

Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY
(CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE
IN Montgomery & Liberty COUNTIES, TEXAS

To: Peach Creek Dam & Lake Club Date Notice Mailed _____, 20____
(Neighboring System, Landowner or City)

PO BOX 559

(Address)
SPLENDORA, TEXAS 77372-0000

City State Zip

Name of Applicant City of Splendor has filed an application
for a CCN to obtain or amend CCN No. 11727
with the Texas Commission on Environmental Quality to provide water
utility service in Montgomery & Liberty Counties.

The proposed utility service area is located approximately 34.75 miles northeast
of downtown Houston, Texas, and is generally
bounded on the north by Morgan Cemetery Rd; on the east by San Jacinto River
; on the south by Hill and Dale Avenue; and
on the west by Charleston Avenue.

See enclosed map of the proposed service area.

The total area being requested includes approximately 12,600 acres and 1,000 current
customers.

The proposed amendment affects customers and/or areas located in the following zip
code(s):

77372, 77327

(List All Affected Zip Codes)

A request for a public hearing must be in writing. You must state (1) your name, mailing
address, and daytime telephone number; (2) the applicant's name, application number or
another recognizable reference to this application; (3) the statement, "I/we request a
public hearing"; (4) a brief description of how you or the persons you represent, would be
adversely affected by the granting of the application for a CCN; and (5) your proposed
adjustment to the application or CCN which would satisfy your concerns and cause you to
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NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY
(CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE
IN Montgomery & Liberty COUNTIES, TEXAS

To: Southern Horizons Development Inc. Date Notice Mailed _____, 20____
(Neighboring System, Landowner or City)

PO BOX 1076

(Address)
SPLENDORA, TEXAS 77372-1076
City State Zip

Name of Applicant City of Splendor has filed an application
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NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY
(CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE
IN Montgomery & Liberty COUNTIES, TEXAS

To: Northwoods - WSC Date Notice Mailed _____, 20____
(Neighboring System, Landowner or City)

25652 WALNUT LN

(Address)

Cleveland TX 77328-7454
City State Zip

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(CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE
IN Montgomery & Liberty COUNTIES, TEXAS

To: T & W Water Service Company Date Notice Mailed _____, 20____
(Neighboring System, Landowner or City)

PO BOX 2927

(Address)
CONROE, TEXAS 77305-2927
City State Zip

Name of Applicant City of Splendor has filed an application
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Notice to Neighboring Systems, Landowners and Cities

NOTICE OF APPLICATION FOR CERTIFICATE OF CONVENIENCE AND NECESSITY
(CCN) TO PROVIDE WATER/SEWER UTILITY SERVICE
IN Montgomery & Liberty COUNTIES, TEXAS

To: Texas American Water Date Notice Mailed _____, 20____
(Neighboring System, Landowner or City)

P.O. Box 5627

(Address)

Cherry Hill, New Jersey 8034-0519

City State Zip

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withdraw your request for a hearing.

Persons who wish to intervene or comment should write the:

Texas Commission on Environmental Quality
Water Supply Division
Utilities and Districts Section, MC-153
P. O. Box 13087
Austin, TX 78711-3087

within thirty (30) days from the date of this publication or notice. A public hearing will be held only if a legally sufficient hearing request is received or if the Commission on its own motion requests a hearing. Only those individuals who submit a written hearing request or a written request to be notified if a hearing is set will receive notice if a hearing is scheduled.

If a public hearing is requested, the Executive Director will not issue the CCN and will forward the application to the State Office of Administrative Hearings (SOAH) for a hearing. If no settlement is reached and an evidentiary hearing is held, the SOAH will submit a recommendation to the Commission for final decision. If an evidentiary hearing is held, it will be a legal proceeding similar to a civil trial in state district court.

If you are a landowner with a tract of land at least 25 acres or more, that is partially or wholly located within the proposed area, you may request to be excluded from the proposed area (or "opt out") by providing written notice to the Commission within (30) days from the date that notice was provided by the applicant. All requests to opt out of the requested service area must include a scaled, general location map and a metes and bounds description of the tract of land.

Persons who meet the requirements to opt out, and wish to request this option should file the required documents with the:

Texas Commission on Environmental Quality
Water Supply Division
Utilities and Districts Section, MC-153
P. O. Box 13087
Austin, TX 78711-3087

A copy of the request to opt out of the proposed area must also be sent to the applicant. Staff may request additional information regarding your request.

Si desea informacion en Espanol, puede llamar al 1-512-239-0200.

**CITY OF SPLENDORA
CCN AMENDMENT**

LIST OF ATTACHMENTS

Attachment A – Need for Service

Attachment B – General Location Map

Attachment C – Digital Data

Attachment D – Written Description of Proposed Service Area

Attachment E – Current Distribution Map

Attachment F – TCEQ Inspection

Attachment G – Profit and Loss Statement

Attachment H – Proposed Rate Schedule

Attachment A

Need for Service

Service Request Description

The city of Splendor owns and operates water service in the proposed amendment area for CCN #11727. The city operates within TCEQ standards and has received no complaints about their water service. No additional measures are necessary to continue serving those in the proposed amendment area. The purpose of this amendment is to include the areas outside the current CCN already served by the city and to allow for future expansion of the system.

