ANNUAL FINANCIAL REPORT

of the

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF
THE CITY OF NASSAU BAY, TEXAS

For the Year Ended
September 30, 2014

(This page intentionally left blank.)

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NASSAU BAY, TEXAS

TABLE OF CONTENTS

September 30, 2014

	Page
INTRODUCTORY SECTION	
Board of Directors	1
FINANCIAL SECTION	
Independent Auditors' Report	5
Management's Discussion and Analysis (Required Supplementary Information)	9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	17
Fund Financial Statements	
Balance Sheet – General Fund	19
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	21
Notes to Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	31

(This page intentionally left blank.)

INTRODUCTORY SECTION

(This page intentionally left blank.)

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NASSAU BAY, TEXAS

BOARD OF DIRECTORS

September 30, 2014

President	Mark Denman
Vice President	Jonathan Amdur
Secretary	Harry Dollar
Treasurer	Bryce Klug
Director	George Dempsey
Director	Bill Quinn
Director	John Mahon

(This page intentionally left blank.)

FINANCIAL SECTION

(This page intentionally left blank.)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Nassau Bay Economic Development Corporation
City of Nassau Bay, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Nassau Bay Economic Development Corporation (the "Corporation"), a component unit of the City of Nassau Bay, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Corporation'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 Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Partners
Robert Belt, CPA
Stephanie E. Harris, CPA
Nathan Krupke, CPA

Houston
3210 Bingle Rd., Ste. 300
Houston, TX 77055
713.263.1123

Bellville
1304 South Front St.
Bellville, TX 77418
979.865.3169

Austin
100 Congress Ave., Ste. 2000
Austin, TX 78701
512.381.0222

All Offices
www.texasauditors.com
info@txauditors.com
713.263.1550 fax

Governmental Audit Quality Center
AICPA

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Corporation as of September 30, 2014, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

(This page intentionally left blank.)

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NASSAU BAY, TEXAS

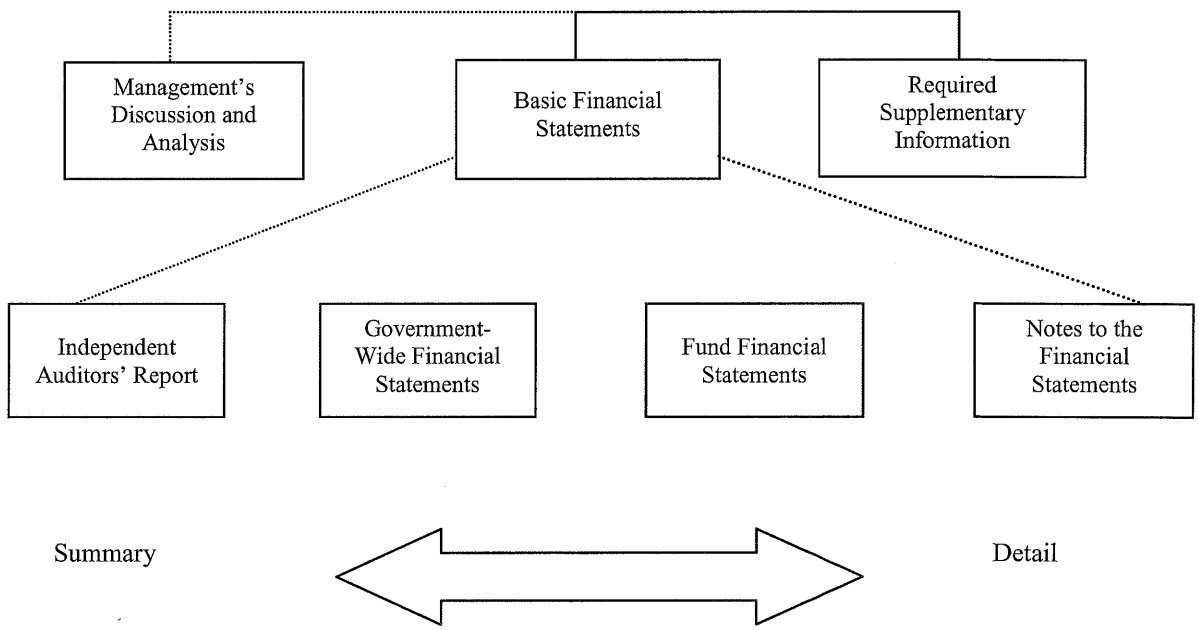
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2014

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Nassau Bay Economic Development Corporation (the "Corporation") for the year ending September 30, 2014. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the Corporation's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the Corporation's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The Corporation's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. For this report, no reconciliation has been provided between the fund financial statements and the government-wide financial statements, as the only change necessary was the reclassification of fund balance at the fund level to net position at the government-wide level.

