

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

E. Capital Assets

Capital asset activity for the period ended September 30, 2012 was as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 904,165	\$ -	\$ 21,004	\$ -	\$ 925,169
Total capital assets, not being depreciated:	904,165	-	21,004	-	925,169
Capital assets, being depreciated:					
Buildings and Improvements	10,106,672	-	32,852	-	10,139,524
Machinery & Equipment	676,799	-	8,200	-	684,999
Vehicles	1,719,082	-	35,745	-	1,754,827
Total capital assets being depreciated:	12,502,553	-	76,797	-	12,579,350
Total Fixed Assets	13,406,718	-	97,801	-	13,504,519
Less accumulated depreciation for:					
Buildings and Improvements	(820,310)	-	(214,739)	-	(1,035,049)
Machinery & Equipment	(498,513)	-	(66,794)	-	(565,307)
Vehicles	(1,124,407)	-	(106,766)	-	(1,231,173)
Total accumulated depreciation	(2,443,230)	-	(388,299)	-	(2,831,529)
Total capital assets, being depreciated, net	10,059,323	-	(311,502)	-	9,747,821
Governmental activities capital assets, net	\$ 10,963,488	\$ -	\$ (290,498)	\$ -	\$ 10,672,990
Business-type Funds:					
Capital assets, not being depreciated					
Land	\$ 216,827	\$ -	\$ -	\$ -	\$ 216,827
Construction-In-Progress	3,602,047	(2,056,042)	1,118,063	-	2,664,068
Intangible assets	200,500	-	-	-	200,500
Total capital assets, not being depreciated:	4,019,374	(2,056,042)	1,118,063	-	3,081,395
Capital assets, being depreciated:					
Water & Sewer System	11,490,776	2,056,042	-	-	13,546,818
Buildings and Improvements	39,551	-	-	-	39,551
Machinery & Equipment	180,173	-	8,999	-	189,172
Office Furniture and equipment	42,908	-	-	-	42,908
Vehicles	261,364	-	-	-	261,364
Total capital assets being depreciated:	12,014,772	2,056,042	8,999	-	14,079,813
Total Fixed Assets	16,034,146	-	1,127,062	-	17,161,208
Less accumulated depreciation for:					
Water & Sewer System	(2,036,685)	-	(294,032)	-	(2,330,717)
Buildings and Improvements	(30,625)	-	(1,067)	-	(31,692)
Machinery & Equipment	(162,202)	-	(5,431)	-	(167,633)
Office Furniture & Equipment	(41,453)	-	-	-	(41,453)
Vehicles	(219,340)	-	(17,905)	-	(237,245)
Total accumulated depreciation:	(2,490,305)	-	(318,435)	-	(2,808,740)
Total capital assets, being depreciated, net	9,524,467	2,056,042	(309,436)	-	11,271,073
Business-type activities capital assets, net	\$ 13,543,841	\$ -	\$ 808,627	\$ -	\$ 14,352,468

CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

E. Capital Assets (continued)

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

Governmental activities:	
Administration	\$ 66,877
Fire Department	59,337
Police Department	47,723
Streets	146,862
Municipal Court	2,465
Community Services	18,627
Parks & Recreation	38,833
Library	7,575
Total depreciation expense - governmental activities	<u>\$ 388,299</u>
Business-type activities:	
Water and Sewer	\$ 318,435
Total depreciation expense - business-type activities	<u>\$ 318,435</u>

F. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is 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. Tax revenues which are reported as deferred revenue in the governmental funds are recorded as revenue in the government-wide financial statements. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Total
Tax Revenue	<u>\$ 13,873</u>	<u>\$ 98,481</u>	<u>\$ 112,354</u>

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2012, is as follows:

	Beginning Balance	PPA	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities						
Bonds Payable:						
General Obligation Bonds & Certificates of Obligation	\$ 9,556,444	\$ -	\$ -	\$ (535,988)	\$ 9,020,456	\$ 498,098
Tax Note	-	-	60,000	-	60,000	-
Less deferred amounts:						
For issuance discounts	(87,547)	-	5,837	-	(81,710)	-
For issuance premiums	6,848	-	-	(2,284)	4,564	-
Total bonds payable	<u>9,475,745</u>	<u>-</u>	<u>65,837</u>	<u>(538,272)</u>	<u>9,003,310</u>	<u>498,098</u>
Capital Leases	77,372	-	39,335	(78,822)	37,885	24,476
Compensated Absences	62,967	-	18,506	-	81,473	8,147
Notes Payable	96,000	(8,395)	-	(20,703)	66,902	21,482
Governmental activity Long-term liabilities	<u>\$ 9,712,084</u>	<u>\$ (8,395)</u>	<u>\$ 123,678</u>	<u>\$ (637,797)</u>	<u>\$ 9,189,570</u>	<u>\$ 552,203</u>

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

G. Long-Term Obligations (continued)

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable:					
General Obligation Bonds & Certificates of Obligation	\$ 12,583,556	\$ -	\$ (316,012)	\$ 12,267,544	\$ 373,902
Less deferred amounts:					
For issuance discounts	(90,994)	-	6,664	(84,330)	-
For issuance premiums	6,235	-	(1,138)	5,097	-
On refunding	(23,190)	-	4,337	(18,853)	-
Total Bonds Payable	12,475,607	-	(306,149)	12,169,458	373,902
Capital Leases	21,928	-	(21,928)	-	-
Compensated Absences	5,660	-	-	5,660	566
Business-type activity Long-term liabilities	\$ 12,503,195	\$ -	\$ (328,077)	\$ 12,175,118	\$ 374,468