Attachment B

General Location Map

Attachment C

Digital Data

(See attached CD)

Attachment D

Written Description of Proposed Service Area



**City of Splendora
CCN Addition Description**

STATE OF TEXAS)
COUNTIES OF MONTGOMERY AND LIBERTY)

BEING a tract or parcel designated as an Addition to the City of Splendora CCN No. 11727, situated in Montgomery and Liberty Counties, Texas out of the following surveys: James Taylor A-553(M), A-952(L), William Wills A-594(M), A-977(L), Henry A. Peters A-434(M), William Barker A-82(M), A-132(L), Wm. F. Renfro A-446(M), Josiah Blackman A-80(M), A-135(L), John Cole A-121(M), A-158(L) and Martin B. Lawrence A-310(M), A-306(L) and being more particularly described as follows:

BEGINNING at a point in the center line of the East Fork of the San Jacinto River in Liberty County, Texas in the west line of the Ann Holshausen Survey, A-208(Liberty County) at the northeast corner of the Wm. S. Taylor Survey, A-993(Liberty County) and the southeast corner of the James Taylor Survey, A-952(Liberty County);

THENCE in a westerly direction with the north line of said Wm. S. Taylor Survey, A-993(Liberty County) and the Wm. S. Taylor Survey, A-552 (Montgomery County) to the north east corner of CCN No. 11193 (Lakeland Subdivision), continuing with the north line of said Wm. S. Taylor Survey, A-552 line and the north line of said CCN No. 11193 to the northwest corner of said CCN No. 11193 on the east right of way of Southern Pacific Railroad and continuing to the east right of way of US Highway 59 (Eastex Freeway);

THENCE crossing US Highway 59 (Eastex Freeway) with the north line of said Wm. S. Taylor Survey, A-552 to the northwest corner of said Wm. S. Taylor Survey, A-552, being an interior corner of Charterwood Subdivision as recorded in Cabinet B, Sheet 198A Plat Records of Montgomery County;

THENCE in a southerly direction to the lower southeast corner of said Charterwood Subdivision;

THENCE in a westerly direction with the south line of said Charterwood Subdivision to the southeast corner of said Charterwood Subdivision, as recorded in Cabinet B, Sheet 198B Plat Records of Montgomery County;

THENCE in a northerly direction with the west line of said Charterwood Subdivision and Amberwood Subdivision as recorded in Cabinet B, Sheet 93A Plat Records of Montgomery to the northwest corner of said Amberwood Subdivision on the south line of the Walker County School Land Survey, A-494 (WCSLS, A-494);

THENCE in an easterly direction to the most southerly southeast corner of said WCSLS, A-494;

THENCE with the lower east line of said WCSLS, A-494 in a northerly direction to an interior corner of said WCSLS, A-494;

THENCE in an easterly direction with a south line of said WCSLS, A-494 to an exterior corner of said WCSLS, A-494;

THENCE in a northerly direction with an east line of said WCSLS, A-494 to an interior corner of said WCSLS, A-494;

THENCE in an easterly direction with the upper south line of said WCSLS, A-494 to an exterior corner of said WCSLS, A-494;

THENCE in a northerly direction to an exterior corner of said WCSLS, A-494 and the northwest corner of the John Cole Survey, Abstract 121;

THENCE in an easterly direction with the north line of said John Cole Survey, A-121 to the intersection of the north line of said John Cole Survey, A-121 and the centerline of Peach Creek;

THENCE following the centerline and meanders of Peach Creek in a southeasterly direction to a point 400 feet perpendicular distance from the north right of way of Midline Drive;

THENCE in an easterly direction 400 feet from and parallel to the north right of way of Midline Drive to a point on the west line of Lot 142 of the Ida Strauss Subdivision as shown in Volume 2, Page 21 of the Map Records of Montgomery County,

THENCE in a northerly direction with the west lines of Lots 142 and 143 of said Ida Strauss Subdivision to the northwest corner of Lot 143;

THENCE in a northerly direction to the southeast corner of Hutcheson Acres Section 2 as recorded in Volume 5, Page, 271 Montgomery County Clerk Records;

THENCE in a northerly direction with the east line of said Hutcheson Acres to the south margin of McShan Road;

THENCE in an easterly direction with the south margin of McShan Road to the southeast corner of the intersection of McShan Road and Fostoria Road;

THENCE in a southeasterly direction with the east right of way of Fostoria Road to the northwest corner of a called 1.0 acre tract conveyed to Lucille Stephenson, attorney-in-fact, by deed recorded in File No. 2001-021523;

THENCE with the north lines of said 1.0 acre tract, a called 1.789 acre tract conveyed to Jose Guadalupe Garcia and Ma. Camerina Garcia by deed recorded in file number 2002-046464, a called 1.0 acre tract conveyed to Darrin C. and Linda S. Godejohn by deed recorded in file number 2001-102346 and a called 1.0 acre tract conveyed to Wesley W. Stephenson, et ux by deed recorded in file number 8213724;

THENCE with a projection of the last said line in an easterly direction to a point on the westerly line of Lot 134, Delta Heights Subdivision, an unrecorded subdivision in Liberty County;

THENCE in a northerly direction with the westerly line of said Delta Heights Subdivision, Lot 134 as shown in Warranty Deed, File Number 2011011351, Liberty County, Texas to the northwest corner of Lot 134 of said Delta Heights Subdivision;

THENCE in an easterly direction with the north line of said Delta Heights Subdivision Lots 134, 133, 132, 131, and 130 to the southwest corner of a called 4.000 acre tract described by deed recorded in Volume 1744, Page 554, Deed Records, Liberty County;

THENCE in an easterly direction with the south line of said 4.000 acre tract to the southeast corner of said 4.000 acre tract, being the southwest corner of a called 54.1525 acre tract described by deed recorded in Volume 1563, Page 340, Deed Records Liberty County;

THENCE in an easterly direction with the south and southwest line of said 54.1525 acre tract to the northwest right of way line of US Highway 59;

