



Control Number: 44028



Item Number: 12

Addendum StartPage: 0

GARCIA & WRIGHT

CONSULTING ENGINEERS, INC.

Registration No. F-1802

February 24, 2015

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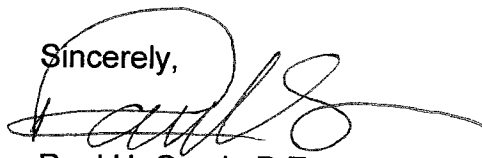
Central Records
Public Utility Commission of Texas
1701 N. Congress Ave.
Austin, TX 78711-3326

Re: Docket No. 44028
Application of the City of Three Rivers
to Amend Certificate of Convenience and Necessity
in Live Oak County (3700-C)
CCN# 12642

On behalf of the City of Three Rivers and in response to the staff comments to our letter dated April 23, 2014 to TCEQ, attached are ten (10) copies each of the following:

1. The latest Annual Financial Report for the Year Ended September 30, 2013.
2. Mapping
 - i. Digital data including only the proposed service area in shapefile (SHP) format on a data disk (CD)
 - ii. The digital data in a single continuous polyline or polygon record clearly labeled as the proposed service area.
 - iii. The digital data includes the projection or coordinate system used to create the digital data.
 - iv. The SHP formatted file includes the projection (PRJ) file.
3. The CD labeled with the utility name and docket number.

Sincerely,



Raul H. Garcia P.E

Encl: As

RHG/vl

cc: Rosie Forehand, City Administrator
City of Three Rivers
407 W. RHAPSODY

SAN ANTONIO, TEXAS 78216-3111

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(210)349-5253
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CITY OF THREE RIVERS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

442 WEST OAKLAWN
P.O. BOX 366 830/569-8781 FAX 830 569-6776
PLEASANTON, TEXAS 78064

111 NORTH ODEN
830/569-8781 FAX 830 569-6776
SINTON, TEXAS 78387

CITY OF THREE RIVERS, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2013

City of Three Rivers, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2013

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FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Three Rivers, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Three Rivers, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the Public Employees Retirement System on pages 3 through 12 and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Three Rivers, Texas' basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.



BEYER & CO.
Certified Public Accountants
Three Rivers, Texas
July 10, 2014

Management's Discussion and Analysis

As management of the City of Three Rivers, Texas, we offer readers of the City of Three Rivers, Texas' financial statements this narrative overview and analysis of the financial activities of the City of Three Rivers, Texas for the fiscal year ended September 30, 2013.

Financial Highlights

- . The assets of the City of Three Rivers, Texas exceeded its liabilities at the close of the most recent fiscal year by \$12,003,500 (Net Position). Of this amount, \$1,575,666 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total Net Position increased by \$884,568. This increase is attributable to a grant in the Water Fund of \$429,603, an increase in sales taxes of \$263,335, an increase in charges for services of \$356,927, and an increase in franchise taxes of \$203,177.
- . As of the close of the current fiscal year, the City of Three Rivers, Texas' governmental funds reported combined ending fund balances of \$2,761,099, a decrease of \$538,341 in comparison with the prior year. Approximately 68% of this total amount, \$1,863,846, is available for spending at the government's discretion (unassigned fund balance).
- . At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,863,846, or 40 percent of total general fund expenditures.
- . The City of Three Rivers, Texas' total bonded debt increased by \$13,320 (.19 percent) during the current fiscal year. The key factor in this increase was a bond refunding less the payment of bond principal of \$171,000. The City had a bond refunding whereby it refunded all of the Certificates of Obligation. Total bonds refunded were \$5,501,320.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Three Rivers, Texas' basic financial statements. The City of Three Rivers, Texas' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Three Rivers, Texas' finances, in a manner similar to a private-sector business.

The statement of Net Position presents information on all of the City of Three Rivers, Texas' assets and liabilities, with the difference between the two reported as Net Position. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the City of Three Rivers, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's Net Position changed during the most recent fiscal 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Three Rivers, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Three Rivers, Texas include general administration, public safety, public transportation, capital projects, and culture and recreation. The business-type activities of the City of Three Rivers, Texas include Water, Gas, Garbage, and Sewer funds.

The government-wide financial statements include only the City of Three Rivers, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 13-14 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Three Rivers, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Three Rivers, Texas can be divided into two categories: governmental funds and proprietary funds.

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 fiscal year. Such information may be useful in evaluating a government'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 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 of Three Rivers, Texas maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund which are considered to be major funds and for the capital projects fund which is considered to be a non-major fund.

The City of Three Rivers, Texas 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 on pages 15-19 of this report.

Proprietary funds: The City of Three Rivers, Texas maintains two types 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 of Three Rivers, Texas uses enterprise funds to account for its Water, Gas, Garbage, and Sewer activities. The Internal Service Funds for the City of Three Rivers, Texas, consist solely of the Self-Maintenance fund. This fund was created to provide physical damage coverage for accidental damages incurred by City vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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, Gas, Sewer, and Garbage funds which are considered to be major funds of the City of Three Rivers, Texas. Conversely, the internal service fund is combined into a single, aggregated presentation in the proprietary fund financial statement.

The basic proprietary fund financial statements can be found on pages 20-24 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 on pages 25-44 of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Three Rivers, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 45 of this report.

Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the City of Three Rivers, Texas, assets exceeded liabilities by \$12,003,500 at the close of the most recent fiscal year.

A major portion of the City of Three Rivers, Texas' Net Position (70 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Three Rivers, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Three Rivers, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF THREE RIVERS, TEXAS NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$2,220,943	\$2,580,067	\$633,802	\$589,171	\$2,854,745	\$3,169,238
Restricted Assets	2,217,020	1,039,692	2,070,776	2,084,351	4,287,796	3,124,043
Capital Assets:	3,181,644	2,067,097	12,083,521	11,865,409	15,265,165	13,932,506
Total Assets	7,619,607	5,686,856	14,788,099	14,538,931	22,407,706	20,225,787
Long-Term Liabilities	74,076	49,131	6,909,029	6,886,200	6,983,105	6,935,331
Other Liabilities (Payable from Restricted Assets)	0	0	56,109	55,734	56,109	55,734
Other Liabilities	69,754	172,887	1,991,558	1,942,903	2,061,312	2,115,790
Total Liabilities	143,830	222,018	8,956,696	8,884,837	9,100,526	9,106,855
Total Deferred Inflows of Resources	1,303,680	0	0	0	1,303,680	0
Invested in Capital Assets, Net of Related Debt	3,181,644	1,963,959	5,212,201	5,007,409	8,393,845	6,971,368
Restricted	107,866	189,044	1,926,123	1,938,922	2,033,989	2,127,966
Unrestricted	2,882,587	3,311,835	(1,306,921)	(1,292,237)	1,575,666	2,019,598
Total Net Position	\$6,172,097	\$5,464,838	\$5,831,403	\$5,654,094	\$12,003,500	\$11,118,932

An additional portion of the City of Three Rivers, Texas' Net Position (17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted Net Position (\$1,575,666) may be used to meet the governments on going obligations to citizens and creditors. At the end of the current fiscal year, the City of Three Rivers, Texas reported a positive balance in the governmental activities and a positive balance in the business-type activities. For the prior fiscal year, the City of Three Rivers, Texas reported positive balances in all three categories of Net Position, both for the government as a whole, as well as for its separate governmental and business-type activities with one exception: the business-type activities showed a negative unrestricted net asset for the current and the prior fiscal year of \$1,306,921 and \$1,292,237, respectively.