Changes in Governmental Bonded Debt by Series

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding September 30, 2011	Increase	Retired	Amounts Outstanding September 30, 2012	Due Within One Year
GO Bonds, Series 1976	5.00%	\$ 150,000	\$ 35,000	\$ -	\$ (7,000)	\$ 28,000	\$ 7,000
GO Bonds, Series 2005	3.25-4.00%	1,149,476	331,444	-	(133,988)	197,456	81,098
CO, Series 2006	4.03%	1,875,000	1,645,000	-	(80,000)	1,565,000	85,000
CO, Series 2007A	4.25-4.75%	7,850,000	7,010,000	-	(305,000)	6,705,000	315,000
CO, Series 2011	2.10-3.25%	535,000	535,000	-	(10,000)	525,000	10,000
Tax Note, Series 2012	2.25%	60,000	-	60,000	-	60,000	-
Total Bonds and CO's payable		\$ 11,619,476	\$ 9,556,444	\$ 60,000	\$ (535,988)	\$ 9,080,456	\$ 498,098

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2013	\$ 498,098	\$ 399,727	\$ 897,825
2014	514,572	378,926	893,498
2015	560,786	352,662	913,448
2016	482,000	325,247	807,247
2017	510,000	315,736	825,736
2018-2022	2,905,000	1,226,651	4,131,651
2023-2027	3,455,000	518,926	3,973,926
2028-2031	155,000	19,750	174,750
Totals	\$ 9,080,456	\$ 3,537,625	\$ 12,618,081

\$150,000 1976 General Obligation Refunding Bond issued for the exclusive purpose of paying the City's obligations.

\$1,630,000 2005 General Obligation Refunding Bond issued for the purpose of refunding all of the issuer's outstanding combination tax and revenue certificates of obligation, Series 1992 and 2000. This bond is split between the governmental and proprietary activities.

\$1,875,000 Certificate of Obligation, Series 2006 issued for the purpose of paying obligations in connection with: (i) acquiring, renovating, improving and equipping a building located at 305 N. Arch Street to be used as a City Hall including related infrastructure and the acquisition of land and interests in land therefore; (ii) constructing, installing and equipping City park improvements; and (iii) legal, fiscal, design and engineering fees in connection with such projects.

\$7,850,000 Certificate of Obligation, Series 2007A issued for the purpose of (i) paying obligations in connection with constructing and improving streets and roads including related drainage, sidewalks, signalization, landscaping, lighting and signage; (ii) acquiring, constructing and installing sanitary sewer additions, extensions and improvements; (iii) the acquisition of land and interests in land and properties for such projects; and (iv) paying legal, fiscal and engineering fees in connection with these projects.

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

G. Long-Term Obligations (continued)

\$535,000 Certificate of Obligation, Series 2011 issued for the purpose of (i) constructing and improving streets, roads, alleys and sidewalks including related drainage, signalization, landscaping, lighting and signage, and the acquisition of land and interest in land necessary therefore; and (ii) paying legal, fiscal and engineering fees in connection with these projects.

\$60,000 2012 Limited Tax Note issued for the purpose of acquiring approximately 1.5 acres of land and building thereon, located at 206, 207 and 213 North Houston Street, for future municipal facilities, and to pay the costs of issuance incurred in connection with this issuance.

Changes in Business-type Bonded Debt by Series

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30, 2012	Due Within One Year
			September 30, 2011	Increase	Retired		
GO Bonds, Series 2005	3.25-4.00%	\$ 480,524	\$ 138,556	\$ -	\$ (56,012)	\$ 82,544	\$ 33,902
GO Bonds, Series 2010	2.00-3.75%	555,000	540,000	-	(15,000)	525,000	15,000
CO, Series 2005	3.25-4.50%	5,015,000	3,965,000	-	(5,000)	3,960,000	75,000
CO, Series 2007B	5.49-6.38%	4,695,000	4,250,000	-	(165,000)	4,085,000	175,000
CO, Series 2010	2.00-4.50%	3,690,000	3,690,000	-	(75,000)	3,615,000	75,000
Total Bonds and CO's payable		<u>\$ 14,435,524</u>	<u>\$ 12,583,556</u>	<u>\$ -</u>	<u>\$ (316,012)</u>	<u>\$ 12,267,544</u>	<u>\$ 373,902</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	Total
2013	\$ 373,902	\$ 597,071	\$ 970,973
2014	437,428	581,075	1,018,503
2015	506,214	562,030	1,068,244
2016	655,000	539,774	1,194,774
2017	695,000	512,174	1,207,174
2018-2022	3,560,000	2,060,054	5,620,054
2023-2027	4,260,000	1,095,485	5,355,485
2028-2031	1,780,000	163,125	1,943,125
Totals	<u>\$ 12,267,544</u>	<u>\$ 6,110,788</u>	<u>\$ 18,378,332</u>

\$1,630,000 2005 General Obligation Refunding Bond were issued for the purpose of providing funds to refund all of the issuer's outstanding combination tax and revenue certificates of obligation, Series 1992 and 2000. This bond is split between the governmental and proprietary activities.

\$555,000 2010 General Obligation Refunding Bond were issued for the purpose of refunding certain outstanding obligations of the issuer (2005 CO).

\$5,015,000 Certificate of Obligation, Series 2005 were issued for the purpose of paying for improvements to the City's Waterworks System, and for paying legal, fiscal and professional fees in connection with this project.

\$4,695,000 Certificate of Obligation, Series 2007B were issued for the purpose of paying obligations incurred in connection with (i) acquiring, constructing and installing waterworks additions, extensions and improvements; (ii) the acquisition of land and interests in land and properties for such projects; and (iii) paying for legal, fiscal and engineering fees in connection with these projects.

\$3,690,000 Certificate of Obligation, Series 2010 were issued for the purpose of paying obligations incurred in connection with (i) acquiring, constructing, installing and equipping additions, extensions and improvements to the City's waterworks and sewer system, including a water storage tank, and the acquisition of land and properties for such projects; and (ii) paying legal, fiscal and engineering fees in connection with these projects.