THENCE crossing perpendicular across US Hwy 59 to the east right of way of US Hwy 59 and continuing across the right of way of Southern Pacific Railroad right of way to the east line of said Southern Pacific Railroad right of way;

THENCE in a southwesterly direction with the southeast right of way of said Southern Pacific Railroad right of way, and passing back into Montgomery County to the northwest corner of Woodlane Subdivision (an unrecorded subdivision);

THENCE in an easterly direction with the north line of Woodlane Subdivision, passing back into Liberty County and continuing with said north line to a point in the center of the East Fork of the San Jacinto River;

THENCE in a southerly direction with the centerline meanders of the East Fork of the San Jacinto River to its intersection with the south line of the Josiah Blackman Survey, Abstract 135 (Liberty County);

THENCE in a westerly direction with the south line of the Josiah Blackman Survey, Abstract 135 (Liberty County) to a point in line with the northerly projection of the east line of Country Colony Subdivision, Sections I and II, as recorded in Volume 8, Page 79 Map Records of Liberty County, Texas and Cabinet B, Sheet 99B Montgomery County, Texas;

THENCE in a southerly direction with the east line of said Country Colony Subdivision to the southeast corner of said Country Colony Subdivision;

THENCE in a westerly direction with the south and west lines of said Country Colony Subdivision, passing back into Montgomery County to the northeast corner of Holiday Oaks Subdivision, Section One, as recorded in Volume 7, Page 191, Clerk Records of Montgomery County;

THENCE in a southerly direction with the east line of said Holiday Oaks Subdivision Section One to the southeast corner of Holiday Oaks Section Five, being the southwest corner of a called 13.293 acre tract conveyed to Tower Leasing Company, L.P., by Special Warranty Deed recorded in File Number 9036525 Montgomery County Clerk Records;

Thence with the south line of said called 13.293 acre Tower Leasing Company, L. P. tract to the southeast corner of same, being the southwest corner of a called 58.540 acre tract conveyed to Jimmie Swaggert Ministries by deed recorded in Clerk's File No. 8447749;

Thence with the south line of said 58.540 acre tract to the west line of CCN No. 13114 (Maywood Acres) as shown on Image Code 392-11-0646 Montgomery County Clerk Records;

THENCE in a southerly direction with the west line of said CCN No.13114 to its southwest corner;

THENCE in an easterly direction with the south line of said CCN No.13114, passing into Liberty County to the southeast corner of said CCN No.13114;

THENCE with a projection of the south line of CCN No. 13114 to the center line of the East Fork of the San Jacinto River;

THENCE in a southerly downstream direction with the meanders of the centerline of the East Fork of San Jacinto River to the PLACE OF BEGINNING, less and except the areas included within the boundaries of CCN No. 10347 and CCN No. 11373 as shown in Image Code 392-11-0646 Montgomery County Clerk Records.

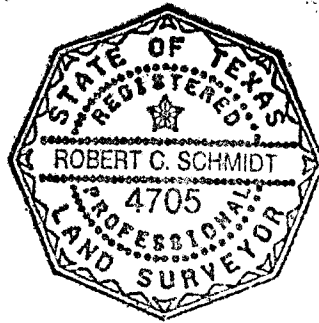
Notes:

1. This document was prepared under 22 TAC §663.21, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared.

August 28, 2012

Robert C. Schmidt

Robert C. Schmidt, TX RPLS No. 4705



Attachment E

Current Distribution Map

Attachment F

TCEQ Inspection

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



PWSI 1700087 ICC

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

July 7, 2010

The Honorable Dorothy Welch, Mayor
City of Splendora
P. O. Box 1087
Splendora, Texas 77372-1087

Re: Comprehensive Compliance Investigation at:
City of Splendora, 13772 US 59 West, 14136 Old US 59 and 26090 FM 2090 East,
Splendora, Montgomery County, Texas
TCEQ ID No. 1700087 and Investigation No. 824490

Dear Mayor Welch:

On May 25, 2010, Mr. Sune Nantah of the Texas Commission on Environmental Quality (TCEQ) Houston Region Office conducted an investigation of the above-referenced facility to evaluate compliance with the applicable requirements for public water supply systems. No violations are being alleged as a result of the investigation.

The TCEQ appreciates your assistance in this matter and your compliance efforts to ensure protection of the State's environment. If you or members of your staff have any questions regarding these matters, please feel free to contact Mr. Sune Nantah in the Houston Region Office at 713-767-3650.

Sincerely,

Leticia De Leon, Team Leader
Public Water Supply
Houston Region Office

LD/SN/ra

cc: Montgomery County Environmental Health Services

RECEIVED
JUN 24 2011
TCEQ
CENTRAL FILE ROOM

Texas Commission on Environmental Quality
Investigation Report
CITY OF SPLENDORA
CN600624712

CITY OF SPLENDORA
RN101176717

Investigation # 824490	Incident #
Investigator: SUNE NANTAH	Site Classification GW >1K-10K CONNECTION
Conducted: 05/25/2010 -- 05/25/2010	No Industry Code Assigned
Program(s): PUBLIC WATER SYSTEM/SUPPLY	

Investigation Type : Compliance Investigation **Location :** well 3&4 - 13772 US HIGHWAY 59
 well 5 - 14136 OLD US 59
 KEY MAP 223L

Additional ID(s) : 1700087

Address: 13772 HIGHWAY 59; **Activity Type :** REGION 12 - HOUSTON
 SPLENDORA, TX 77372 PWSCCIGWCM - PWSCCOGWCM PWS CCI
 Discretionary Groundwater, Purchase, Community

Principal(s) :