The government's total Net Position increased by \$884,568. This increase is attributable to a grant in the Water Fund of \$429,603, an increase in sales taxes of \$263,335, an increase in charges for services of \$356,924, and an increase in franchise taxes of \$203,177.

Governmental activities:

Governmental activities increased the City of Three Rivers, Texas' Net Position by \$707,259, thereby accounting for 80 percent of the total growth in the Net Position of the City of Three Rivers, Texas. The overall revenues increased by \$882,714 while the expenditures increased by \$1,138,833 with transfers out decreasing by \$217,963. The major increase in revenues was in sales taxes which increased by \$263,335 or 27%, the charges for services increased by \$240,283 or 18%, and the franchise taxes increased by \$203,117 or 21%. The largest expense increase was in general administration and public safety which increased by \$802,941 and 306,954, respectively.

**CITY OF THREE RIVERS, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$1,581,146	\$1,340,863	\$2,346,761	\$2,230,120	\$3,927,907	\$3,570,983
Operating Grants and Contributions	0	0			0	0
Capital Grants and Contributions	0	0	429,603	306,408	429,603	306,408
General Revenues:						
Maintenance and Operations Taxes	1,156,629	1,038,178			1,156,629	1,038,178
Sales Taxes	1,229,687	966,352			1,229,687	966,352
Franchise Taxes	1,154,498	951,381			1,154,498	951,381
Licenses and Permits	52,844	54,918			52,844	54,918
Unrestricted Investment Earnings	12,440	30,218	758	1,410	13,198	31,628
Miscellaneous	86,348	8,968			86,348	8,968
Total Revenue	5,273,592	4,390,878	2,777,122	2,537,938	8,050,714	6,928,816
Expenses:						
General Administration	1,414,046	611,105			1,414,046	611,105
Public Safety	1,582,262	1,275,308			1,582,262	1,275,308
Public Transportation	265,304	153,621			265,304	153,621
Public Works	348,440	380,616			348,440	380,616
Culture and Recreation	202,552	253,121			202,552	253,121
Choke Canyon Water			627,652	542,942	627,652	542,942
Water			1,445,021	1,406,848	1,445,021	1,406,848
Sewer			680,256	660,001	680,256	660,001
Gas			423,788	333,168	423,788	333,168
Garbage			176,825	167,148	176,825	167,148
Total Expenses	3,812,604	2,673,771	3,353,542	3,110,107	7,166,146	5,783,878
Increase in Net Position Before Transfers and Special Items	1,460,988	1,717,107	(576,420)	(572,169)	884,568	1,144,938
Transfers	(753,729)	(971,692)	753,729	971,692	0	0
Increase in Net Position	707,259	745,415	177,309	399,523	884,568	1,144,938
Net Position at 09/30/2012	5,464,838	4,719,423	5,654,094	5,254,571	11,118,932	9,973,994
Net Position at 09/30/2013	\$6,172,097	\$5,464,838	\$5,831,403	\$5,654,094	\$12,003,500	\$11,118,932

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Government Activities:				
General Administration	\$1,414,046		\$0	\$0
Public Safety	1,582,262	1,035,001		
Public Transportation	265,304			
Public Works	348,440	356,936		
Culture and Recreation	202,552	189,209		
Total Government Activities	<u>\$3,812,604</u>	<u>\$1,581,146</u>	<u>\$0</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$1,581,146	30%
Maintenance and Operations Taxes	1,156,629	22%
Sales Taxes	1,229,687	23%
Franchise Taxes	1,154,498	22%
Licenses and Permits	52,844	1%
Unrestricted Investment Earnings	12,440	0%
Miscellaneous	86,348	2%
	<u>\$5,273,592</u>	<u>100%</u>

Business-type activities:

Business-type activities increased the City of Three Rivers, Texas' Net Position by \$177,309 thus accounting for 20 percent of the total growth in the Net Position of the City of Three Rivers, Texas.

Charges for services for business-type activities increased by \$116,641 or 5% while expenses increased by \$243,435 or 8%. The Capital grants and contributions increased by \$123,195.

Expenses and Program Revenues - Business Activities

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
Primary Government			
Business-Type Activities:			
Choke Canyon Water	\$627,652	\$465,412	\$0
Water	1,445,021	1,113,440	
Sewer	680,256	356,273	429,603
Gas	423,788	228,699	
Garbage	176,825	182,937	
Total Business-Type Activities	\$3,353,542	\$2,346,761	\$429,603

Revenues by Source - Business-Type Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$2,346,761	85%
Capital Grants and Contributions	429,603	15%
Unrestricted Investment Earnings	758	0%
	<u>\$2,777,122</u>	<u>100%</u>

Financial Analysis of the Government's Funds

As noted earlier, the City of Three Rivers, Texas uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

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

As of the end of the current fiscal year, the City of Three Rivers, Texas' governmental funds reported combined ending fund balances of \$2,761,099, a decrease of \$538,341 in comparison with the prior year. Approximately 68 percent of this total amount (\$1,863,846) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or committed.

The general fund is the chief operating fund of the City of Three Rivers, Texas. At the end of the current fiscal year, uncommitted fund balance of the general fund was \$2,271,952, while total fund balance reached \$2,653,233. As a measure of the general fund's liquidity, it may be useful to compare both uncommitted fund balance and total fund balance to total fund expenditures. Uncommitted fund balance represents 40 percent of total general fund expenditures, while total fund balance represents 57 percent of that same amount.

The fund balance of the City of Three Rivers, Texas' general fund decreased by \$457,163 during the current fiscal. This decrease is attributable to a street project of \$803,245 and tourism promotion of \$484,550 offsetting an increase in sales taxes of \$263,335, an increase in charges for services of \$240,283, and an increase in franchise taxes of \$203,117.

At the end of the current fiscal year, uncommitted fund balance of the debt service fund was \$0, while total fund balance reached \$89,242. As a measure of the debt service fund's liquidity, it may be useful to compare both uncommitted fund balance and total fund balance to total fund expenditures; however there were no expenditures in the year.

The fund balance of the City of Three Rivers, Texas' debt service fund increased by \$87,454 during the current fiscal. This increase is due to a decrease in expenditures of \$90,673.

At the end of the current fiscal year, uncommitted fund balance of the capital projects fund was \$0, while total fund balance reached \$18,624. As a measure of the capital projects fund's liquidity, it may be useful to compare both uncommitted fund balance and total fund balance to total fund expenditures; however there were no expenditures in the year.

The fund balance of the City of Three Rivers, Texas' capital projects fund decreased by \$168,632 during the current fiscal. This increase is a result of a transfers of \$67,000 to the general fund and \$102,000 to the gas fund.

Proprietary funds:

The City of Three Rivers, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted Net Position of the Utility fund at the end of the year amounted to a deficit of \$1,306,921. The increase in Net Position was \$177,309. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Three Rivers, Texas' business-type activities.

General Fund Budgetary Highlights:

There were no budget amendments during the fiscal year. There was a negative budget variance of \$1,909,592 with the largest negative budget variance of \$796,499 occurring in general administration.

