	
Plan fiduciary net position - ending (b)	\$ 986,465	
Fund's net pension liability (asset) - ending (a) - (b)	\$ (174,514)	
Plan fiduciary net position as a percentage of the total pension liability	121%	
Covered employee payroll	\$ 876,672	
Fund's net position as a percentage of covered employee payroll	-19.91%	

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

City of Montgomery, Texas
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2015

1

	9/30/2015
Actuarially determined employer contributions	\$ 26,103
Contributions in relation to the actuarially determined contribution	\$ 26,103
Contribution deficiency (excess)	\$ -
Annual covered employee payroll	\$ 918,710
Employer contributions as a percentage of covered employee payroll	2.84%

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes

There were no benefit changes during the year.

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OTHER SUPPLEMENTARY INFORMATION

City of Montgomery, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2015

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Property tax	\$ 254,000	\$ 259,563	\$ 5,563
Intergovernmental	117,500	117,500	-
Interest	1,500	190	(1,310)
Total Revenues	<u>373,000</u>	<u>377,253</u>	<u>4,253</u>
Expenditures			
Debt Service			
Principal	245,000	245,000	-
Interest and fiscal charges	252,114	234,703	17,411
Bond issuance costs	-	38,430	(38,430) *
Total Expenditures	<u>497,114</u>	<u>518,133</u>	<u>(21,019)</u>
Revenues Over (Under) Expenditures	<u>(124,114)</u>	<u>(140,880)</u>	<u>(16,766)</u>
Other Financing Sources (Uses)			
Transfers in	125,300	125,300	-
Refunding bonds issued	-	845,000	845,000
Payment to refunded bond escrow agent	-	(816,164)	(816,164) *
Total Other Financing Sources	<u>125,300</u>	<u>154,136</u>	<u>28,836</u>
Net Change in Fund Balance	<u>\$ 1,186</u>	<u>13,256</u>	<u>\$ 12,070</u>
Beginning fund balance		109,515	
Ending Fund Balance		<u>\$ 122,771</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP)
- *2. Expenditures exceeded appropriations at the legal level of control.

City of Montgomery, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended September 30, 2015

	Original Budget	Amended and Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ -	\$ 1,000	\$ -	\$ (1,000)
Interest	1,000	-	105	105
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>105</u>	<u>(895)</u>
Expenditures				
Capital outlay	-	257,324	41,073	216,251
Total Expenditures	<u>-</u>	<u>257,324</u>	<u>41,073</u>	<u>216,251</u>
Net Change in Fund Balance	<u>\$ 1,000</u>	<u>\$ (256,324)</u>	<u>(40,968)</u>	<u>\$ (217,146)</u>
Beginning fund balance			<u>258,030</u>	
Ending Fund Balance			<u>\$ 217,062</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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City of Montgomery, Texas

**CERTIFICATION OF UNOPPOSED CANDIDATES FOR
OTHER POLITICAL SUBDIVISIONS (NOT COUNTY)
CERTIFICACIÓN DE CANDIDATOS ÚNICOS
PARA OTRAS SUBDIVISIONES POLITICAS (NO EL CONDADO)**

To: Presiding Officer of Governing Body

Al: *Presidente de la entidad gobernante*

As the authority responsible for having the official ballot prepared, I hereby certify that the following candidates are unopposed for election to office for the election scheduled to be held on May 7, 2016

Como autoridad a cargo de la preparación de la boleta de votación oficial, por la presente certifico que los siguientes candidatos son candidatos únicos para elección para un cargo en la elección que se llevará a cabo el 7 de mayo, 2016

List offices and names of candidates:

Lista de cargos y nombres de los candidatos:

Office(s) *Cargo(s)*

Candidate(s) *Candidato(s)*

Mayor
City Council Member, Place 2
City Council Member, Place 4

Kirk Jones
John Champagne, Jr.
Rebecca Huss


Signature (*Firma*)

Susan Hensley
Printed name (*Nombre en letra de molde*)

City Secretary
Title (*Puesto*)

February 24, 2016
Date of signing (*Fecha de firma*)



(Seal) (*sello*)

See reverse side for instructions
(*Instrucciones en el reverso*)