Role	Name
RESPONDENT	CITY OF SPLENDORA

Contact(s) :

Role	Title	Name	Phone
Regulated Entity Contact	ASSISTANT UTILITY DIRECTOR	MR JEREMY WILLIAMS	Work (281) 689-3197
Participated in Investigation	FIELD SUPERVISOR	MR CARL BROWN	Work (281) 689-3197
Participated in Investigation	ASSISTANT UTILITY DIRECTOR	MR JEREMY WILLIAMS	Work (281) 689-3197 Cell (832) 401-5211
Regulated Entity Mail Contact	MAYOR	HON DOROTHY WELCH	Work (281) 689-3197

Other Staff Member(s) :

Role	Name
QA Reviewer	ELISABETH BOYD
Supervisor	LETICIA DELEON
QA Reviewer	KENNETH MILLER

RECEIVED
 AUG 07 2010
 Public Drinking Water Section

Associated Check List

<u>Checklist Name</u> PWS EMERGENCY POWER INITIATIVE	<u>Unit Name</u> EMERGENCY POWER INITIATIV
--	--

Investigation Comments :

1) Introduction Summary/General Information
 An announced investigation of:
 Name of System: City of Splendor PWS ID: 1700087

3) Background:

Are there Current Enforcement Actions?: No

Is there an Agreed Order and Compliance Agreements?: No

Are there Complaints, and other Compliance Issues?: No

Are there Outstanding Violations from a previous CCI: No

4) Additional Information: No

Please see attached T-NET documentation for system specifics. Attached for review are: Water System, Water Storage Tanks, Water Sources, Service Pumps, System Capacities, Treatment Plants.

No Violations Associated to this Investigation

Signed *[Signature]*
Environmental Investigator

Date 6/29/10

Signed *[Signature]*
Supervisor

Date 7-2-10

Attachments: (in order of final report submittal)

- Enforcement Action Request (EAR)
- Letter to Facility (specify type) : GC
- Investigation Report
- Sample Analysis Results
- Manifests
- NOR

- Maps, Plans, Sketches
- Photographs
- Correspondence from the facility
- Other (specify) :

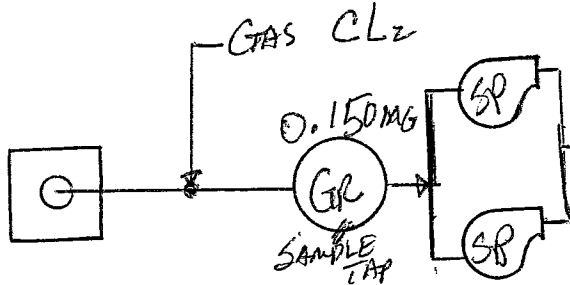
DWS attachments

PWS - SYSTEM FLOW DIAGRAM

Name of System:	City of Splendor	Additional ID:	1700087
Investigation #:	824490	Investigation Date:	05/25/2010
Description of Sources, Treatment, Entry Points and Distribution Labelling: owner's source names and TCEQ wtrsrc code designation, types of treatment and chemicals, entry points to distribution, entry point sample taps, booster disinfection, distribution connections and layout (if possible).			

PLANT 1 - 14136 OLD US 59 E

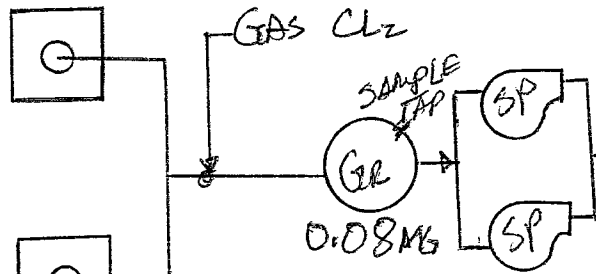
VT WELL #5
G1700087E
700 GPM
OPERATIONAL



N/CLOSED
MONT. COUNTY MUD # 170011

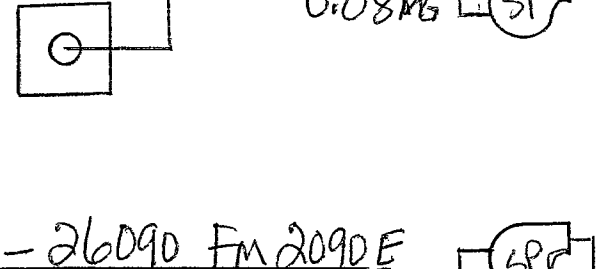
PLANT 2 - 13772 US 59 W

SUB WELL #3
G1700083C
220 GPM
OPERATIONAL



0.200 MG
EL
DISTRIBUTION
COMMUNITY SUPPLY

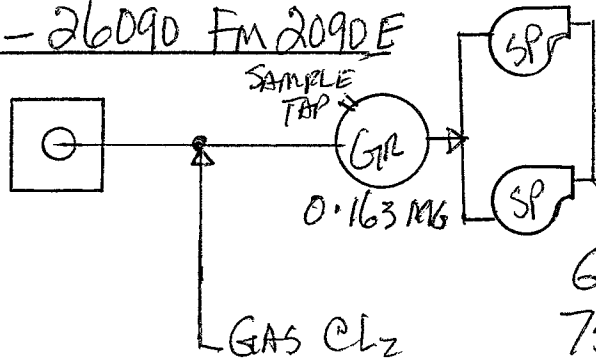
SUB. WELL #4
G1700087D
750 GPM
OPERATIONAL