Capital Asset and Debt Administration

Capital assets:

The City of Three Rivers, Texas' investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$15,265,165 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Three Rivers, Texas' investment in capital assets for the current fiscal year was 10 percent (a 62 percent increase for governmental activities and a 2 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

The City had a water line construction project during the year that was completed at September 30, 2013. The City also had a street construction project during the year that was not completed at September 30, 2013. The City had an additional water line construction project during the year that was not completed at September 30, 2013. The City had a sewer line construction, a water construction project, and a street project during the year ended September 30, 2013. The street project and the sewer projects were finished at year's end.

CITY OF THREE RIVERS, TEXAS CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$146,239	\$137,239	\$255,223	\$255,223	\$401,462	\$392,462
Construction in Progress	0	1,075,543	736,012	768,216	736,012	1,843,759
Building and Improvements	724,722	577,538	0	0	724,722	577,538
Machinery and Equipment	463,495	167,517	184,501	178,261	647,996	345,778
Infrastructure	1,847,188	6,122	0	0	1,847,188	6,122
Utility Systems	0	0	10,907,785	10,663,709	10,907,785	10,663,709
Total	<u>\$3,181,644</u>	<u>\$1,963,959</u>	<u>\$12,083,521</u>	<u>\$11,865,409</u>	<u>\$15,265,165</u>	<u>\$13,829,368</u>

Additional information on the City of Three Rivers, Texas' capital assets can be found in note IV C on page 37-38 of this report.

Long-term debt:

At the end of the current fiscal year, the City of Three Rivers, Texas had total bonded debt outstanding of \$6,871,320. Of this amount, \$0 comprises debt backed by the full faith and credit of the City of Three Rivers, Texas. The remainder of the City of Three Rivers, Texas' debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

CITY OF THREE RIVERS, TEXAS

Outstanding Debt

Cert. of Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Certificates of Obligation	\$0	\$0	\$5,501,320	\$5,383,000	\$5,501,320	\$5,383,000
Revenue Bonds	0	0	1,370,000	1,475,000	1,370,000	1,475,000
Total	\$0	\$0	\$6,871,320	\$6,858,000	\$6,871,320	\$6,858,000

The City of Three Rivers, Texas' total bonded debt decreased by \$171,000. The City had a bond refunding whereby it refunded all of the Certificates of Obligation. Total bonds refunded were \$5,501,320.

Additional information on the City of Three Rivers, Texas' long-term debt can be found in note IV F on pages 39-40 of this report.

Economic Factors

On November 9, 2011, the council adopted Resolution No. 6081 authorizing the City's participation in the Texas Enterprise Zone Program and nominating Diamond Shamrock Refining Company, L.P. Three Rivers Refinery as an Enterprise Project. The refinery would retain 290 jobs and spend \$175,000,000.00 in construction. Diamond Shamrock commits to hiring 25% economically disadvantaged persons or enterprise zone residents for its new or replacement personnel for certified jobs over the next 5 years.

The City has also had positive financial impact because of the Eagle Ford Oil Shale. This increased activity is expected to continue into the near future.

Requests for Information

This financial report is designed to provide a general overview of the City of Three Rivers, Texas' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Department, P.O. Box 398, Three Rivers, Texas, 78071 .

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF THREE RIVERS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$141,041	\$378,565	\$519,606
Receivables (net of allowance for uncollectibles)	215,849	104,540	320,389
Unamortized Bond Issuance Cost		150,697	150,697
Due from Other Funds	1,864,053		1,864,053
Restricted Assets:			
Cash and Cash Equivalents	2,200,933	2,070,776	4,271,709
Receivables (net of allowance for uncollectibles)	16,087		16,087
Capital Assets Not Being Depreciated:			
Land	146,239	255,223	401,462
Construction in Progress	0	736,012	736,012
Total Capital Assets Being Depreciated, Net			
Building and Improvements	724,722		724,722
Machinery and Equipment	463,495	184,501	647,996
Infrastructure	1,847,188		1,847,188
Utility Systems		10,907,785	10,907,785
Total Assets	\$7,619,607	\$14,788,099	\$22,407,706
LIABILITIES:			
Accounts Payable	\$41,797	\$79,368	\$121,165
Accrued Interest Payable		29,751	29,751
Accrued Wages	27,957	18,386	46,343
Due to Other Funds			0
Unearned Revenues		1,864,053	1,864,053
Consumer Meter Deposit		56,109	56,109
Noncurrent Liabilities:			
Due Within One Year	74,076	1,537,056	1,611,132
Due in More Than One Year		5,371,973	5,371,973
Total Liabilities	143,830	8,956,696	9,100,526
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - advanced bond refunding proceeds	1,303,680	0	1,303,680
NET POSITION			
Invested in Capital Assets, Net of Related Debt	3,181,644	5,212,201	8,393,845
Restricted			
Debt Service	89,242	4,068	93,310
Capital Replacement		1,922,055	1,922,055
Construction	18,624		18,624
Unrestricted	2,882,587	(1,306,921)	1,575,666
Total Net Position	\$6,172,097	\$5,831,403	\$12,003,500

The accompanying notes are an integral part of this statement.

CITY OF THREE RIVERS, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	
			Grants and Contributions	Grants and Contributions			
Primary Government							
Government Activities:							
General Administration	\$1,414,046		\$0	\$0	(\$1,414,046)		(\$1,414,046)
Public Safety	1,582,262	1,035,001			(547,261)		(547,261)
Public Transportation	265,304				(265,304)		(265,304)
Public Works	348,440	356,936			8,496		8,496
Culture and Recreation	202,552	189,209			(13,343)		(13,343)
Total Government Activities	3,812,604	1,581,146	0	0	(2,231,458)	0	(2,231,458)
Business-Type Activities:							
Choke Canyon Water	627,652	465,412				(162,240)	(162,240)
Water	1,445,021	1,113,440				(331,581)	(331,581)
Sewer	680,256	356,273	429,603			105,620	105,620
Gas	423,788	228,699				(195,089)	(195,089)
Garbage	176,825	182,937				6,112	6,112
Total Business-Type Activities	3,353,542	2,346,761	429,603	0	0	(577,178)	(577,178)
Total Primary Government	\$7,166,146	\$3,927,907	\$429,603	\$0	(2,231,458)	(577,178)	(2,808,636)
General Revenues							
Property Taxes, Levies for General Purposes					1,156,629		1,156,629
Sales Taxes					1,229,687		1,229,687
Franchise Taxes					1,154,498		1,154,498
License and Permits					52,844		52,844
Unrestricted Investment Earnings					12,440	758	13,198
Miscellaneous					86,348		86,348
Transfers					(753,729)	753,729	0
Total General Revenues and Transfers					2,938,717	754,487	3,693,204
Change in Net Position					707,259	177,309	884,568
Net Position - Beginning					5,464,838	5,654,094	11,118,932
Net Position - Ending					\$6,172,097	\$5,831,403	12,003,500

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

CITY OF THREE RIVERS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$46,905	\$0	\$0	\$46,905
Receivables (net of allowance for uncollectibles)	22,037			22,037
Due from Other Funds	1,880,873			1,880,873
Restricted Assets:				
Cash and Cash Equivalents	789,387	1,392,922	18,624	2,200,933
Receivables (net of allowance for uncollectibles)		16,087		16,087
Total Assets	\$2,739,202	\$1,409,009	\$18,624	\$4,166,835
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$41,379			\$41,379
Accrued Wages	22,688			22,688
Unearned Revenues	21,902	16,087		37,989
Total Liabilities	85,969	16,087	0	102,056
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - advanced bond refunding proceeds		1,303,680		1,303,680
Fund Balances:				
Restricted				
Debt Service		89,242		89,242
Construction			18,624	18,624
Committed				
Capital Improvement	28,536			28,536
Construction	403,057			403,057
Fire Department	8,210			8,210
Police Drug Enforcement	8,099			8,099
Street and Drainage	313,467			313,467
Tourism	28,018			28,018
Unassigned	1,863,846			1,863,846
Total Fund Balance	2,653,233	89,242	18,624	2,761,099
Total Liabilities and Fund Balances	\$2,739,202	\$1,409,009	\$18,624	\$4,166,835

The accompanying notes are an integral part of this statement.