Government-Wide Statements

The government-wide statements report information for the Corporation 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 Corporation as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the Corporation's financial statements, report information on the Corporation's activities that enable the reader to understand the financial condition of the Corporation. 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.

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

The Statement of Activities presents information showing how the Corporation's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows using 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 present one class of activity for the Corporation:

1. Governmental Activities – The Corporation's basic services are reported here including economic development, which incorporates interest payments on the Corporation's debt. Sales tax finances most of these activities.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

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

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 Corporation's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Corporation's near-term financing decisions.

The Corporation maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Corporation adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with this budget.

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 basic financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund. RSI can be found after the notes to the basic financial statements.

FINANCIAL ANALYSIS

Over time, net position may serve as a useful indicator of the Corporation's financial position. For the Corporation, assets and deferred outflows of resources exceed liabilities by $316,375 as of year end.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

		Governmental Activities	
		2014	2013
Current and other assets		$ 317,473	$ 189,700
	Total Assets	317,473	189,700
Due to primary government		1,098	370
	Total Liabilities	1,098	370
Net Position:			
Restricted		316,375	189,330
	Total Net Position	$ 316,375	$ 189,330

Total assets for the year increased by 67 percent compared to the prior year mainly due to the results of current year operations. The overall condition of the Corporation increased by $127,045 during fiscal year 2013-2014.

Statement of Activities:

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

	Governmental Activities	
	2014	**2013**
Revenues		
General revenues:		
Sales taxes	$ 261,830	$ 246,198
Investment income	253	405
Total Revenues	262,083	246,603
Expenses		
Economic development	135,038	202,122
Total Expenses	135,038	202,122
Change in Net Position	127,045	44,481
Beginning net position	189,330	144,849
Ending Net Position	$ 316,375	$ 189,330

Expenses related to economic development for the year decreased by 33 percent in comparison to the prior year. This decrease is due mainly to a decrease in debt service payments. Revenues increased by six percent due to higher than anticipated sales tax revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Corporation budgeted a $64,670 increase in fund balance but actually realized an increase of $127,045. This is primarily due to no expenditures for dredging projects, fewer legal related expenditures, and higher sales tax revenue than anticipated. Actual revenues exceeded budgeted revenues by $23,683 and actual expenditures were less than budgeted expenditures by $38,692, contributing to the overall positive budget variance of $62,375.

CAPITAL ASSETS

The Corporation has no capital assets. Capital assets are purchased through a contribution for joint capital projects with the City of Nassau Bay (the "City") and are recorded and depreciated on the City's financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Corporation's principal source of revenue is a one-half of one percent sales tax on goods and services purchased in the City. The budgeted sales tax revenue for the 2014-2015 fiscal year is $260,000.

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Corporation's finances. Questions concerning this report or requests for additional financial information should be directed to Csilla Stiles, Finance Director, City of Nassau Bay, 1800 Space Park Drive, Suite 200, Nassau Bay, Texas, 77058.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NASSAU BAY, TEXAS

STATEMENT OF NET POSITION

September 30, 2014

		Governmental Activities
Assets		
Cash and cash equivalents		$ 274,739
Receivables		42,734
	Total Assets	317,473
Liabilities		
Due to primary government		1,098
	Total Liabilities	1,098
Net Position		
Restricted		316,375
	Total Net Position	$ 316,375

See Notes to Financial Statements.

(This page intentionally left blank.)

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NASSAU BAY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Primary Government		
Governmental Activities		
Economic development	$ 135,038	$ (135,038)
Total Governmental Activities	135,038	(135,038)
Total Primary Government	$ 135,038	(135,038)

General Revenues:	
Taxes	
Sales taxes	261,830
Investment income	253
Total General Revenues	262,083
Change in Net Position	127,045
Beginning net position	189,330
Ending Net Position	$ 316,375

See Notes to Financial Statements.

(This page intentionally left blank.)

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NASSAU BAY, TEXAS

BALANCE SHEET

GENERAL FUND

September 30, 2014

		General
Assets		
Cash and cash equivalents		$ 274,739
Receivables		42,734
	Total Assets	$ 317,473
Liabilities		
Due to primary government		$ 1,098
	Total Liabilities	1,098
Fund Balance		
Unassigned		316,375
	Total Fund Balance	316,375
	Total Liabilities and Fund Balance	$ 317,473

See Notes to Financial Statements.

(This page intentionally left blank.)