0.150 MG
EL
CITY OF
SPLENDORA

PLANT 3 - 26090 FM 2090 E

VT. WELL #6
G1700087F
1050 GPM
OPERATIONAL



6 SPs @
750 GPM EACH
N/CLOSED I/C
NEW CANEY

PUBLIC WATER SYSTEM DATA

Name of System: CITY OF SPLENDORA			
CCN Number:	11727	PWS ID:	1700087
Classification:	Not Applicable	Type:	Community
Region Number:	12		
Interconnect with Other PWS:	Yes	Name of PWS I/C:	New Caney MUD and
Type I/C:	Closed		
Retail Service Connections:	2547	Retail Meters:	2800
Retail Population:	7641		
Wholesale Master Meters:	0	Wholesale Service Connections:	0
Wholesale Population:	0		
Total Well Capacity:	2770 GPM	3.989 MGD	
Raw Capacity:	0 GPM	0 MGD	
Total Elevated Storage:	0.350 MG	Total Storage Capacity:	0.743 MG
Pressure Tank Capacity:	0		
Maximum Daily Usage:	1.489 MGD	Date:	07/05/2009
Average Daily Usage:	0.920 MGD	Time Period:	04/01/2009to 04/30/2010
Wholesale Contract:	No	Maximum Purchase Rate :	0
No. of Samples Required:	9/MO	No. of Samples Submitted:	9/MO
No. of Raw Samples Required:	0	No. of Raw Samples Submitted:	0
Non-Comm Dates of Operation:	09/09/9999 to 09/09/9999		

WATER STORAGE TANKS

Type	Capacity	Material	Location
EL	0.150MG	ST	26090 FM 2090 E
EL	0.200MG	ST	13772 US 59 WEST
GR	0.150MG	ST	14136 OLD US 59
GR	0.080MG	ST	13772 US 59 WEST

Attachment G

Profit and Loss Statement

CITY OF SPLENDORA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

CITY OF SPLENDORA, TEXAS
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INTRODUCTORY SECTION

FINANCIAL SECTION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary information section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. 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.

Respectfully submitted,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
February 20, 2012

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 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 one individual governmental fund. Information is presented 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 required to be a major fund.

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

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Proprietary funds. The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Gas Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, and Gas Fund which is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found as noted in the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *other supplementary information*, which includes a schedule of taxes receivable and insurance coverage. Other supplementary information can be found as noted in the table of contents of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,449,215 at the close of the most recent fiscal year.

Table A-1
CITY OF SPLENDORA, TEXAS NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 167,281	\$ 189,138	\$ 2,006,385	\$ 1,757,362	\$ 2,173,666	\$ 1,946,500
Capital Assets	396,798	459,023	5,693,778	5,268,760	6,090,576	5,727,783
Total Assets	564,079	648,161	7,700,163	7,026,122	8,264,242	7,674,283
Long-term Liabilities Outstanding	-	10,376	4,457,050	4,205,000	4,457,050	4,215,376
Other Liabilities	24,353	41,322	333,624	302,917	357,977	344,239
Total Liabilities	24,353	51,698	4,790,674	4,507,917	4,815,027	4,559,615
Net Assets:						
Invested in Capital Assets, net of Related Debt	396,798	448,647	1,461,085	1,288,706	1,857,883	1,737,353
Restricted	-	-	857,306	849,937	857,306	849,937
Unrestricted	142,928	147,816	591,098	379,562	734,026	527,378
Total Net Assets	\$ 539,726	\$ 596,463	\$ 2,909,489	\$ 2,518,205	\$ 3,449,215	\$ 3,114,668

The City's total assets of \$8,264,242 are largely comprised of capital assets, net of accumulated depreciation of \$6,090,576, or 74%. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported in the government-wide statements.

The decrease in net assets for governmental activities is primarily due to an increase in expenditures on public safety and general government.

Business-type Activities

Business-type activities are financed in whole or part by fees charged to external users for goods or services (water, sewer, and gas). They are reported in the enterprise fund. Business-type activities increased the City's net assets by \$391,284. Revenue can be reported as program revenue or general revenue—all revenues are general unless they are required to be reported as program revenues. Program revenue, charges for services, which includes revenues attributable to a specific program because they are a result of exchange-like transactions or other events, such as charges to customers. Charges for service of \$1,806,096 are utilized to provide funds for program expenses of \$1,636,170.

The increase in net assets for business-type activities is primarily due to increased water charges collected as a result of a new meter reading system and an increase in federal grants for water and sewer system improvements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the general fund and the total fund balance were both \$124,295. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance both represents 16% and 20%, respectively, of the City's total general fund expenditures.

The fund balance of the City's general fund decreased by \$6,432 due to the increase in public safety expenditures exceeded the decrease in highway and streets expenditures.

Proprietary fund. The City's proprietary fund financial statements reflect the City's water, sewer, and gas activities in a Water, Sewer, and Gas fund. The net increase in net assets during the current year in the Water, Sewer, and Gas fund was \$391,284. The increase in net assets is due to increased water charges collected as a result of a new meter reading system and an increase in federal grants for water and sewer system improvements exceed the increase in operational expenses.