ORDINANCE NO. _____

AN ORDINANCE DECLARING UNOPPOSED CANDIDATES IN THE MAY 7, 2016 CITY OF MONTGOMERY, TEXAS GENERAL ELECTION ELECTED TO OFFICE; CANCELING THE ELECTION; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Ordinance No. 2016-05, adopted by City Council on February 9, 2016 called the City of Montgomery, Texas General Election for the purpose of electing a Mayor and two (2) City Council Members, Places 2 and 4, for full terms; and,

WHEREAS, at the deadline to file application for a place on the ballot and the deadline to file as a declared write-in candidate, only one candidate for each position had filed to run for such position:

WHEREAS, as prescribed in Section 2.052(a) of the Texas Election Code, the City Secretary has certified that:

- 1) Each candidate whose name is to appear on the ballot is unopposed;
- 2) No candidate's name is to be placed on a list of write-in candidates for the above described offices under applicable law; and
- 3) No proposition will appear on the ballot.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MONTGOMERY, TEXAS:

Section One

Based on information received and in accordance with Section 2.053, the City Council hereby authorizes the cancellation of the Election of a Mayor, City Council Member, Place 2 and City Council Member, Place 4 called for May 7, 2016 and hereby declares the following unopposed candidates elected to the following offices:

Kirk Jones - Mayor
John Champagne, Jr. – City Council Member, Place 2
Rebecca Huss – City Council Member, Place 4

The candidates shall be issued a Certificate of Election following the time the Election would have been canvassed. A copy of the Certification of Unopposed Candidates as certified by the City Secretary is attached heretofore as Exhibit "A."

Section Two

The City Secretary is directed to cause a copy of the Order of Cancellation, as prescribed by the Secretary of State, Section 2.051-2.053, Texas Election Code, attached heretofore as Exhibit "B", to be posted on Election Day at each polling place that would have been used in the Election.

Section Three

It is declared to be the intent of the City Council that the phrases, clauses, sentences, paragraphs, and sections of this ordinance are severable, and if any phrase, clause, sentence, paragraph or section of this ordinance is declared invalid by the judgment or decree of a court of competent jurisdiction, the invalidity shall not affect any of the remaining phrases, clauses, sentences, paragraphs or sections of this ordinance since the City Council would have enacted them without the invalid portion.

Section Four

This Ordinance shall become effective and applicable immediately upon its passage and approval as provided by law.

PASSED AND APPROVED this the ____ day of March, 2016.

CITY OF MONTGOMERY, TEXAS

Mayor Kirk Jones

ATTEST:

Susan Hensley, City Secretary

APPROVED AS TO FORM:

Larry Foerster, City Attorney

Exhibit “A”

City of Montgomery, Texas

**CERTIFICATION OF UNOPPOSED CANDIDATES FOR
OTHER POLITICAL SUBDIVISIONS (NOT COUNTY)
CERTIFICACIÓN DE CANDIDATOS ÚNICOS
PARA OTRAS SUBDIVISIONES POLÍTICAS (NO EL CONDADO)**

To: Presiding Officer of Governing Body
Al: *Presidente de la entidad gobernante*

As the authority responsible for having the official ballot prepared, I hereby certify that the following candidates are unopposed for election to office for the election scheduled to be held on May 7, 2016

Como autoridad a cargo de la preparación de la boleta de votación oficial, por la presente certifico que los siguientes candidatos son candidatos únicos para elección para un cargo en la elección que se llevará a cabo el 7 de mayo, 2016

List offices and names of candidates:
Lista de cargos y nombres de los candidatos:

Office(s) *Cargo(s)*

Candidate(s) *Candidato(s)*

Mayor
City Council Member, Place 2
City Council Member, Place 4

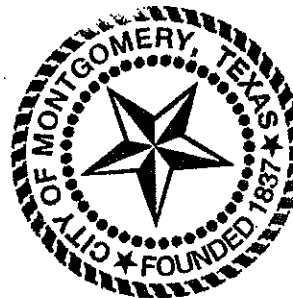
Kirk Jones
John Champagne, Jr.
Rebecca Huss


Signature *(Firma)*

Susan Hensley
Printed name *(Nombre en letra de molde)*

City Secretary
Title *(Puesto)*

February 24, 2016
Date of signing *(Fecha de firma)*



(Seal) *(sello)*

See reverse side for instructions
(Instrucciones en el reverso)