CITY OF THREE RIVERS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total Fund Balances - governmental funds balance sheet

Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	\$2,761,099
Capital assets used in governmental activities are not reported in the funds.	3,181,644
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	37,989
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	193,812
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(58,570)
Internal Service funds are used by management to account for funds for Self-Maintenance. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	<u>56,123</u>
Net Position of governmental activities - statement of Net Position	<u>\$6,172,097</u>

The accompanying notes are an integral part of this statement.

CITY OF THREE RIVERS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Capital Projects	Total Governmental Funds
REVENUES				
Taxes				
Property	\$664,493	\$479,794		\$1,144,287
Sales	1,229,687			1,229,687
Franchise	1,154,498			1,154,498
Licenses and Permits	52,844			52,844
Charges for Services	228,234			228,234
Fines and Forfeitures	946,576			946,576
Interest	11,587	485	368	12,440
Miscellaneous	86,348			86,348
Total Revenues	4,374,267	480,279	368	4,854,914
EXPENDITURES				
Current:				
General Administration				
General administration	1,419,515			1,419,515
Public Safety				
Animal Control	35,870			35,870
Building Inspections	74,451			74,451
Fire Department	44,307			44,307
Impound Fund	0			0
Municipal Court	598,248			598,248
Police Department	1,100,397			1,100,397
Safety	7,911			7,911
Public Transportation				
Levee Maintenance	1,293			1,293
Streets	1,024,300			1,024,300
Culture and Recreation				
Parks	353,234			353,234
Total Expenditures	4,659,526	0	0	4,659,526
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,259)	480,279	368	195,388
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	69,346			69,346
Operating Transfers Out	(241,250)	(392,825)	(169,000)	(803,075)
Total Other Financing Sources (Uses)	(171,904)	(392,825)	(169,000)	(733,729)
Net Changes in Fund Balances	(457,163)	87,454	(168,632)	(538,341)
Fund Balances - Beginning	3,110,396	1,788	187,256	3,299,440
Fund Balances - Ending	\$2,653,233	\$89,242	\$18,624	\$2,761,099

The accompanying notes are an integral part of this statement.

CITY OF THREE RIVERS, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 SEPTEMBER 30, 2013

Net Changes in Fund Balances - total governmental funds (\$538,341)

Amounts reported for governmental activities in the statement of Net Position
 ("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,217,685
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	49,400
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	12,342
(Increase) decrease in Compensated Absences from beginning of period to end of period.	(22,323)
Internal Service funds are used by management to account for funds for Self-Maintenance. The net revenue of certain activities of Internal service funds is reported with governmental activities.	(11,504)

Change in Net Position of governmental activities - statement of activities	<u>\$707,259</u>
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The accompanying notes are an integral part of this statement.

CITY OF THREE RIVERS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013

FOR THE MONTH OF SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property	\$600,000	\$600,000	\$664,493	\$64,493
Sales	600,000	600,000	1,229,687	629,687
Franchise	811,000	811,000	1,154,498	343,498
Intergovernmental				0
Licenses and Permits	34,000	34,000	52,844	18,844
Charges for Services	105,250	105,250	228,234	122,984
Fines and Forfeitures	530,000	530,000	946,576	416,576
Interest	0	0	11,587	11,587
Miscellaneous	70,000	70,000	86,348	16,348
Total Revenues	2,750,250	2,750,250	4,374,267	1,624,017
EXPENDITURES				
Current:				
General Administration				
General Administration	623,016	623,016	1,419,515	(796,499)
Public Safety				
Animal Control	30,063	30,063	35,870	(5,807)
Building Inspections	64,921	64,921	74,451	(9,530)
Fire Department	49,042	49,042	44,307	4,735
Impound Fund	35,900	35,900	0	35,900
Municipal Court	435,772	435,772	598,248	(162,476)
Police Department	877,165	877,165	1,100,397	(223,232)
Safety	12,575	12,575	7,911	4,664
Public Transportation				
Levee Maintenance	24,379	24,379	1,293	23,086
Streets	353,463	353,463	1,024,300	(670,837)
Culture and Recreation				
Parks	243,638	243,638	353,234	(109,596)
Total Expenditures	2,749,934	2,749,934	4,659,526	(1,909,592)
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	316	316	(285,259)	(285,575)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	0	0	69,346	69,346
Operating Transfers Out	0	0	(241,250)	(241,250)
Total Other Financing Sources (Uses)	0	0	(171,904)	(171,904)
Net Changes in Fund Balances	316	316	(457,163)	(457,479)
Fund Balances - Beginning	3,110,396	3,110,396	3,110,396	
Fund Balances - Ending	\$3,110,712	\$3,110,712	\$2,653,233	(\$457,479)

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

CITY OF THREE RIVERS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS										GOVERN MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	CHOCO CANYON WATER CURRENT YEAR	CHOCO CANYON WATER PRIOR YEAR	WATER CURRENT YEAR	WATER PRIOR YEAR	SEWER CURRENT YEAR	SEWER PRIOR YEAR	GAS CURRENT YEAR	GAS PRIOR YEAR	GARBAGE CURRENT YEAR	GARBAGE PRIOR YEAR	TOTALS CURRENT YEAR
ASSETS											
Current Assets											
Cash and Cash Equivalents	\$72,068	\$101,456	\$76,379	\$109,413	\$77,875	\$80,978	\$140,881	\$119,095	\$11,362	\$6,048	\$378,565
Accounts Receivables (net of allowance for uncollectibles)	33,171	32,371	28,140	36,068	20,779	23,547	8,117	9,052	14,333	13,518	104,540
Due from Other Funds			50,847	50,847					6,810	6,748	57,657
Total Current Assets	105,239	133,827	155,366	196,328	98,654	104,525	148,998	128,147	32,505	26,314	540,762
Noncurrent Assets											
Restricted Assets:											
Cash and Cash Equivalents	1,833,827	1,743,769	122,984	123,932	70,197	173,162	43,768	43,488			2,070,776
Total Restricted Assets	1,833,827	1,743,769	122,984	123,932	70,197	173,162	43,768	43,488	0	0	2,070,776
Other Assets											
Unamortized Bond Issuance Cost	45,965	30,000	57,060	27,625	47,672		0	0	0	0	150,697
Total Other Assets	45,965	30,000	57,060	27,625	47,672	0	0	0	0	0	150,697
Capital Assets											
Land	564,945	564,945	0	255,223	736,011	203,270					255,223
Construction in Progress	158,970	139,095	584,690	510,868	179,142	179,142	151,443	151,443			1,300,956
Machinery and Equipment	3,042,629	3,042,629	7,346,610	7,346,610	4,779,207	4,882,345	846,532	846,532			1,074,245
Utility Systems											16,014,978
Total Capital Assets	3,766,544	3,746,669	8,186,523	8,112,701	5,694,360	5,264,757	997,975	997,975	0	0	18,645,402
Less Accumulated Depreciation	(563,725)	(469,100)	(3,654,526)	(3,480,175)	(1,372,528)	(1,240,539)	(971,102)	(963,741)			(6,561,881)
Total Capital Assets (net of accumulated depreciation)	3,202,819	3,277,569	4,531,997	4,632,526	4,321,832	4,024,218	26,873	34,234	0	0	12,083,521
Total Noncurrent Assets	5,036,646	5,021,338	4,654,981	4,756,458	4,392,029	4,197,380	70,641	77,722	0	0	14,154,297
TOTAL ASSETS	\$5,187,850	\$5,185,165	\$4,867,407	\$4,980,411	\$4,538,355	\$4,301,905	\$219,639	\$205,869	\$32,505	\$26,314	\$14,845,756