General Fund Budgetary Highlights

The City amended the budget several times throughout the year. Significant differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

- \$25,540 increase in General Government

Significant differences between the final budget and actual amounts can be briefly summarized as follows:

- Actual Expenditures, when compared to the final budgeted amount, had a \$32,107 favorable variance due to appropriations planned for general government and public safety were not initiated.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF SPLENDORA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT A-2

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 107,377	\$ 8,955	\$ -	\$ -	\$ (98,422)	\$ -	\$ (98,422)
Public Safety	542,481	142,266	10,095	-	(390,120)	-	(390,120)
Highways and Streets	7,792	-	-	-	(7,792)	-	(7,792)
Culture and Recreation	13,876	-	-	-	(13,876)	-	(13,876)
Interest and Fees on Long-term Debt	716	-	-	-	(716)	-	(716)
Total Governmental Activities	<u>672,242</u>	<u>151,221</u>	<u>10,095</u>	<u>-</u>	<u>(510,926)</u>	<u>-</u>	<u>(510,926)</u>
Business-type Activities:							
Water, Sewer and Gas	1,636,170	1,806,096	7,730	240,713	-	418,369	418,369
Total Primary Government	<u>\$ 2,308,412</u>	<u>\$ 1,957,317</u>	<u>\$ 17,825</u>	<u>\$ 240,713</u>	<u>(510,926)</u>	<u>418,369</u>	<u>(92,557)</u>
General Revenues:							
Property Taxes					129,245	-	129,245
Sales Taxes					212,579	-	212,579
Franchise Taxes					62,689	-	62,689
Earnings on Investments					62	2,915	2,977
Miscellaneous					19,614	-	19,614
Transfers					30,000	(30,000)	-
Total General Revenues and Transfers					<u>454,189</u>	<u>(27,085)</u>	<u>427,104</u>
Change in Net Assets					<u>(56,737)</u>	<u>391,284</u>	<u>334,547</u>
Net Assets - Beginning					<u>596,463</u>	<u>2,518,205</u>	<u>3,114,668</u>
Net Assets - Ending					<u>\$ 539,726</u>	<u>\$ 2,909,489</u>	<u>\$ 3,449,215</u>

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

CITY OF SPLENDORA, TEXAS

EXHIBIT A-4

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011*

Total Fund Balance - Governmental Funds (Exhibit A-3)

\$ 124,295

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$937,763 and the accumulated depreciation is \$540,965.

396,798

Property taxes receivable are not available soon enough to pay for the current period's expenditure's and, therefore, are deferred in the funds.

18,633

Total Net Assets - Governmental Activities (Exhibit A-1)

\$ 539,726

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

CITY OF SPLENDORA, TEXAS

EXHIBIT A-6

*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, 2011*

Net Change in Fund Balance - Governmental Funds (Exhibit A-5) \$ (6,432)

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

Capital outlays are not reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	-	
Depreciation Expense	<u>(62,225)</u>	(62,225)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. 1,544

Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 10,376

Change in Net Assets of Governmental Activities (Exhibit A-2) \$ (56,737)

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

CITY OF SPLENDORA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2011

EXHIBIT A-8

	Enterprise Fund Water, Sewer, and Gas Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 553,012
Accounts Receivable (Net of Allowances for Uncollectibles)	185,674
Intergovernmental	136,969
Total Current Assets	<u>875,655</u>
Noncurrent Assets:	
Restricted Cash:	
Cash and Cash Equivalents - Reserve	893,832
Cash and Cash Equivalents - Construction	138,151
Cash and Cash Equivalents - Grants	12,541
Bond Issuance Costs	86,206
Capital Assets:	
Water System	3,424,644
Sewer System	4,827,068
Gas System	1,070,253
Buildings and Improvements	8,150
Machinery, Equipment and Vehicles	263,249
Construction in Progress	6,548
Less Accumulated Depreciation	<u>(3,906,134)</u>
Total Noncurrent Assets	<u>6,824,508</u>
Total Assets	<u>\$ 7,700,163</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 164,736
Accrued Liabilities	8,427
Accrued Interest Payable	36,526
Customer Deposits	123,935
Total Current Liabilities	<u>333,624</u>
Noncurrent Liabilities:	
Capital Lease - Current	64,586
Bonds and Certificates of Obligation - Current	220,000
Capital Lease - Long Term	397,464
Bonds and Certificates of Obligation - Long Term	<u>3,775,000</u>
Total Noncurrent Liabilities	<u>4,457,050</u>
Total Liabilities	<u>4,790,674</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	1,461,085
Restricted for Debt Service (Expendable)	857,306
Unrestricted	591,098
Total Net Assets	<u>2,909,489</u>
Total Liabilities and Net Assets	<u>\$ 7,700,163</u>

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

CITY OF SPLENDORA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

EXHIBIT A-10

	Enterprise Fund <u>Water, Sewer, and Gas Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
<i>Cash Received for Services</i>	\$ 1,781,077
<i>Cash Payments to Suppliers for Goods and Services</i>	<u>(1,099,669)</u>
Net Cash Provided (Used) by Operating Activities	<u>681,408</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
<i>Transfer Out</i>	<u>(30,000)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(30,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
<i>Intergovernmental Funds Collected</i>	110,925
<i>Proceeds on Capital Debt</i>	505,500
<i>Purchase of Capital Assets</i>	(682,300)
<i>Principal Paid on Capital Debt</i>	(253,450)
<i>Interest and Fiscal Charges Paid on Capital Debt</i>	<u>(231,341)</u>
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(550,666)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
<i>Interest and Dividends Received</i>	<u>2,915</u>
Net Cash Provided (Used) for Investing Activities	<u>2,915</u>
Net Increase (Decrease) in Cash and Cash Equivalents	103,657
Cash and Cash Equivalents at Beginning of Year	1,493,879
Cash and Cash Equivalents at End of Year	<u>\$ 1,597,536</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 401,357
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
<i>Depreciation and Amortization</i>	273,104
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Accounts Receivables, net</i>	(24,219)
<i>Increase (Decrease) in Accounts Payable</i>	35,805
<i>Increase (Decrease) in Accrued Liabilities</i>	(3,839)
<i>Increase (Decrease) in Customer Deposits</i>	<u>(800)</u>
Total Adjustments	<u>280,051</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 681,408</u>

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

CITY OF SPLENDORA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

contributions and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when they are both measurable and available. The City considers revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Revenues from local sources consist primarily of property taxes. Revenues received from the State and investment earnings are recognized under the susceptible-to-accrual concept. Property tax and miscellaneous revenues are recorded as revenue when received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental activities long-term debt and acquisitions under long-term debt agreements are reported as other financing sources.