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NASSAU BAY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GENERAL FUND

For the Year Ended September 30, 2014

		General
Revenues		
Sales taxes		$ 261,830
Investment income		253
	Total Revenues	262,083
Expenditures		
Current:		
Economic development		135,038
	Total Expenditures	135,038
	Net Change in Fund Balance	127,045
Beginning fund balance		189,330
	Ending Fund Balance	$ 316,375

See Notes to Financial Statements.

(This page intentionally left blank.)

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Nassau Bay Economic Development Corporation (the "Corporation") was incorporated in April 1998 as a non-profit corporation specifically governed by Section 4B of the Texas Development Corporation Act of 1979. The purpose of the Corporation is to encourage the retention of business enterprises within the City of Nassau Bay, Texas (the "City") and the promotion and development of new and expanded business enterprises in the City in order to promote and encourage the economic growth of the City and the full employment, welfare and prosperity of its citizens as provided by the Development Corporation Act of 1979, as amended.

The accompanying financial statements of the Corporation are prepared in conformity with generally accepted accounting principles for governmental entities as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Corporation's significant accounting policies are described below.

The Corporation has adopted GASB Statement No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units.* In accordance with these statements, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but 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.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the Corporation's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the Corporation 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 Corporation'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 it 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.

The City is the primary government which exercises significant influence over the Corporation. Significant influence or accountability is based primarily on operational or financial relationships with the City. Due to the nature of the relationship between the City and the Corporation, the Corporation has been included as a component unit of the City for financial statement purposes.

The Corporation is managed by a Board of Directors consisting of seven directors, all residents of the City, appointed by the City Council for two-year terms of office. Four of the directors consist of the Mayor and Council Positions Three, Four, and Five. The remaining four directors are persons who are not employees, agents, paid or non-paid appointed officers, or members of the City Council or any City committee, board, or commission.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Corporation. Governmental activities are normally supported by taxes and intergovernmental revenues.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the Corporation's funds. Separate statements for each fund category, governmental, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Corporation reports the following governmental fund:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is sales tax collected by the City to be used by the Corporation for expenditures on economic development. The general fund is always considered a major fund for financial reporting purposes.

E. Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures

related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Corporation.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The Corporation'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.

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the Corporation 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 TexPool, are reported using the pools' share price.

3. Receivables and Payables

Transactions between the City and the Corporation outstanding at the end of the year are classified as "due to/from component unit/primary government."

4. Capital Assets

The Corporation has no capital assets. Capital assets are purchased through a contribution for joint capital projects with the City and are recorded and depreciated on the City's financial statements.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Corporation has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Corporation has no items that qualify for reporting in this category.

6. Net Position Flow Assumption

Sometimes the Corporation 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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the Corporation 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 Corporation'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 balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Corporation 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 Corporation's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the Corporation 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 Corporation for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Corporation's Board of Directors adopts an annual budget, subject to approval by City Council, which sets forth in detail all anticipated revenues and expenses. The annual budget is prepared using the modified accrual basis of accounting. Encumbrance accounting is not utilized.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of year end, the Corporation had the following investments:

Investment Type	Fair Value
State Pool (TexPool)	$ 21,938
Total Fair Value	$ 21,938

Credit risk. The Corporation's investment policy requires that investment pools rated must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of September 30, 2014, the Corporation's investments in TexPool were 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 Corporation's deposits may not be returned to it. As of year end, the Corporation's bank balance was completely insured by FDIC.

TexPool

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. Finally, Standard & Poor's rate TexPool "AAAm." As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

B. Receivables

The following comprises receivable balances at year end:

	General
Sales taxes	$ 42,734

IV. OTHER INFORMATION

A. Contingent Liabilities

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. No claim liabilities are reported at year end.

REQUIRED SUPPLEMENTARY INFORMATION

(This page intentionally left blank.)

NASSAU BAY ECONOMIC DEVELOPMENT CORPORATION

A COMPONENT UNIT OF THE CITY OF NASSAU BAY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes:				
Sales	$ 238,000	$ 238,000	$ 261,830	$ 23,830
Investment income	400	400	253	(147)
Total Revenues	238,400	238,400	262,083	23,683
Expenditures				
Current:				
Economic development:				
Administrative expenses	100,000	100,000	100,000	-
Audit	7,730	7,730	7,730	-
Legal	2,000	2,000	350	1,650
Memberships	19,000	19,000	19,000	-
Development services	10,000	10,000	7,958	2,042
Dredging Projects	35,000	35,000	-	35,000
Total Expenditures	173,730	173,730	135,038	38,692
Excess of Revenues Over Expenditures	$ 64,670	$ 64,670	127,045	$ 62,375
Beginning fund balance			189,330	
Ending Fund Balance			$ 316,375	

Notes to Required Supplementary Information:

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

(This page intentionally left blank.)