(continued)

(continued)

	CHOKE CANYON		CHOKE CANYON		WATER		WATER		SEWER		SEWER		GAS		GAS		GARBAGE		GARBAGE		TOTALS		GOVERNMENTAL ACTIVITIES-INTERNAL SERVICE FUND
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	
AND OTHER CREDITS																							
Liabilities																							
Current Liabilities (Payable from Current Assets)																							
Accounts Payable	\$52,251	\$784	\$10,383	\$13,078	\$5,355	\$112,210	\$10,154	\$2,779	\$1,225	\$1,146	\$79,368	\$418											
Accrued Wages	2,079	1,495	13,113	8,115	1,269	1,224	1,925	1,703			18,386	5,269											
Accrued Interest Payable	8,674	9,385	8,182	11,450	12,895	18,512					29,751												
Compensated Absences	7,659	5,300	19,932	16,353	3,830	2,524	6,288	4,023			37,709	15,506											
Due to Other Funds	1,140,578	1,139,077	194,299	199,198	198,900	198,957	300,238	296,828	87,695	87,695	1,921,710	16,820											
Revenue Bonds - Current	1,370,000	105,000	50,211	28,000	79,136	38,000					1,499,347												
Total Current Liabilities	2,581,241	1,261,041	296,120	276,194	301,385	371,427	318,605	305,333	88,920	88,841	3,586,271	38,013											
Current Liabilities (Payable from Restricted Assets)																							
Consumer Meter Deposits	5,500	3,550	36,484	38,059			14,125	14,125			56,109												
Total Current Liabilities	5,500	3,550	36,484	38,059			14,125	14,125			56,109												
Noncurrent Liabilities																							
Revenue Bonds Payable (net of unamortized discounts and deferred amount on refunding)	0	1,370,000	2,085,340	2,064,000	3,286,633	3,253,000					5,371,973												
Total Noncurrent Liabilities	0	1,370,000	2,085,340	2,064,000	3,286,633	3,253,000					5,371,973												
Total Liabilities	2,586,741	2,634,591	2,417,944	2,378,253	3,588,018	3,624,427	332,730	319,458	88,920	88,841	9,014,353	38,013											
Net Position																							
Invested in Capital Assets, Net of Related Debt	1,832,819	1,802,569	2,396,446	2,540,526	956,063	733,218	26,873	34,234	0	0	5,212,201	0											
Restricted for:																							
Debt Service - Expendable			4,068	4,068							4,068												
Capital Replacement - Expendable	1,833,827	1,743,769	18,031	17,923	70,197	173,162					1,922,055	0											
Unrestricted	(1,065,537)	(995,764)	30,918	39,641	(75,923)	(228,902)	(139,964)	(147,823)	(56,415)	(62,527)	(1,306,921)	56,123											
Total Net Position	\$2,601,109	\$2,550,574	\$2,449,463	\$2,602,158	\$950,337	\$677,478	(\$113,091)	(\$113,589)	(\$56,415)	(\$62,527)	\$5,831,403	\$56,123											

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

CITY OF THREE RIVERS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	CHOKE CANYON WATER CURRENT YEAR	CHOKE CANYON WATER PRIOR YEAR	WATER CURRENT YEAR	WATER PRIOR YEAR	SEWER CURRENT YEAR	SEWER PRIOR YEAR	GAS CURRENT YEAR	GAS PRIOR YEAR	GARBAGE CURRENT YEAR	GARBAGE PRIOR YEAR	TOTALS CURRENT YEAR	GOVERN MENTAL ACTIVITIES- INTERNAL SERVICE FUND
OPERATING REVENUES:												
Charges for Services	\$461,787	\$380,047	\$1,113,262	\$1,148,319	\$348,152	\$295,190	\$217,427	\$209,298	\$182,858	\$169,548	\$2,323,486	\$356,936
Miscellaneous	3,625	4,246	178	181	8,121	23,206	11,272	13	79	72	23,275	
Total Operating Revenues	465,412	384,293	1,113,440	1,148,500	356,273	318,396	228,699	209,311	182,937	169,620	2,346,761	356,936
OPERATING EXPENSES:												
Personal Services	157,568	131,557	590,339	438,938	86,368	75,475	112,824	82,235	172,969	163,438	1,120,068	285,777
Supplies	1,262	1,368	1,310	2,946	1,006	1,194	1,004	1,253	0	0	4,582	550
Other Services and Charges	283,131	241,194	597,928	711,819	331,920	301,791	302,599	242,319	3,856	3,710	1,519,434	62,113
Depreciation	94,625	89,336	174,350	160,355	131,989	131,989	7,361	7,361			408,325	
Total Operating Expenses	536,586	463,455	1,363,927	1,314,058	551,283	510,449	423,788	333,168	176,825	167,148	3,052,409	348,440
Operating Income (Loss)	(71,174)	(79,162)	(250,487)	(165,558)	(195,010)	(192,053)	(195,089)	(123,857)	6,112	2,472	(705,648)	8,496
NON-OPERATING REVENUES (EXPENSES):												
Intergovernmental	0	0	0	0	429,603	306,408					429,603	
Interest Income	34		390	837	247	385	87	188			758	
Interest and Fiscal Charges	(91,066)	(79,487)	(81,094)	(92,790)	(128,973)	(149,552)					(301,133)	
Total Non-Operating Revenues (Expenses)	(91,032)	(79,487)	(80,704)	(91,953)	300,877	157,241	87	188	0	0	129,228	0
Income Before Transfers	(162,206)	(158,649)	(331,191)	(257,511)	105,867	(34,812)	(195,002)	(123,669)	6,112	2,472	(576,420)	8,496
Transfers in (Out) - Net	212,741	550,116	178,496	119,116	166,992	231,760	195,500	70,700	0	0	753,729	(20,000)
Change in Net Position	50,535	391,467	(152,695)	(138,395)	272,859	196,948	498	(52,969)	6,112	2,472	177,309	(11,504)
Total Net Position - Beginning	2,550,574	2,159,107	2,502,158	2,740,553	677,478	480,530	(113,589)	(60,620)	(62,527)	(64,999)	5,654,094	67,627
Total Net Position - Ending	\$2,601,109	\$2,550,574	\$2,449,463	\$2,602,158	\$950,337	\$677,478	(\$113,091)	(\$113,589)	(\$56,415)	(\$62,527)	\$5,831,403	\$56,123