Exhibit “B”

ORDER OF CANCELLATION
ORDEN DE CANCELACIÓN

The City of Montgomery hereby cancels the election scheduled to be held on
(official name of governing body)
May 7, 2016 in accordance with Section 2.053(a) of the Texas
(date on which election was scheduled to be held)
Election Code. The following candidates have been certified as unopposed and are hereby
elected as follows:

*El Ciudad de Montgomery por la presente cancela la elección que, de lo contrario,
(nombre oficial de la entidad gobernante)
se hubiera celebrado el 7 de mayo, 2016 de conformidad, con
(fecha en que se hubiera celebrado la elección)
la Sección 2.053(a) del Código de Elecciones de Texas. Los siguientes candidatos han sido
certificados como candidatos únicos y por la presente quedan elegidos como se haya indicado
a continuación:*

Candidate (Candidato)

Office Sought (Cargo al que presenta candidatura)

Kirk Jones
John Champagne, Jr.
Rebecca Huss

Mayor
City Council Member, Place 2
City Council Member, Place 4

A copy of this order will be posted on Election Day at each polling place that would have
been used in the election.

*El Día de las Elecciones se exhibirá una copia de esta orden en todas las mesas electorales
que se hubieran utilizado en la elección.*

Mayor (Alcalde)

City Secretary (Secretario)

(seal) (sello)

Date of adoption (Fecha de adopción)

ORDINANCE NO. _____

A ORDINANCE OF THE CITY COUNCIL OF MONTGOMERY, TEXAS, AUTHORIZING PARTICIPATION WITH OTHER ENTERGY SERVICE AREA CITIES IN MATTERS CONCERNING ENTERGY TEXAS, INC. AT THE PUBLIC UTILITY COMMISSION OF TEXAS AND THE FEDERAL ENERGY REGULATORY COMMISSION IN 2016

WHEREAS, Entergy Texas, Inc.'s ("ETI") implementation of customer choice has ceased due to Senate Bill 1492 and ETI will continue to be regulated under traditional cost-of-service regulation;

WHEREAS, changes to the Public Utility Regulatory Act addressing rates and rate proceedings will have a direct impact on ETI and customer bills during 2016 and into the future;

WHEREAS, ETI is scheduled to litigate requests in various proceedings before the Public Utility Commission of Texas, before municipalities, or before the Federal Energy Regulatory Commission in 2016 related to ETI's continued integration with the Midwest Independent System Operator ("MISO"), ETI's continuing efforts to exit the Entergy System Agreement (which exit has now been approved by all retail regulatory authorities and the FERC) to be effective August 31, 2016, various fuel cost refunds or surcharges and reconciliations, capacity cost surcharges and reconciliations; and for any type of base rate proceedings (such as a new base rate increase request, transmission cost recovery rider, a distribution cost recovery rider, energy efficiency cost recovery factor, hurricane restoration cost or offset true-ups, or a purchased power capacity cost recovery rider) or cost adjustments;

WHEREAS, ETI is scheduled to file fuel factor proceedings at the Public Utility Commission in February and August 2016, and file other fuel proceedings during 2016 to reconcile fuel, to refund or surcharge fuel charges, and to change the fuel mechanism, along with various surcharge requests impacting rates;

WHEREAS, ETI is expected to file a proceeding for a rate change and fuel change during 2016 to recover costs associated with new capacity purchases;

WHEREAS, ETI is scheduled to file a proceeding to recover costs incurred in association with its Energy Efficiency Plan as well as reconcile past costs;

WHEREAS, Cities have the statutory right to set fair and reasonable rates for both the Company and customers within Cities;

WHEREAS, Cities have exclusive original jurisdiction over rates, operations, and services of an electric utility in areas in the municipality pursuant to *Tex. Util. Code* § 33.001;

WHEREAS, Cities have standing in each case before the Public Utility Commission of Texas that relates to an electric utility providing service in the

municipality pursuant to *Tex. Util. Code* § 33.025, and standing before each Federal Energy Regulatory Commission case in which the City may be affected pursuant to 18 *C.F.R.* § 385.214;