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

G. Long-Term Obligations (continued)

Compensated Absences

Compensated absences represent the estimated liability for employees' accrued vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is typically paid from the General Fund or Proprietary Fund, based on the assignment of an employee at date of termination.

Capital Leases

The City has the following lease agreements:

\$27,198 Equipment Lease Purchase Agreement for financing the purchase of equipment dated December 9, 2008. It is payable in annual installments of \$6,804, including interest at a rate of 8.5%. The lease is secured by equipment and has a carrying value of \$12,051 at September 30, 2012.

\$39,335 Software Lease Agreement with Government Capital Corporation for financing the purchase of software dated July 12, 2011. It is payable in annual installments of \$14,471, including interest. The lease is secured by equipment and has a carrying value of \$25,834 at September 30, 2012.

Capital lease repayment requirements are as follows:

Year Ending September 30:	General Fund	Proprietary Fund	Total Requirements
2013	\$ 28,079	\$ -	\$ 28,079
2014	14,471	-	14,471
Totals	42,550	-	42,550
Amounts Representing Interest	(4,665)	-	(4,665)
Present Value of Minimum Lease Payments	\$ 37,885	\$ -	\$ 37,885

Notes Payable

The City incurred a note payable to Sanitation Solutions in the amount of \$120,000. The note calls for five annual payments of \$24,000. Payments began October 1, 2010.

Debt service requirements as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2013	\$ 21,482	\$ 2,518	\$ 24,000
2014	22,291	1,709	24,000
2015	23,129	870	24,000
Totals	\$ 66,902	\$ 5,097	\$ 71,999

H. Restricted Assets

The balances of restricted asset accounts in the governmental funds are as follows:

Purpose	Cash & Cash Equivalents
Public Safety	\$ 43,092
Hotel/Motel Use	161,686
Capital Projects	54,034
Debt Service Fund	610,593
	\$ 869,405

The balances of restricted asset accounts in the proprietary funds are as follows:

Purpose	Cash & Cash Equivalents
Capital Projects	\$ 609,047
Escrow Payable	903,672
Impact Fees	632,627
	\$ 2,145,346

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

I. Pension Plan

1. Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information ("RSI") for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan Year	
	2011	2012
Employee deposit rate:	7%	7%
Matching ratio (city to employee):	2 to 1	2 to 1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
	100%	100%
Updated Service Credit	Repeating, Transfers	Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	30% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period of that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis of the rate and the calendar year when the rate goes into effect.

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	<u>12/31/09</u>	<u>12/31/10</u>	<u>12/31/11</u>
Actuarial Valuation Date	Projected	Projected	Projected
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level %	Level %	Level %
GASB25 equivalent single	23.3 yrs	23.1 yrs	22.3 yrs
Amortization period	closed period	closed period	closed period
Amortization period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10yr Smoothed Market	10yr Smoothed Market	10yr Smoothed Market
Actuarial assumptions:			
Investment rate of return *	7.5%	7%	7%
Projected salary increase *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation rate at Cost-of-living Adjustments	3.00%	3.00%	3.00%
	0.00%	0.00%	0.90%

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

I. Pension Plan

2. Contributions (continued)

The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Value of Assets	\$ 1,597,312	\$ 2,267,612	\$ 2,634,944
Actuarial Accrued Liability	2,396,021	3,276,858	3,814,485
Percentage Funded	66.7%	69.2%	69.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	798,709	1,009,246	1,179,541
Annual Covered Payroll	1,935,740	1,987,438	2,108,279
UAAL as a Percentage of Covered Payroll	41.3%	50.8%	55.9%
 Net Pension Obligation (NPO) at the Beginning of Period	 \$ -	 \$ -	 \$ -
Annual Pension Cost:			
Annual required contribution (ARC) Plus	180,873	199,253	199,038
Contributions Made Less	(180,873)	(199,253)	(199,038)
Net Pension Obligation (Asset) at the End of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

3. Group-term Life Insurance

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). Retired employees are insured for \$7,500. This coverage is referred to as an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$3,067, \$2,985, and \$2,810, respectively, which equaled the required contributions each year.

**CITY OF ROYSE CITY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

J. Health Care Coverage

During the year ended September 30, 2012, employees of the City were covered by a health and vision insurance plan. The City contributed \$455 per month per employee for employee coverage for health insurance. The City contributed \$4.78 per month per employee (100% of the cost per employee) for vision insurance. Employees, at their option, authorized payroll withholdings for dental coverage. Health insurance is provided by Blue Cross Blue Shield and vision insurance is provided by Humana Comp Benefits.

K. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverages and policies for fiscal year 2012-2013.

L. Litigation

The City is party to various legal proceedings arising in the ordinary course of its operations. Management, based on the Council's opinion, believes the City has adequate legal defenses and/or insurance coverage respecting each of these actions and does not believe that they will materially alter the City's financial position.

M. Commitments and Contingencies

Construction Commitments

The City has active construction projects as of September 30, 2012. The projects include mainly water and sewer infrastructure and improvements.

At year end, the City's commitments with contractors are as follows:

Proprietary Funds

<u>Project</u>	<u>Project Budget</u>		<u>Remaining Commitment</u>
	<u>Appropriation</u>	<u>Spent to Date</u>	
Verandah Elevated Tank - Fund 203	\$ 2,697,835	\$ 2,591,107	\$ 106,728
CCN Acquisition	-	72,961	(72,961)
Total Construction in Progress	<u>\$ 2,697,835</u>	<u>\$ 2,664,068</u>	<u>\$ 33,767</u>

The City is constantly acquiring various CCN's, therefore there is not a specific budget appropriation amount for those projects.

N. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit.
Water Accountability Report:

Gallons Pumped	457,325,000
Gallons Billed	395,412,029

The City has a contract with North Texas Municipal Water District (NTMWD) to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2012 were \$785,099.

CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

O. Interfund Transactions

<u>Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	\$ 1,126,478	\$ (54,091)	\$ 1,072,387
Debt Service Fund	-	(851,415)	(851,415)
Other Governmental Funds	18,134	(13,745)	4,389
Water and Sewer Fund	(2,811,655)	2,586,294	(225,361)
Total Major Funds	<u>\$ (1,667,043)</u>	<u>\$ 1,667,043</u>	<u>\$ -</u>

Transfers are used to 1) transfer debt service payments and 2) fund general administrative operations.

P. Prior Period Adjustments

Prior period adjustments recorded as follows:

Governmental activities:

Expense bond issuance costs	\$ (178,997)
To adjust accounts payable	18,320
	<u>\$ (160,677)</u>

Business-type activities:

Expense bond issuance costs	\$ (389,536)
To adjust accounts payable	(16,223)
To write off old account balances	(57,273)
	<u>\$ (463,032)</u>

Q. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2012 up through April 12, 2013, the date the financial statements were available to be issued. During this period, the following items were noted for disclosure:

- The City issued a \$63,680 Equipment Lease Purchase Agreement for financing the purchase of police equipment dated October 9, 2012 and executed as of October 23, 2012. It is payable in annual installments of \$6,965, including interest. The lease is secured by equipment.
- On January 8, 2013, the City approved the issuance and sale of Combination Tax and Revenue Certificates of Obligation, series 2013, levying an annual ad valorem tax and providing for the security for and payment of said certificates. The issuance amount of \$1,590,000 will be used to fund the expansion of the water and sewer system. On January 22, 2013, the City made a motion to approve the ordinance related to sale of Combination Tax and Revenue CO, series 2013 to correct the amount to \$1,585,000 as First Southwest will cover \$5,000.

**CITY OF ROYSE CITY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

R. Royse City Economic Development Corporation

The EDC is financed with a voter approved 1/2 cent sales tax to aid, promote and further the economic development within the City. Under a contract between the EDC and the City, the City provides financial services for the EDC.

1. Deposits and Investments

Cash Deposits

At September 30, 2012, the carrying amount of the EDC's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$975,455 and the bank balance was \$975,668. The EDC's cash deposits at September 30, 2012 and during the year ended September 30, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the EDC's agent bank in the EDC's name. The EDC deposits with financial institutions in excess of federal depository insurance were fully collateralized.

Cash and investments as of September 30, 2012 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and Cash Equivalents	\$ 975,455
Total cash and cash equivalents	<u>\$ 975,455</u>
Savings and checking accounts	975,455
Total cash and cash equivalents	<u>\$ 975,455</u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the EDC adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

Currently the EDC does not have any investments with LOGIC Investments or any other investments.

2. Receivables

Receivables as of year end for the EDC, including the applicable allowances for uncollectible accounts, are as follows:

	<u>EDC</u>
Receivables:	
Taxes	<u>\$ 62,114</u>
Gross Receivables	62,114
Less: allowance for uncollectible	-
Net Total Receivables	<u>\$ 62,114</u>



REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF ROYSE CITY, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes:				
Property, including P&I	\$ 1,333,450	\$ 1,333,450	\$ 1,345,546	\$ 12,096
Sales	1,000,500	999,000	1,096,970	97,970
Franchise	370,192	370,192	411,909	41,717
Fines and fees	571,887	561,887	624,028	62,141
Licenses and permits	15,000	16,500	157,005	140,505
Refuse collection fees	722,000	722,000	794,560	72,560
Grants	111,503	111,503	113,114	1,611
Donations	-	-	933	933
Investment income	2,000	2,000	2,361	361
Miscellaneous	77,000	77,000	46,216	(30,784)
Total Revenues	4,203,532	4,193,532	4,592,642	399,110
EXPENDITURES				
Current:				
Administrative	1,815,120	1,761,505	1,913,681	(152,176)
Police	1,423,462	1,458,593	1,482,954	(24,361)
Fire department	251,594	253,732	206,067	47,665
Streets	230,214	229,695	198,946	30,749
Municipal court	314,971	316,916	355,235	(38,319)
Community services	205,506	187,007	219,347	(32,340)
Parks	342,251	336,091	353,415	(17,324)
Library	83,370	85,099	84,472	627
Museum	12,900	13,950	10,724	3,226
Senior citizens center	77,507	78,641	75,747	2,894
Main street	74,256	75,774	54,670	21,104
Environmental services	106,566	108,695	101,224	7,471
Debt Service:				
Principal retirement	124,848	124,848	99,525	25,323
Interest	-	-	4,561	(4,561)
Capital outlays	8,500	8,500	43,945	(35,445)
Total Expenditures	5,071,065	5,039,046	5,204,513	(165,467)
Excess of revenues over (under) expenditures	(867,533)	(845,514)	(611,871)	233,643
Other Financing Sources (uses)				
Transfers	1,090,733	1,065,135	1,072,387	7,252
Capital lease proceeds	-	-	39,335	39,335
Total other financing sources	1,090,733	1,065,135	1,111,722	46,587
Net change in fund balance	223,200	219,621	499,851	280,230
Fund Balance, October 1	(271,918)	(271,918)	(271,918)	
Prior period adjustments	-	-	18,320	
Fund Balance, September 30	\$ (48,718)	\$ (52,297)	\$ 246,253	

CITY OF ROYSE CITY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

TMRS FUNDING PROGRESS AND CONTRIBUTIONS
 LAST FIVE FISCAL YEARS (UNAUDITED)

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -Unit Credit	(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)	(7) Annual Required Contributions	(8) Actual Contributions	Percent Contributed (8)/(7)
2008	12/31/2007	\$ 1,071,878	\$ 1,834,600	\$ 762,722	58.4%	\$ 2,333,042	32.7%	\$ 138,398	\$ 138,398	100%
2009	12/31/2008	\$ 1,308,365	\$ 1,963,264	\$ 654,899	66.6%	\$ 1,725,686	38.0%	\$ 155,910	\$ 155,910	100%
2010	12/31/2009	\$ 1,597,312	\$ 2,396,021	\$ 798,709	66.7%	\$ 1,935,740	41.3%	\$ 180,873	\$ 180,873	100%
2011	12/31/2010	\$ 2,267,612	\$ 3,276,858	\$ 1,009,246	69.2%	\$ 1,987,438	50.8%	\$ 196,043	\$ 196,043	100%
2012	12/31/2011	\$ 2,634,944	\$ 3,814,485	\$ 1,179,541	69.1%	\$ 2,108,279	55.9%	\$ 199,038	\$ 199,038	100%

SUPPLEMENTARY INFORMATION



**CITY OF ROYSE CITY, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 1,807,416	\$ 1,807,416	\$ 1,825,133	\$ 17,717
Investment Income	1,000	1,000	3,242	2,242
Total Revenues	<u>1,808,416</u>	<u>1,808,416</u>	<u>1,828,375</u>	<u>19,959</u>
EXPENDITURES				
Current:				
Miscellaneous	-	-	3,100	(3,100)
Debt Service:				
Principal Retirement	513,514	513,514	535,988	(22,474)
Interest and Fiscal Agent Fees	429,676	429,676	423,756	5,920
Total Expenditures	<u>943,190</u>	<u>943,190</u>	<u>962,844</u>	<u>(19,654)</u>
Excess of revenues over expenditures	<u>865,226</u>	<u>865,226</u>	<u>865,531</u>	<u>305</u>
Other Financing Sources (Uses)				
Transfers	(854,712)	(854,712)	(851,415)	3,297
Total Other Financing Sources and Uses	<u>(854,712)</u>	<u>(854,712)</u>	<u>(851,415)</u>	<u>3,297</u>
Net change in fund balance	10,514	10,514	14,116	3,602
Fund Balance, October 1	899,847	899,847	899,847	
Fund Balance, September 30	<u>\$ 910,361</u>	<u>\$ 910,361</u>	<u>\$ 913,963</u>	

CITY OF ROYSE CITY, TEXAS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	Hotel/ Motel	Court Technology	Court Security	Citizen Police Academy	Police Forfeiture	State Police	TXPW Grant	Conservation Grant	Library Grant	Library
ASSETS										
Cash and cash equivalents	\$ -	\$ 29,314	\$ 23,782	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,279	\$ 400
Cash and cash equivalents - Restricted	161,686	-	-	-	21,335	21,757	-	-	-	-
Total Assets	<u>161,686</u>	<u>29,314</u>	<u>23,782</u>	<u>-</u>	<u>21,335</u>	<u>21,757</u>	<u>-</u>	<u>-</u>	<u>3,279</u>	<u>400</u>
LIABILITIES AND FUND BALANCES										
Liabilities										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	1,597	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,597</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances										
Restricted for:										
Municipal court use	-	29,314	23,782	-	-	-	-	-	-	-
Police	-	-	-	-	21,335	21,757	-	-	-	-
Hotel/Motel Use	161,686	-	-	-	-	-	-	-	-	-
Assigned to:										
Library	-	-	-	-	-	-	-	-	3,279	400
Senior Center	-	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-	-
Animal Control	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(1,597)	-	-	-
Total Fund Balances	<u>161,686</u>	<u>29,314</u>	<u>23,782</u>	<u>-</u>	<u>21,335</u>	<u>21,757</u>	<u>(1,597)</u>	<u>-</u>	<u>3,279</u>	<u>400</u>
Total Liabilities and Fund Balances	<u>\$ 161,686</u>	<u>\$ 29,314</u>	<u>\$ 23,782</u>	<u>\$ -</u>	<u>\$ 21,335</u>	<u>\$ 21,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,279</u>	<u>\$ 400</u>

CITY OF ROYSE CITY, TEXAS
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	Senior Center	Main Street	Police	Fire	Splash Park	Animal	Parks	Juvenile Case Management Fund	Total
ASSETS									
Cash and cash equivalents	\$ 1,250	\$ 292	\$ 3,654	\$ 44,725	\$ -	\$ 744	\$ 1,787	\$ 20,633	\$ 129,860
Cash and cash equivalents - Restricted	-	-	-	-	-	-	-	-	204,778
Total Assets	1,250	292	3,654	44,725	-	744	1,787	20,633	334,638
LIABILITIES AND FUND BALANCES									
Liabilities									
Accounts payable	-	319	-	-	-	-	1,787	-	2,106
Due to other funds	-	-	-	34,790	-	-	-	-	36,387
Total Liabilities	-	319	-	34,790	-	-	1,787	-	38,493
Fund Balances									
Restricted for:									
Municipal court use									53,096
Police									43,092
Hotel/Motel Use									161,686
Assigned to:									
Library									3,679
Senior Center	1,250	-	-	-	-	-	-	-	1,250
Public Safety	-	-	3,654	9,935	-	-	-	20,633	34,222
Animal Control	-	-	-	-	-	744	-	-	744
Unassigned	-	(27)	-	-	-	-	-	-	(1,624)
Total Fund Balances	1,250	(27)	3,654	9,935	-	744	-	20,633	296,145
Total Liabilities and Fund Balances	\$ 1,250	\$ 292	\$ 3,654	\$ 44,725	\$ -	\$ 744	\$ 1,787	\$ 20,633	\$ 334,638

**CITY OF ROYSE CITY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Hotel/ Motel	Court Technology	Court Security	Citizen Police Academy	Police Forfeiture	State Police	TXPW Grant	Conservation Grant	Library Grant	Library
REVENUES										
Taxes:										
Hotel/Motel	\$ 64,036	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and Fees	-	9,095	6,860	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	15,247	19,569	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total Revenues	64,036	9,095	6,860	-	15,247	19,569	-	-	-	-
EXPENDITURES										
Current:										
Police	-	-	-	-	17,907	9,570	-	-	-	-
Fire Department	-	-	-	-	-	-	-	-	-	-
Municipal Court	-	236	-	-	-	-	-	-	-	-
Parks	-	-	-	-	-	-	-	-	-	-
Main Street	-	-	-	-	-	-	-	-	-	-
Environmental services	-	-	-	-	-	-	-	-	-	-
Community Development	8,193	-	-	-	-	-	-	-	-	-
Miscellaneous	544	-	-	-	-	-	-	-	-	-
Total Expenditures	8,737	236	-	-	17,907	9,570	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	55,299	8,859	6,860	-	(2,660)	9,999	-	-	-	-
Other Revenues and Financing Sources (Uses)										
Transfers	-	-	-	-	-	(13,745)	-	7,598	-	-
Sources (Uses)	-	-	-	-	-	(13,745)	-	7,598	-	-
Net change in fund balances	55,299	8,859	6,860	-	(2,660)	(3,746)	-	7,598	-	-
Fund balances, October 1	106,387	20,455	16,922	-	23,995	25,503	(1,597)	(7,598)	3,279	400
Fund balances, September 30	\$ 161,686	\$ 29,314	\$ 23,782	\$ -	\$ 21,335	\$ 21,757	\$ (1,597)	\$ -	\$ 3,279	\$ 400

**CITY OF ROYSE CITY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Senior Center	Main Street	Police	Fire	Splash Park	Animal	Parks	Juvenile Case Management Fund	Total
REVENUES									
Taxes:									
Hotel/Motel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,036
Fines and Fees	-	-	-	-	-	-	-	10,097	26,052
Donations	-	6,490	700	4,794	-	2,234	7,787	-	22,005
Investment Income	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	34,816
Total Revenues	-	6,490	700	4,794	-	2,234	7,787	10,097	146,909
EXPENDITURES									
Current:									
Police			5,342	-	-	-	-	-	32,819
Fire Department			-	1,290	-	-	-	-	1,290
Municipal Court			-	-	-	-	-	-	236
Parks			-	-	-	-	7,787	-	7,787
Main Street		10,877	-	-	-	-	-	-	10,877
Environmental services			-	-	-	1,765	-	-	1,765
Community Development			-	-	-	-	-	-	8,193
Miscellaneous			-	-	-	-	-	-	544
Total Expenditures	-	10,877	5,342	1,290	-	1,765	7,787	-	63,511
Excess (deficiency) of revenues over (under) expenditures	-	(4,387)	(4,642)	3,504	-	469	-	10,097	83,398
Other Revenues and Financing Sources (Uses)									
Transfers								10,536	4,389
Sources (Uses)								10,536	4,389
Net change in fund balances	-	(4,387)	(4,642)	3,504	-	469	-	20,633	87,787
Fund balances, October 1	1,250	4,360	8,296	6,431	-	275	-	-	208,358
Fund balances, September 30	\$ 1,250	\$ (27)	\$ 3,654	\$ 9,935	\$ -	\$ 744	\$ -	\$ 20,633	\$ 296,145

**CITY OF ROYSE CITY, TEXAS
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
SEPTEMBER 30, 2012**

	<u>EDC</u>
ASSETS	
Cash and Cash Equivalents	\$ 975,455
Receivables, net	<u>62,114</u>
Total Assets	<u><u>1,037,569</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable - City	<u>24,662</u>
Total Liabilities	<u>24,662</u>
 Fund Balance	
Reserved for:	
Community Development	<u>1,012,907</u>
Total Fund Balance	<u>1,012,907</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 1,037,569</u></u>

**CITY OF ROYSE CITY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNIT
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>EDC</u>
REVENUES	
Taxes:	
Sales	\$ 365,503
Investment Income	430
Miscellaneous	1,129
Total Revenues	<u>367,062</u>
EXPENDITURES	
Current:	
Administrative	124,771
Community Development	37,578
Total Expenditures	<u>162,349</u>
Excess (deficiency) of revenues over (under) expenditures	<u>204,713</u>
Net change in fund balance	204,713
Fund balance, October 1	808,194
Fund balance, September 30	<u>\$ 1,012,907</u>

**CITY OF ROYSE CITY, TEXAS
 BUDGETARY COMPARISON SCHEDULE
 ECONOMIC DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales	\$ 227,577	\$ 227,577	\$ 365,503	\$ 137,926
Investment Income	500	500	430	(70)
Miscellaneous	-	-	1,129	1,129
Total Revenues	<u>228,077</u>	<u>228,077</u>	<u>367,062</u>	<u>138,985</u>
EXPENDITURES				
Current:				
Administrative	139,500	139,500	124,771	14,729
Community Development	330,900	330,900	37,578	293,322
Total Expenditures	<u>470,400</u>	<u>470,400</u>	<u>162,349</u>	<u>308,051</u>
Net change in fund balance	<u>(242,323)</u>	<u>(242,323)</u>	<u>204,713</u>	<u>(169,066)</u>
Fund balance, October 1	<u>808,194</u>	<u>808,194</u>	<u>808,194</u>	
Fund balance, September 30	<u>\$ 565,871</u>	<u>\$ 565,871</u>	<u>\$ 1,012,907</u>	



Effective February 2016

Residential Water Inside City Limits	
Minimum Charge (up to 3,000 gallons)	\$ 24.74
Volume Charges (per 1,000 gallons)	
3,001 - 10,000 gallons	5.05
10,001 - 15,000 gallons	6.31
15,001 - 25,000 gallons	7.89
25,001 gallons & above	9.07

Residential Water Outside City Limits	
Minimum Charge (up to 3,000 gallons)	\$ 37.11
Volume Charges (per 1,000 gallons)	
3,001 - 10,000 gallons	7.57
10,001 - 15,000 gallons	9.46
15,001 - 25,000 gallons	11.83
25,001 gallons & above	13.60

Commercial Water Inside City Limits	
Minimum Charge (up to 3,000 gallons) by meter size	
5/8 x 3/4"	\$ 33.00
1"	40.00
1.5"	45.00
2"	55.00
3"	80.00
4"	100.00
6"	150.00
Volume Charges (per 1,000 gallons)	
3,001 & above	\$ 7.16

Commercial Water Outside City Limits	
Minimum Charge (up to 3,000 gallons) by meter size	
5/8 x 3/4"	\$ 49.50
1"	60.00
1.5"	67.50
2"	82.50
3"	120.00
4"	150.00
6"	225.00
Volume Charges (per 1,000 gallons)	
3,001 & above	\$ 10.75

Residential Sewer Inside City Limits	
Base Charge (includes 1st 3,000 gallons)	\$ 31.73
Volume Charge per 1,000 gallons	\$ 7.32

Residential Sewer Outside City Limits	
Base Charge (includes 1st 3,000 gallons)	\$ 47.59
Volume Charge per 1,000 gallons	\$ 10.98

Commercial Sewer Inside City Limits	
Base Charge (includes 1st 3,000 gallons)	\$ 48.80
Volume Charge per 1,000 gallons	\$ 7.32

Commercial Sewer Outside City Limits	
Base Charge (includes 1st 3,000 gallons)	\$ 73.20
Volume Charge per 1,000 gallons	\$ 10.98

RCISD Water	
Minimum Charge (up to 3,000 gallons) by meter size	
5/8 x 3/4"	\$ 33.00
1"	40.00
1.5"	45.00
2"	55.00
3"	80.00
4"	100.00
6"	150.00
Volume Charges (per 1,000 gallons)	
3,001 - 10,000 gallons	5.05
10,001 - 15,000 gallons	6.31
15,001 - 25,000 gallons	7.89
25,001 gallons & above	9.07

RCISD Sewer	
Base Charge (includes 1st 3,000 gallons)	\$ 48.80
Volume Charge per 1,000 gallons	7.32

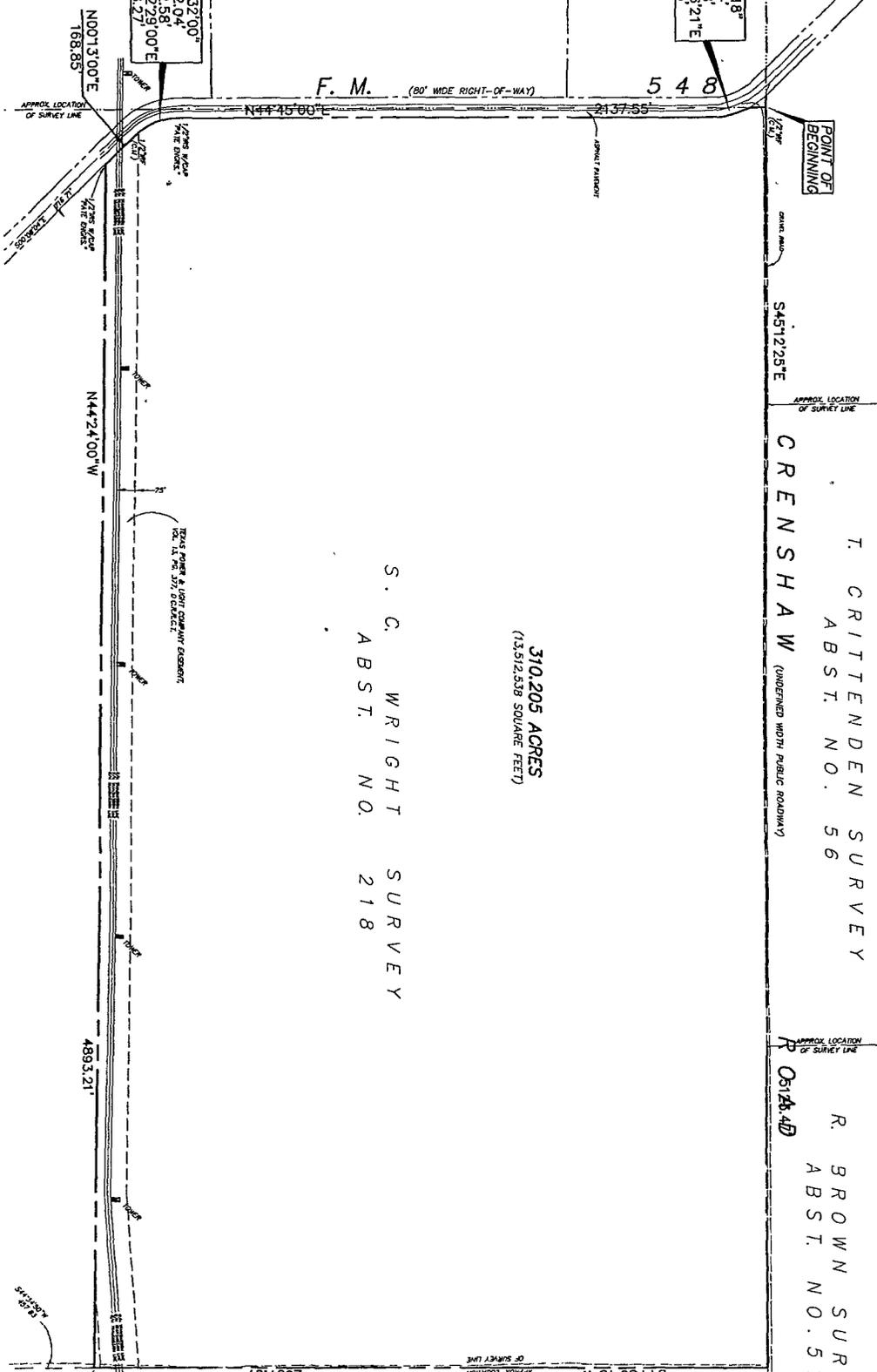
Residential Sanitation		Commercial Sanitation	
1st Toter	\$ 14.18	1st Toter	\$ 23.10
Additional Toter	\$ 4.00	Additional Toter	\$ 5.00

Utility Department Hours: Monday - Friday 8 am - 5 pm
 After Hours Emergency: 214-794-2888

Phone: 972-636-2250

A = 2757.18'
 R = 317.64'
 L = 154.98'
 CB = N50°46'21"E
 153.45'

A = 4433.00'
 R = 222.04'
 L = 172.58'
 CB = N22°29'00"E
 168.37'



POINT OF BEGINNING

S45°12'25"E

T. CRITTENDEN SURVEY
 ABST. NO. 56
 CRENSHAW (UNDERMINED WITH PUBLIC ROADWAY)

310.205 ACRES
 (13,512,538 SQUARE FEET)

S. C. WRIGHT SURVEY
 ABST. NO. 218

R. BROWN SURVEY
 ABST. NO. 51



Executed, affirmed and acknowledged by the undersigned members of the Board of Directors of Parker Creek Municipal Utility District of Rockwall County, Texas, pursuant to Section 49.455 (c), Texas Water Code, as amended.

Christie R. Cannon, President

William Pike Chapman, Vice President

David C. Veeval, Jr., Secretary

William D. Ronalds, Secretary

Robert T. Low, Director

STATE OF TEXAS
 COUNTY OF ROCKWALL
 BEFORE ME, the undersigned authority, on this day personally appeared Christie R. Cannon, William Pike Chapman, David C. Veeval, Jr., William D. Ronalds and Robert T. Low, known to me to be the persons whose names are subscribed to the foregoing instrument and acknowledged to me that they executed the same in the capacity therein stated and acknowledged that they executed this instrument on the day of _____ 2004.

Notary Public in and for State of Texas

NOTES

- 1. ALL CORNERS MARKED WITH A 1/2" DIAMETER IRON ROD SET WITH A CAP STAMPED (THIS SURVEY) SURVEY DISTRICT OF PARKER CREEK MUNICIPAL UTILITY DISTRICT OF ROCKWALL COUNTY.

Robert T. Low
 Notary Public
 State of Texas

PARKER CREEK MUNICIPAL UTILITY DISTRICT OF ROCKWALL COUNTY	
BOUNDARY EXHIBIT	
PATE ENGINEERS	COMPILED BY
1100 SOUTH GUYTON STREET SUITE 200 ROCKWALL, TEXAS 75087 TEL: (972) 961-8881 FAX: (972) 961-8883	DATE 08/01/2004 SHEET NO. 1 OF 1

EXHIBIT AMETES AND BOUNDS DESCRIPTION OF THE PROPERTY

BEING a tract of land located in the S.C. WRIGHT SURVEY, ABSTRACT NO. 218, Rockwall County, Texas and being part of a tract of land described in Deed to Parker Creek Estates, L.P., recorded in Volume 2855, Page 252 (Doc. No. 00272567), Deed Records, Rockwall County, Texas and being more particularly described as follows:

BEGINNING at a 1/2 inch iron rod with a yellow plastic cap stamped "DAA" set at the intersection of the Easterly right-of-way line of F.M. 548, a variable width right-of-way, with the approximate centerline of Crenshaw Road, said point being the most Northerly corner of said Parker Creek Estates, L.P. tract;

THENCE South 46 degrees 24 minutes 20 seconds East, along the approximate centerline of said Crenshaw Road, a distance of 5123.44 feet to a 3/8 inch iron rod found at the most Easterly corner of said Parker Creek Estates, L.P. tract, said point being the most Northerly corner of a tract of land described in Deed to John H. Crenshaw, Jr., recorded in Volume 126, Page 887, Deed Records, Rockwall County, Texas;

THENCE South 43 degrees 47 minutes 21 seconds West, along the common line of said Parker Creek Estates, L.P. and John H. Crenshaw, Jr. tracts, a distance of 2697.97 feet to a 1 1/4 inch diameter axle found for corner at the most Southerly corner of said Parker Creek Estates, L.P. tract, said point being North 42 degrees 49 minutes 03 seconds West, a distance of 361.66 feet from the most Westerly corner of said John H. Crenshaw, Jr. tract, said point also being an ell corner of a tract of land described in Deed to Dean M. Gandy, recorded in Volume 688, Page 258, Deed Records, Rockwall County, Texas;

THENCE North 45 degrees 36 minutes 22 seconds West, along the common line of said Parker Creek Estates, L.P. and said Dean M. Gandy tracts; a distance of 4893.37 feet to a 1/2 inch iron rod found for corner in the East right-of-way line of said F.M. 548;

THENCE North 00 degrees 57 minutes 55 seconds West, along said East line, a distance of 169.42 feet to a 1/2 inch iron rod with a yellow plastic cap stamped "DAA" set for corner at the beginning of a curve to the right having a central angle of 44 degrees 32 minutes 00 seconds, a radius of 222.04 feet, and a chord bearing and distance of North 21 degrees 18 minutes 05 seconds East, 168.27 feet;

THENCE Westerly, along said curve to the right, an arc distance of 172.58 feet to a 1/2 inch iron rod with a yellow plastic cap stamped "DAA" set for corner;

THENCE North 43 degrees 34 minutes 05 seconds East, along said Easterly right-of-way line, a distance of 2266.78 feet to a 1/2 inch iron rod with a yellow plastic cap stamped "DAA" set for corner;

THENCE North 00 degrees 37 minutes 55 seconds West, a distance of 53.90 feet to a 1/2 inch

iron rod with a yellow plastic cap stamped "DAA" set for corner;

THENCE North 43 degrees 33 minutes 48 seconds East, a distance of 47.85 feet to the **POINT OF BEGINNING** and containing 310.202 acres of land, more or less.