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

CITY OF THREE RIVERS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS												GOVERN MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	CHOCO CANYON WATER			CHOCO CANYON WATER			SEWER			GAS			
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
Cash Flows from Operating Activities	468,063	386,929	1,141,202	358,984	316,202	233,044	182,122	170,840	2,357,107	356,937			
Receipts From Customers and Users	(233,637)	(243,303)	(605,201)	(548,536)	(191,119)	(296,228)	(3,839)	(17,059)	(1,687,441)	(62,245)			
Payments to Suppliers	(154,625)	(130,488)	(581,762)	(85,017)	(74,321)	(110,337)	(172,969)	(163,438)	(1,104,710)	(282,613)			
Payments to Employees													
Net Cash Provided (Used) By Operating Activities	79,801	13,138	(72,069)	(274,569)	50,762	(173,521)	5,314	(9,657)	(435,044)	12,079			
Cash Flows from Non-Capital and Related Financing Activities													
Transfers In (Out) - Net	212,741	550,116	178,496	119,116	166,992	231,760	195,500	70,700	0	753,729	(20,000)		
Reimbursement from Federal Prison System	0	0	0	0	429,603	306,408				429,603			
Subsidy from Federal Grant													
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	212,741	550,116	178,496	119,116	596,595	538,168	195,500	70,700	0	1,183,332	(20,000)		
Cash Flows from Capital and Related Financing Activities													
Principal Payment on Revenue Bonds, Notes and Capital Leases	(105,000)	(100,000)	(28,000)	(27,000)	(38,000)	(37,000)			(171,000)				
Loss on Bond Refunding			71,552	0	112,769	0			184,321				
Bond Issuance Costs	(15,965)	2,500	(29,435)	813	(47,672)	0			(93,072)				
Interest and Fiscal Charges	(91,066)	(79,487)	(81,094)	(92,790)	(149,552)	0	0	0	(301,133)				
Purchases of Capital Assets	(19,875)	(362,478)	(73,822)	(62,318)	(341,453)	0	(17,623)		(420,162)				
Net Cash Provided (Used) By Capital and Related Financing Activities	(231,906)	(539,465)	(140,799)	(181,295)	(428,341)	(528,005)	0	(17,623)	0	(801,046)	0		
Cash Flows from Investing Activities													
Interest Received	34	0	390	837	247	385	87	188	0	758	0		
Net Cash Provided (Used) by Investing Activities	34	0	390	837	247	385	87	188	0	758	0		
Net Increase (Decrease) in Cash Equivalents	60,670	23,789	(33,982)	(73,960)	(106,068)	61,310	22,066	(54,475)	5,314	(9,657)	(52,000)	(7,921)	
Cash and Cash Equivalents at Beginning of Year	1,845,225	1,821,436	233,345	307,305	192,830	162,583	217,058	6,048	15,705	2,501,341	103,464		
Cash and Cash Equivalents at End of Year	\$1,905,895	\$1,845,225	\$199,363	\$233,345	\$148,072	\$254,140	\$184,649	\$113,362	\$6,048	\$2,449,341	\$95,543		
Unrestricted Assets:													
Cash and Cash Equivalents	\$72,068	\$101,456	\$76,379	\$109,413	\$77,875	\$80,978	\$140,881	\$113,362	\$6,048	\$378,565	\$94,136		
Restricted Assets:													
Cash and Cash Equivalents	1,833,827	1,743,769	122,984	123,932	70,197	173,162	43,768	43,488	0	2,070,776	0		
Total	\$1,905,895	\$1,845,225	\$199,363	\$233,345	\$148,072	\$254,140	\$184,649	\$113,362	\$6,048	\$2,449,341	\$94,136		
(continued)													

(continued)

(continued)

	BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS												GOVERN MENTAL ACTIVITIES- INTERNAL SERVICE FUND	
	CHOKE CANYON WATER				SEWER				GAS					TOTALS CURRENT YEAR
	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	PRIOR YEAR				
Reconciliation of operating income to net cash provided (used) by operating activities:														
Operating Income (Loss)	(71,174)	(79,162)	(250,487)	(165,558)	(195,010)	(192,053)	(195,089)	(123,857)	6,112	2,472	(705,648)		8,496	
Adjustments to Reconcile to Net Cash Flow														
Non-Cash Items Included in Net Income														
Depreciation	94,625	89,336	174,350	160,355	131,989	131,989	7,361	7,361	0	0	408,325		0	
Changes in Current Items														
Decrease (Increase) in Accounts Receivable	(800)	428	7,928	(2,901)	2,768	(2,179)	935	7,304	(815)	1,220	10,016		0	
Decrease (Increase) in Due from Other Funds	0	0	0	0	0	0	0	0	(52)	(41)	(62)		0	
Increase (Decrease) in Accounts Payable	51,467	(105)	(2,695)	(4,514)	(209,993)	112,074	7,375	(2,578)	79	(13,308)	(153,767)		418	
Increase (Decrease) in Accrued Wages	584	(126)	4,998	4,938	45	552	222	673	0	0	5,849		542	
Increase (Decrease) in Accrued Interest Payable	(711)	(636)	(3,268)	(138)	(5,617)	(208)	0	0	0	0	(9,596)		0	
Increase (Decrease) in Compensated Absences	2,359	1,195	3,579	(403)	1,306	602	2,265	(546)	0	0	9,509		2,622	
Increase (Decrease) in Due to Other Funds	1,501	1,008	(4,899)	(4,547)	(57)	(15)	3,410	3,453	0	0	(45)		1	
Increase (Decrease) in Consumer Meter Deposits	1,950	1,200	(1,575)	150	0	0	0	450	0	0	375		0	
Net Cash Provided (Used) By Operating Activities	79,801	13,138	(72,069)	(12,618)	(274,569)	50,762	(173,521)	(107,740)	5,314	(9,657)	(435,044)		12,079	

Noncash Investing, Capital, and Financing Activities:

Federal and State - Grants	\$0	\$0	\$0	\$0	\$429,603	\$306,408	\$0	\$0	\$0	\$0	\$429,603	\$0
Total	\$0	\$0	\$0	\$0	\$429,603	\$306,408	\$0	\$0	\$0	\$0	\$429,603	\$0

Note: The above funds are all Enterprise Funds.

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

CITY OF THREE RIVERS, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I. Summary of significant accounting policies

A. Reporting entity

The City of Three Rivers, Texas (the "City") has adopted the Provisions and Statutes for cities in the State of Texas and provides the following services: public safety (fire, ambulance, and law enforcement), public transportation (streets), health, culture, recreation, public facilities, legal, election functions, and general administrative services. The City also provides water, sewer, gas utility and sanitation services. The accounting policies of the City of Three Rivers, Texas, (the City) conform to generally accepted accounting principles. The City also applies all relevant Government Accounting Standards Boards (GASB) pronouncements. The following is a summary of the more significant policies.

B. Government-wide and fund financial statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities those transactions between governmental and business-type activities have not been eliminated.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The debt service fund is used to service the general obligation bonds. The capital projects fund is used to administer monies for future capital replacement.

C. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The government reports the following major proprietary funds:

The Choke Canyon Water fund accounts for the activities of Choke Canyon's water operations. The Water fund accounts for the activities of City's water operations. The Sewer fund accounts for the activities of City's sewer operations. The Gas fund accounts for the activities of City's gas operations. The Garbage fund accounts for the City's sanitation activities.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government'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.