The City reports the following *major governmental fund*:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales taxes, franchise taxes and fines.

The City reports the following *major enterprise fund*:

Water, Sewer, and Gas Fund. This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water, sewer, and gas services to the general public on a continuing basis are financed or recovered primarily through user charges or periodic determination of revenues earned, expenses incurred and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) fees, fines, charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and interest.

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 Water, Sewer and Gas enterprise fund are charges to customers for sales and services. The Water, Sewer, and Gas Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF SPLENDORA, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Operating revenues of the enterprise fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to the Water, Sewer, and Gas Fund	\$ (7,250)
<i>Total Uncollectibles of the Current Fiscal Year</i>	<u>\$ (7,250)</u>

d. Interfund Activity

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

e. Receivables and Payables

Other receivables (due from other governments and due from other) are recorded when applicable requirements are met during the fiscal year. The City books payables when a good or service is received and the invoice will be paid during a subsequent period.

f. Restricted Assets

Reserve:

Certain proceeds of the Water, Sewer, and Gas Fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Construction:

Certain resources have been set aside to fund capital asset replacements.

Grants:

Certain resources set aside by grant agreements.

Court Technology, Police Department Officers' Education, and Police Department Forfeitures:

Certain fine revenues set aside by law to be expended to enhance the court and police department.

g. Capital Assets

The following capital assets, which include land, buildings and improvements, water system, sewer system, gas system, machinery, equipment, and vehicles, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than land and land improvements, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years.

CITY OF SPLENDORA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

- Assigned fund balance - amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the City's governmental funds have been restated to reflect the above classifications.

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

k. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from those estimates.

B. Stewardship, Compliance and Accountability

1. Budgetary Information

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

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

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

2. For the year ended September 30, 2011, the general fund expenditures exceeded its appropriations in the following departments:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
None			

CITY OF SPLENDORA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

E. Capital Assets

Capital asset activity for the period ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 37,260	\$ -	\$ -	\$ 37,260
<i>Total Capital Assets, not being Depreciated</i>	<u>37,260</u>	<u>-</u>	<u>-</u>	<u>37,260</u>
Capital Assets, being Depreciated:				
Building and Improvements	453,158	-	-	453,158
Machinery, Equipment and Vehicles	338,602	-	-	338,602
Infrastructure	108,743	-	-	108,743
<i>Total Capital Assets, being Depreciated</i>	<u>900,503</u>	<u>-</u>	<u>-</u>	<u>900,503</u>
Less Accumulated Depreciation for:				
Building and Improvements	(241,344)	(14,758)	-	(256,102)
Machinery, Equipment and Vehicles	(206,422)	(40,358)	-	(246,780)
Infrastructure	(30,974)	(7,109)	-	(38,083)
<i>Total Accumulated Depreciation</i>	<u>(478,740)</u>	<u>(62,225)</u>	<u>-</u>	<u>(540,965)</u>
<i>Total Capital Assets, being Depreciated, net</i>	<u>421,763</u>	<u>(62,225)</u>	<u>-</u>	<u>359,538</u>
Governmental Activities Capital Assets, net	<u>\$ 459,023</u>	<u>\$ (62,225)</u>	<u>\$ -</u>	<u>\$ 396,798</u>

Depreciation was charged to departments as follows:

General Government	\$ 16,725
Public Safety	38,392
Highway and Streets	6,686
Culture and Recreation	422
<i>Total</i>	<u>\$ 62,225</u>

CITY OF SPLENDORA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

G. Long-Term Obligations

The City's long-term liabilities consist of notes payable, revenue bonds, certificates of obligation, and capital lease agreements. The requirements for certificates of obligation, revenue bonds, and capital lease principal and interest payments are accounted for in the Water, Sewer, and Gas Fund. The requirements for notes payable principal and interest payments are accounted for in the General Fund.

1. Long-term Obligation Activity

Long-term obligations include notes payable, certificates of obligation, revenue bonds, and a capital lease. Changes in long-term obligations for the period ended September 30, 2011, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<i>Governmental Activities:</i>					
Notes Payable	\$ 10,376	\$ -	\$ 10,376	\$ -	\$ -
Total Governmental Activities	\$ 10,376	\$ -	\$ 10,376	\$ -	\$ -
<i>Business-type Activities:</i>					
Certificates of Obligation	\$ 3,200,000	\$ -	\$ 30,000	\$ 3,170,000	\$ 30,000
Revenue Bonds	1,005,000	-	180,000	825,000	190,000
Capital Lease	-	505,500	43,450	462,050	64,586
Total Business-type Activities	\$ 4,205,000	\$ 505,500	\$ 253,450	\$ 4,457,050	\$ 284,586

2. Certificates of Obligation

The City issues certificates of obligation to provide funds for the construction and improvement of the City's water, sewer, and gas systems. Principal and interest payments on the City's debt are secured by ad valorem property taxes levied on all taxable property within the city limits and further secured by a subordinate lien on a pledge of net revenues from the operation of the City's water and sewer systems.