WHEREAS, Cities are entitled to reimbursement by the utility of their reasonable rate case expenses to participate in cases that are deemed rate proceedings pursuant to *Tex. Util. Code* § 33.023.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MONTGOMERY, TEXAS, that:

SECTION 1. The City of Montgomery shall participate with other Cities to intervene in ETI's various rate filings related to the various fuel cost surcharges and reconciliations, capacity cost surcharges and reconciliations, the allocation and refund of rough production cost equalization payments, any interim or incremental surcharge proceedings or surcharge adjustments, and for any base rate adjustment proceedings or cost of service adjustments on file with the Public Utility Commission of Texas or with municipalities in 2016 and seek appropriate regulatory scrutiny in any case on file at the Federal Energy Regulatory Commission affecting the City and its residents.

The City of Montgomery shall participate with other Cities to intervene in fuel or fuel related proceedings at the Public Utility Commission and the Federal Energy Regulatory Commission on file in 2016 concerning ETI's rates charged to Texas customers.

All such actions shall be taken pursuant to the direction of the Cities' Steering Committee. Cities' Steering Committee shall have authority to retain rate consultants and lawyers. Cities' Steering Committee shall direct the actions of Cities' representatives in the above proceedings. The Steering Committee is directed to obtain reimbursement from ETI of all reasonable expenses associated with participation in said proceedings.

SECTION 2. This Ordinance shall be effective from and after the date of its passage.

PASSED by _____ vote of the City Council of the City of Montgomery, Texas, this 8th day of March 2016.

THE CITY OF MONTGOMERY, TEXAS

By: _____
Kirk Jones, Mayor

ATTEST:

Susan Hensley, City Secretary

APPROVED AS TO FORM:

Larry Foerster, City Attorney

Agenda Item 7

*Will be presented at the
meeting.*

Resolution No: _____



CORPORATE AUTHORIZATION RESOLUTION

Acct (s)

INDEPENDENT BANK
4120 BELLAIRE BLVD
HOUSTON, TX 77025

By: CITY OF MONTGOMERY
MEDC
1300 POST OAK BLVD STE 1600
HOUSTON TX 77056

Referred to in this document as "Financial Institution"

Referred to in this document as "Corporation"

I, SUSAN HENSLEY, certify that I am CITY Secretary (clerk) of the above named corporation organized under the laws of TEXAS, Federal Employer I.D. Number 74-2063592, engaged in business under the trade name of CITY OF MONTGOMERY, and that the resolutions on this document are a correct copy of the resolutions adopted at a meeting of the Board of Directors of the Corporation duly and properly called and held on 02/26/16 03/08/16 (date). These resolutions appear in the minutes of this meeting and have not been rescinded or modified.

AGENTS Any Agent listed below, subject to any written limitations, is authorized to exercise the powers granted as indicated below:

Name and Title or Position	Signature	Facsimile Signature (if used)
A. <u>MARK M BURTON AUTH SIGNER</u>	X <u>[Signature]</u> X	
B. <u>KATHERINE TURNER AUTH SIGNER</u>	X <u>[Signature]</u> X	
C. _____	X _____ X	
D. _____	X _____ X	
E. _____	X _____ X	
F. _____	X _____ X	

POWERS GRANTED (Attach one or more Agents to each power by placing the letter corresponding to their name in the area before each power. Following each power indicate the number of Agent signatures required to exercise the power.)

Indicate A, B, C, D, E, and/or F	Description of Power	Indicate number of signatures required
<u>A, B</u>	(1) Exercise all of the powers listed in this resolution.	<u>1</u>
_____	(2) Open any deposit or share account(s) in the name of the Corporation.	_____
_____	(3) Endorse checks and orders for the payment of money or otherwise withdraw or transfer funds on deposit with this Financial Institution.	_____
_____	(4) Borrow money on behalf and in the name of the Corporation, sign, execute and deliver promissory notes or other evidences of indebtedness.	_____
_____	(5) Endorse, assign, transfer, mortgage or pledge bills receivable, warehouse receipts, bills of lading, stocks, bonds, real estate or other property now owned or hereafter owned or acquired by the Corporation as security for sums borrowed, and to discount the same, unconditionally guarantee payment of all bills received, negotiated or discounted and to waive demand, presentment, protest, notice of protest and notice of non-payment.	_____
_____	(6) Enter into a written lease for the purpose of renting, maintaining, accessing and terminating a Safe Deposit Box in this Financial Institution.	_____
_____	(7) Other _____	_____

LIMITATIONS ON POWERS The following are the Corporation's express limitations on the powers granted under this resolution.

EFFECT ON PREVIOUS RESOLUTIONS This resolution supersedes resolution dated _____ . If not completed, all resolutions remain in effect.

CERTIFICATION OF AUTHORITY

I further certify that the Board of Directors of the Corporation has, and at the time of adoption of this resolution had, full power and lawful authority to adopt the resolutions on page 2 and to confer the powers granted above to the persons named who have full power and lawful authority to exercise the same. (Apply seal below where appropriate.)

If checked, the Corporation is a non-profit corporation. In Witness Whereof, I have subscribed my name to this document and affixed the seal of the Corporation on _____ (date).

Attest by One Other Officer MAYOR RICK JONES Attest City Secretary SUSAN HENSLEY

INDEPENDENT BANK
 MEDICAL CENTER
 4120 BELLAIRE BLVD
 HOUSTON, TX 77025
 (713) 600-6770

Account Owner(s) Name & Address
 CITY OF MONTGOMERY
 MEDC
 1300 POST OAK BLVD STE 1600
 HOUSTON TX 77056

The types of accounts provided by Texas law have been disclosed on the separate Single-Party or Multiple-Party Account Selection Form Notice (Selection Form Notice), on which the undersigned have initialed to designate the ownership type selected. The undersigned acknowledge(s) receipt of a copy of the completed Selection Form Notice.

OTHER _____

Signature(s). The undersigned certifies the accuracy of the information he/she has provided and acknowledges receipt of a completed copy of this form. The undersigned authorizes the financial institution to verify credit and employment history and/or have a credit reporting agency prepare a credit report on the undersigned, as individuals. The undersigned also acknowledge the receipt of a copy and agree to the terms of the following agreement(s) and/or disclosure(s):

Terms & Conditions Truth in Savings Funds Availability
 Electronic Fund Transfers Privacy Substitute Checks
 Common Features _____

Ownership of Account - Business Purpose

Sole Proprietorship or Single Member LLC Partnership
 LLC-enter tax classification (C Corp S Corp Partnership)
 C Corporation S Corporation Public Funds

Authorization Dated: _____

The Internal Revenue Service does not require your consent to any provision of this document other than the certifications required to avoid backup withholding.

Account Number and Description	Initial Deposit/Source
Acct. No.:	\$ 100,000.00 <input type="checkbox"/> cash <input type="checkbox"/> check <input type="checkbox"/> _____
Acct. No.:	\$ _____ <input type="checkbox"/> cash <input type="checkbox"/> check <input type="checkbox"/> _____
Acct. No.:	\$ _____ <input type="checkbox"/> cash <input type="checkbox"/> check <input type="checkbox"/> _____

(1): ]
 MARK M BURTON
 I.D. # _____ D.O.B. _____
 SS#: _____

Account Name: _____
 This is a Temporary account agreement.

(2): ]
 KATHERINE TURNER
 I.D. # _____ D.O.B. _____
 SS#: _____

Backup Withholding Certifications
 (If not a "U.S. Person", certify foreign status separately)

By signing signature field (1) on this document, I certify under penalties of perjury that the statements made in this section are true and that I am a U.S. citizen or other U.S. person (as defined in the instructions).

Taxpayer I.D. Number - TIN: 74-2063592
 The Taxpayer Identification Number (TIN) shown is my correct taxpayer identification number.

Backup Withholding. I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

Exempt Recipients. I am an exempt recipient under the Internal Revenue Service Regulations. Exempt payee code (if any) _____

FATCA Code. The FATCA code entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

(3):]
 I.D. # _____ D.O.B. _____
 SS#: _____

(4):]
 I.D. # _____ D.O.B. _____
 SS#: _____

The person(s) named below are Convenience Signers only (not owners)

Additional Terms:

 Date Opened: 02/26/16

]
 I.D. # _____ Other _____
 SS#: _____

]
 I.D. # _____ Other _____
 SS#: _____