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value.

2. Receivables and payables

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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All utility and property tax receivables are shown net of an allowance for uncollectibles. Utility accounts receivable allowance in excess of 30 days is equal to 5 percent of utility accounts receivable at September 30, 2013, the utility accounts receivable allowance in excess of 60 days is equal to 25 percent of outstanding utility accounts receivable at September 30, 2013, the utility accounts receivable allowance in excess of 90 days is equal to 50 percent of outstanding utility accounts receivable at September 30, 2013, and the utility accounts receivable allowance in excess of 120 days is equal to 100 percent of outstanding trade accounts receivable at September 30, 2013. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2013, and 10 percent of delinquent outstanding property taxes at September 30, 2013.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the City bills the taxpayers. The City begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and prepaid items

Inventories are considered immaterial and, therefore, there were no inventory items at September 30, 2013.

There were no prepaid items at September 30, 2013.

4. Restricted assets

The restricted assets at September 30, 2013 were as follows: 1) to pay debt service (\$1,413,077) 2) to pay for capital replacement (\$1,922,055), 3) to pay for construction (\$421,681), 4) to pay for tourism (\$28,018), 5) to pay for capital improvement (\$28,536), 6) to pay for fire equipment (\$8,210), 7) to pay for drug enforcement (\$8,099), 8) to pay for street and drainage (\$313,467), and 9) to pay for utility deposits (\$144,653).

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City had a water line construction project during the year that was completed at September 30, 2013. The City also had a street construction project during the year that was not completed at September 30, 2013. The City had an additional water line construction project during the year that was not completed at September 30, 2013. The City had a sewer line construction project during the year that was not completed at September 30, 2013.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	50
Building improvements	20
Public Domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, and proprietary fund financial statements. A liability for these amounts is reported in governmental funds.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Balances – Governmental Funds

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of City Council. City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by City Council.

Unassigned — all other spendable amounts.

As of September 30, 2013, fund balances are composed of the following:

Fund Balances:	
Restricted	
Debt Service	\$89,242
Construction	18,624
Committed	
Capital Improvement	28,536
Construction	403,057
Fire Department	8,210
Police Drug Enforcement	8,099
Street and Drainage	313,467
Tourism	28,018
Unassigned	1,863,846
Total Fund Balance	<u>\$2,761,099</u>

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

In fiscal year 2011, the City Council adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 25 percent of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. 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 government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of 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 government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$58,570 difference are as follows:

Compensated Absences	<u>\$58,570</u>
	<u>\$58,570</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$3,181,644 difference are as follows:

Capital Assets Not Being Depreciated	\$146,239
Capital Assets Being Depreciated	4,195,254
Accumulated Depreciation	(1,159,849)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$3,181,644</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectible.)" The details of this \$37,989 difference are as follows:

Property Taxes Receivable	\$39,893
Allowance for Doubtful Accounts	<u>(1,904)</u>
Net	<u>\$37,989</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$193,812 difference are as follows:

Fines and Fees Receivable	\$575,754
Allowance for Doubtful Accounts	<u>(381,942)</u>
Net	<u>\$193,812</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,217,685 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$812,245
Capital Outlay - Additions - Being Depreciated	2,495,721
Capital Outlay - Deletions - Transfer	(1,878,788)
Capital Outlay - Deletions - Net	(13,988)
Depreciation Expense	(197,505)
Net Adjustment to	
Increase Net Changes	
in Fund Balances - Total	
Governmental Funds to	
Arrive at Changes in	
Net Position of	
Governmental Activities	<u>\$1,217,685</u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Mayor has been authorized by the council to prepare the budget. He is assisted by the City Administrative Secretary. The budget is adopted on budgetary basis in conformity with generally accepted accounting principles. After the budget is prepared, it is reviewed by the City Council. The budget is adjusted by the City Council if desired. Then a final budget is prepared by the Mayor. A public hearing is held on the budget by the City Council. Department heads may appear. Before determining the final budget, the City Council may increase or decrease the amounts requested by the various departments or citizens. Amounts finally budgeted may not exceed the estimate of revenues and available cash. Appropriations lapse at year end.

When the budget is adopted by the City Council, the Mayor is responsible for monitoring the expenditures of the various departments of the City to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the City Council advised of the conditions of the various funds and accounts. The level of control is the fund. Expenditures can exceed appropriations as long as they do not exceed available revenues and cash balances. The legal level of control (the level on which the City Council must approve over expenditures) is on an object class basis.

The appropriated budget is prepared by fund, function, and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (ie., the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. There were no outstanding encumbrances at September 30, 2013.

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations in the general administration, municipal court, streets, police, and the park departments by \$796,499, \$162,476, \$670,837, \$223,232, and \$109,596, respectively. Overall, total expenditures were over the budgeted amount of \$2,749,934 by \$1,909,592.

C. Deficit fund equity/net assets

The City had no deficit fund balances/net assets as of September 30, 2013 except for deficit fund balances/net assets in the Gas Fund and the Garbage Fund which had deficit net assets of \$113,091 and \$56,415, respectively. These deficits are expected to be liquidated by future resources of these funds.

IV. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

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

- a. *Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2013, the government's bank balance of \$3,691,928 was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$4,703,424 and the FDIC coverage is \$258,099.

The City's had no investments at September 30, 2013.

B. Receivables

Receivables as of year end for the governmental activities and the business-type activities, including the applicable allowances for uncollectible accounts, are as follows:

	GENERAL	DEBT SERVICE	CHOKE CANYON WATER	WATER	SEWER	GAS	GARBAGE	Total
<u>Receivables</u>								
Taxes	\$23,000	\$16,893						\$39,893
Accounts			34,727	285,440	31,797	18,527	22,901	393,392
Fines	575,754							575,754
Other	135					357	1,762	2,254
Gross Receivables	598,889	16,893	34,727	285,440	31,797	18,884	24,663	1,011,293
Less: Allowance for Uncollectibles	383,040	806	1,556	257,300	11,018	10,767	10,330	674,817
Net Total Receivables	\$215,849	\$16,087	\$33,171	\$28,140	\$20,779	\$8,117	\$14,333	\$336,476

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable (General fund)	\$ 21,902
Delinquent property taxes receivable (Debt service fund)	<u>16,087</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 37,989</u>

C. Capital assets

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

Governmental Activities:	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	\$137,239	\$9,000	\$0	\$146,239
Construction in Progress	1,075,543	803,245	1,878,788	0
Total Capital Assets Not Being Depreciated:	1,212,782	812,245	1,878,788	146,239
Capital Assets Being Depreciated:				
Building and Improvements	954,198	176,413	0	1,130,611
Machinery, Equipment and Vehicles	634,932	440,520	35,485	1,039,967
Infrastructure	145,888	1,878,788	0	2,024,676
Total Capital Assets Being Depreciated:	1,735,018	2,495,721	35,485	4,195,254
Less: Accumulated Depreciation for:				
Building and Improvements	376,660	29,229	0	405,889
Machinery, Equipment and Vehicles	467,415	130,554	21,497	576,472
Infrastructure	139,766	37,722	0	177,488
Total Accumulated Depreciation	983,841	197,505	21,497	1,159,849
Total Capital Assets Depreciated, Net	751,177	2,298,216	13,988	3,035,405
Governmental Activities Capital Assets, Net	\$1,963,959	\$3,110,461	\$1,892,776	\$3,181,644
Business-Type Activities:	Beginning			Ending
Capital Assets Not Being Depreciated:	Balances	Increases	Decreases	Balances
Land	\$255,223	\$0	\$0	\$255,223
Construction in Progress	768,216	532,741	564,945	736,012
Total Capital Assets Not Being Depreciated:	1,023,439	532,741	564,945	991,235
Capital Assets Being Depreciated:				
Machinery, Equipment and Vehicles	987,348	93,696	0	1,081,044
Utility Systems	16,014,977	564,945	0	16,579,922
Total Capital Assets Being Depreciated:	17,002,325	658,641	0	17,660,966
Less: Accumulated Depreciation for:				
Machinery, Equipment and Vehicles	809,087	87,456	0	896,543
Utility Systems	5,351,268	320,869	0	5,672,137
Total Accumulated Depreciation	6,160,355	408,325	0	6,568,680
Total Capital Assets Depreciated, Net	10,841,970	250,316	0	11,092,286
Proprietary Fund Capital Assets, Net	\$11,865,409	\$783,057	\$564,945	\$12,083,521

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

Governmental Activities	
General Administration	\$10,631
Public Safety	110,737
Public Transportation	51,432
Culture and Recreation	24,705
Total Depreciation Expense - Governmental Activities	<u>\$197,505</u>
Business-Type Activities	
Choke Canyon Water	\$94,625
Water	174,350
Sewer	131,989
Gas	7,361
Total Depreciation Expense - Business-Type Activities	<u>\$408,325</u>

Construction commitments

The City had a sewer line construction project, a water construction project, and a street project during the year ended September 30, 2013. The street project and the sewer projects were finished at year's end.

D. Inter-fund receivables, payables, and transfers

The due to/from other funds at the year ended September 30, 2013 were as follows:

<u>DUE TO/FROM</u>				EXPECTED
<u>FROM</u>	<u>TO</u>	<u>AMOUNT</u>	<u>REASON</u>	<u>TO BE</u>
				<u>LIQUIDATED</u>
CHOKY CANYON WATER	GENERAL FUND	\$1,140,578	UTILITY OPERATIONS	WITHIN YEAR
WATER FUND	GENERAL FUND	143,452	UTILITY OPERATIONS	WITHIN YEAR
SEWER FUND	GENERAL FUND	198,900	UTILITY OPERATIONS	WITHIN YEAR
GAS	GENERAL FUND	300,238	UTILITY OPERATIONS	WITHIN YEAR
GARBAGE FUND	GENERAL FUND	80,885	UTILITY OPERATIONS	WITHIN YEAR
		<u>\$1,864,053</u>		

There were no advances at September 30, 2013.

The following inter-fund fund transfers for the year ended September 30, 2013 were recurring transfers.

<u>TRANSFER IN - INTERFUND</u>						
<u>TRANSFER OUT</u>	<u>GENERAL FUND</u>	<u>CHOKE CANYON WATER</u>	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>GAS FUND</u>	<u>TOTAL</u>
GENERAL FUND			\$108,250	\$59,500	\$73,500	\$241,250
DEBT SERVICE FUND	2,346	212,741	70,246	107,492		392,825
CAPITAL PROJECTD FUND	67,000				102,000	169,000
TOTALS	\$69,346	\$212,741	\$178,496	\$166,992	\$175,500	\$803,075

<u>TRANSFER IN - INTRAFUND</u>	
<u>TRANSFER OUT</u>	<u>GAS FUND</u>
CONST., MAIN. & REP. FUND	\$20,000
TOTALS	\$20,000

E. Leases

There were no Operating Leases or Capital Leases at September 30, 2013.

F. Long-term debt

Certificates of Obligation and Revenue Bonds

The government issues general obligation bonds and revenue bonds to provide funds for the acquisition and construction of major capital facilities. Certificates of Obligation bonds and revenue bonds have been issued for both governmental and business-type activities. The original amount of revenue bonds issued in prior years was \$8,805,000.

Certificates of Obligation bonds are direct obligations and pledge the full faith and credit of the government and the revenue bonds are secured solely by specified revenue sources. General obligation bonds and revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Rates</u>	<u>Amount</u>
Business-type activities	5.090	\$ 1,370,000
Business-type activities	3.065 to 4.360	6,805,000

The city had a bond refunding during the year whereby USDA certificates of obligation Series A and Series B and certificates of obligation Series 2008 were refunded. The amount of the bonds refunded was \$5,317,000. The refunding bonds sold were \$6,805,000. The Series 2004 revenue bonds will be refunded in the 2015 year for an amount of \$1,260,000. The immediate loss on refunding is an increase in bond principal of \$228,000. However, the projected overall net present value benefit of the refunding is \$1,019,114.87.

Annual debt service requirements to maturity for the general obligation and revenue bonds are as follows:

Year Ending September 30,	Business-Type Activities	
	Principal	Interest
2014	\$270,000	\$107,087
2015	265,000	101,835
2016	275,000	97,774
2017	280,000	93,559
2018	290,000	89,268
2019-2023	1,600,000	376,612
2024-2028	1,845,000	246,273
2029-2033	2,090,000	140,501
	<u>\$6,915,000</u>	<u>\$1,252,909</u>

Changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	REFUNDING		Ending Balance	Due Within One Year	Due After One Year
				Additions	Reductions			
<u>Governmental Activities:</u>								
Compensated Absences	\$49,131	\$74,076	\$49,131			\$74,076	\$74,076	\$
Total Governmental Activities:	49,131	74,076	49,131	0	0	74,076	74,076	
<u>Business-Type Activities:</u>								
Revenue Bonds	1,475,000	0	105,000	0		1,370,000	1,370,000	
Total Bonds Payable	1,475,000	0	105,000	0	0	1,370,000	1,370,000	
Certificates of Obligation	5,383,000	0	66,000	5,501,320	5,317,000	5,501,320	129,347	5,371,973
Total Certificates of Obligation Payable	5,383,000	0	66,000	5,501,320	5,317,000	5,501,320	129,347	5,371,973
Compensated Absences	28,200	37,709	28,200			37,709	37,709	0
Total Business-Type Activities:	6,886,200	37,709	199,200	5,501,320	5,317,000	6,909,029	1,537,056	5,371,973
Grand Total	<u>\$6,935,331</u>	<u>\$111,785</u>	<u>\$248,331</u>	<u>\$5,501,320</u>	<u>\$5,317,000</u>	<u>\$6,983,105</u>	<u>\$1,611,132</u>	<u>\$5,371,973</u>

The Water, the Sewer, and the Choke Canyon Water funds are used to service the revenue bonds. The compensated absences payable at September 30, 2013 were \$111,785 and are to be serviced by the General fund and the Utility funds.

The government-wide statement of activities includes \$1,611,132 as "noncurrent liabilities, due within one year".

There was no interest capitalized.

V. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities of the fund 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 (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

	Year ended <u>09/30/12</u>	Year ended <u>09/30/13</u>
Unpaid claims, beginning of fiscal year	\$ -0-	\$ -0-
Incurred claims (including IBNRs)		
Claim payments	<u>-0-</u>	<u>-0-</u>
Unpaid claims, end of fiscal year	<u>\$ -0-</u>	<u>\$ -0-</u>

B. Related party transaction

There were no related party transactions during the year.

C. Subsequent events

There were no subsequent events requiring disclosure.