The following is a summary of changes in the certificates of obligation for the fiscal year:

<u>Series</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2003	5.47%	2024	2,295,000	\$ 2,295,000	\$ -	\$ -	\$ 2,295,000
2009	5.00%	2024	905,000	905,000	-	30,000	875,000
Totals				\$ 3,200,000	\$ -	\$ 30,000	\$ 3,170,000

CITY OF SPLENDORA, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Capital lease requirements at September 30, 2011 are as follows:

<u>Year Ending September 30,</u>	<u>Capital Lease Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 64,586	\$ 19,234	\$ 83,820
2013	67,563	16,257	83,820
2014	70,621	13,199	83,820
2015	73,816	10,004	83,820
2016	77,138	6,682	83,820
2017	80,647	3,173	83,820
2018	27,679	262	27,941
Totals	\$ 462,050	\$ 68,811	\$ 530,861

5. Notes Payable

The City issued notes payable to provide funds for the purchase of police vehicles. The notes payable are secured by the respective vehicle purchased with the loan proceeds. The notes are issued as 2 year current interest notes.

The following is a summary of changes in the notes payable for the fiscal year:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Ford Motor Credit	6.90%	2011	\$ 31,175	\$ 10,376	\$ -	\$ 10,376	\$ -
Totals				\$ 10,376	\$ -	\$ 10,376	\$ -

H. Other Information

1. 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, injuries to employees, and natural disasters. During fiscal year 2011, the City purchased workers compensation and property and liability insurance at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverages. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in insurance coverages in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

2. Contingencies

The general revenues of the City are contingently liable for the \$3,170,000 payable in Certificates of Obligation, which are currently outstanding and recorded as obligations of the Water, Sewer, and Gas enterprise fund. The full faith credit of the City is pledged to redeem these certificates if revenues from the water, sewer, and gas enterprise fund are not insufficient to meet the obligations.

From time to time, the City is a defendant in legal proceedings relating to its operations as a City. In the best judgment of the City's management, the outcome of any present legal proceedings will not have any adverse material effect on the accompanying financial statements.

OTHER SUPPLEMENTARY INFORMATION

CITY OF SPLENDORA, TEXAS
INSURANCE COVERAGE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

SCHEDULE B-2

<u>Type of Coverage</u>	<u>From</u>	<u>To</u>	<u>Coverage</u>	<u>Insurer</u>
General Liability	10/01/10	10/01/11	\$1,000,000	Texas Municipal League
Automobile Liability	10/01/10	10/01/11	1,000,000	Texas Municipal League
Law Enforcement Liability	10/01/10	10/01/11	1,000,000	Texas Municipal League
Errors and Omissions Liability	10/01/10	10/01/11	1,000,000	Texas Municipal League
Workers' Compensation	10/01/10	10/01/11	Statutory	Texas Municipal League
Real and Personal Property	10/01/10	10/01/11	3,662,551	Texas Municipal League
Mobile Equipment	10/01/10	10/01/11	137,690	Texas Municipal League
Boiler and Machinery	10/01/10	10/01/11	450,000	Texas Municipal League
Surety Bond - Employee Dishonesty	09/01/05	Until Cancelled	10,000	Western Surety

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
February 20, 2012

CITY OF SPLENDORA, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

SECTION I – SUMMARY OF AUDITORS' RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors' report issued	Unqualified
2. Internal Control over Financial Reporting:	
a. Significant Deficiencies identified that are <u>not considered</u> to be material weaknesses?	None
b. Material Weaknesses identified?	None
3. Noncompliance material to the Financial Statements?	None
SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS	
1. FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING	
None	
2. FINDINGS RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS	
None	

Attachment H

Proposed Rate Schedule

SECTION 1. AMENDMENT to Residential Water Rates

The City further amends Section I of Ordinance No. 2007-09-17, dated September 9th 2007 to read as follows:

(1.) Monthly Rates for Water Service Inside the City

(a) Residential Rate: The following rates per month shall be charged for water service to each single-family residence, mobile home, manufactured home, duplex or apartment by the City through meters to each separate connection in the City limits:

For the first 3000 gallons of water used.....	<u>\$ 22.00</u>
For each 1,000 gallons of water used over 3,000 gallons up to 15,000 gallons	<u>\$ 3.00</u>
For each 1,000 gallons of water used over 15,000 gallons..	<u>\$ 3.50</u>

(b) Commercial Rate: The following rates per month shall be charged for water service to Commercial Consumers by the City through meters to each separate connection in the City limits:

5/8" meter:

For the first 2,000 gallons of water used.....	<u>\$ 27.00</u>
For each 1,000 gallons of water used over 2,000 gallons.....	<u>\$ 3.00</u>
For each 1,000 gallons of water used over 15,000 gallons....	<u>\$ 3.50</u>

1 1/2" meter:

For the first 2,000 gallons of water used.....	<u>\$ 52.00</u>
For each 1,000 gallons of water used over 2,000 gallons.....	<u>\$ 3.00</u>
For each 1,000 gallons of water used over 15,000 gallons....	<u>\$ 3.50</u>

2" meter:

For the first 2,000 gallons of water used.....	<u>\$ 77.00</u>
For each 1,000 gallons of water used over 2,000 gallons.....	<u>\$ 3.00</u>
For each 1,000 gallons of water used over 15,000 gallons....	<u>\$ 3.50</u>

3" meter:

For the first 2,000 gallons of water used.....	<u>\$ 102.00</u>
For each 1,000 gallons of water used over 2,000 gallons.....	<u>\$ 3.00</u>
For each 1,000 gallons of water used over 15,000 gallons....	<u>\$ 3.50</u>

SECTION 2. AMENDING WATER SERVICE RATES

The City further amends Section II of Ordinance No. 2007-09-17, dated September 9th 2007 to read as follows: