

CITY OF STINNETT, TEXAS

AUDIT REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2012

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JAMES R. ALLEN, C.P.A.

INDEPENDENT AUDITOR'S REPORT

The Honorable City Council
Stinnett, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Stinnett, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Stinnett, Texas's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stinnett, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages i through vii) and budgetary comparison information (pages 23 through 35) and the schedule of retirement plan funding progress (page 36) 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.

Our audit was conducted for the purpose of forming our opinion on the financial statements which collectively comprise the City of Stinnett, Texas financial statements as a whole. The comparative statements of special revenue fund and the comparative Water, Sewer and Gas fund balance sheets are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

James R Allen, CPA
May 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The City of Stinnett's (the "City") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position, its ability to address the next and subsequent year challenges, (d) identify any material deviations from the financial plan, the approved budget, and (e) identify individual fund issues or concerns for the fiscal year ended September 30, 2012.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements beginning on page 2.

Financial Highlights

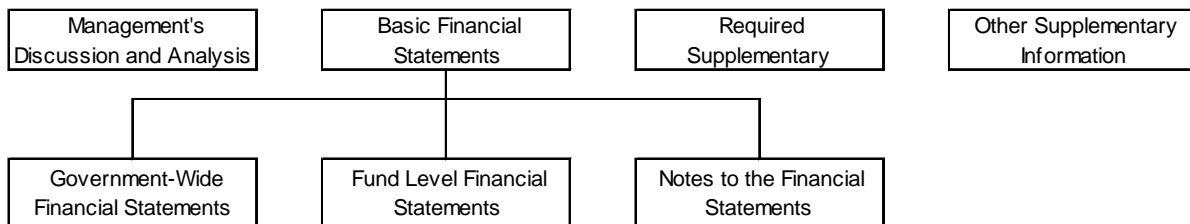
- The City's total net assets increased substantially over the course of this year's operations. The net assets of our business-type activities increased \$354.7 thousand due primarily to capital grants received for the construction in progress of the sewer system. We had an increase of \$45.2 thousand in the net assets of our governmental activities due primarily to increased tax revenues.
- During the year, the City's expenses were \$399.8 less than the \$2269.0 thousand generated in taxes and other revenues for governmental programs (before transfers). This is better than last year, when revenues exceeded expenses by \$43.6 thousand.
- In the City's business-type activities, revenues increased to \$221.9 thousand.
- The General Fund (the primary operating fund) reflected on a current financial resource basis, shows an increase in fund balance of \$52.134 thousand due to transfers.
- The total cost of the City's programs decreased 5% due primarily to the completion in 2011 of street improvements.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
 - Proprietary funds statements offer short- and long-term financial information about the activities the government operates like businesses, such as the water, gas and sewer systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following figure shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds which are added together and presented in a single column in the financial statements.



A summary of the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain is shown below. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Major Features of City of Groom's Government-wide and Fund Level Financial Statements

	Government-wide Statements	Fund Level Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as public safety and economic development	Activities the City operates similar to private businesses: the water works system
Required Financial Statements	* Statement of Net Assets * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures, and Changes in Fund Balances	* Statement of Net Assets * Statement of Revenues, Expenses, and Changes in Fund Balances * Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting economic resources focus
Type of Asset / Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow / Outflow Information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-Wide Financial Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide financial statement report the City’s net assets and how they have changed. Net assets – the difference between the City’s assets and liabilities – is one way to measure the City’s financial health, or position.

- Over time, increases or decreases in the City’s net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as changes in the City’s property tax base and the condition of the City’s roads.

The government-wide financial statements of the City are divided into three categories:

- Governmental activities – Most of the City’s basic services are included here, such as the police, fire, ambulance, parks and general administration. Property taxes and state grants primarily support these activities.

- Business-type activities – The City charges fees to customers to help it cover the costs of certain services provides. The City’s water, gas and sewer system are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City’s most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants. The City has two kinds of funds:

- Governmental funds – Most of the City’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. Because this information does encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent reconciliation statement that explains the relationship (or differences) between them.
- Proprietary funds – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

Government-wide Financial Analysis

Net Assets. The net assets may serve over time as a useful indicator of a government’s financial position. The City’s net assets, the amount by which assets exceeded liabilities, were \$2.9 million at the close of the fiscal year.

The City’s net assets of the Governmental funds increased from \$2,590.9 thousand in 2011 to \$2,990.8 thousand in 2012. (See Table 1) The largest portion of the City’s net assets (\$2,190.1 thousand) reflects its investments in capital assets, e.g., land, buildings, improvements, equipment, and infrastructure, less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the fiscal year, the City had positive balances in both categories of net assets (1 – invested in capital assets net of related debt and 2 – unrestricted), both for the government as a whole, as well as its separate Governmental and Business-type Activities

Table 1
Statement of Net Assets
in thousands
as of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 580.2	\$ 497.8	\$ 334.8	\$ 225.7	\$ 915.0	\$ 723.5
Capital assets, net	1,118.2	1,181.8	1,720.4	1,514.9	2,838.6	2,696.7
Total assets	1,698.4	1,679.6	2,055.2	1,740.6	3,753.6	3,420.2
LIABILITIES						
Current and other liabilities	97.2	83.6	145.6	140.8	242.8	224.4
Long-term debt outstanding	425.0	465.0	95.0	140.0	520.0	605.0
Total liabilities	522.2	548.6	240.6	280.8	762.8	829.4
Net assets:						
NET ASSETS						
Invested in capital assets, net of debt	609.7	716.8	1,580.4	1,374.9	2,190.1	2,091.7
Restricted	437.7	346.1	143.5	183.5	581.2	529.6
Unrestricted	128.8	68.1	90.7	(98.5)	219.5	(30.4)
TOTAL NET ASSETS	\$ 1,176.2	\$ 1,131.0	\$ 1,814.6	\$ 1,459.9	\$ 2,990.8	\$ 2,590.9

For more detailed information see the Statement of Net Assets (page 2).

Change in Net Assets

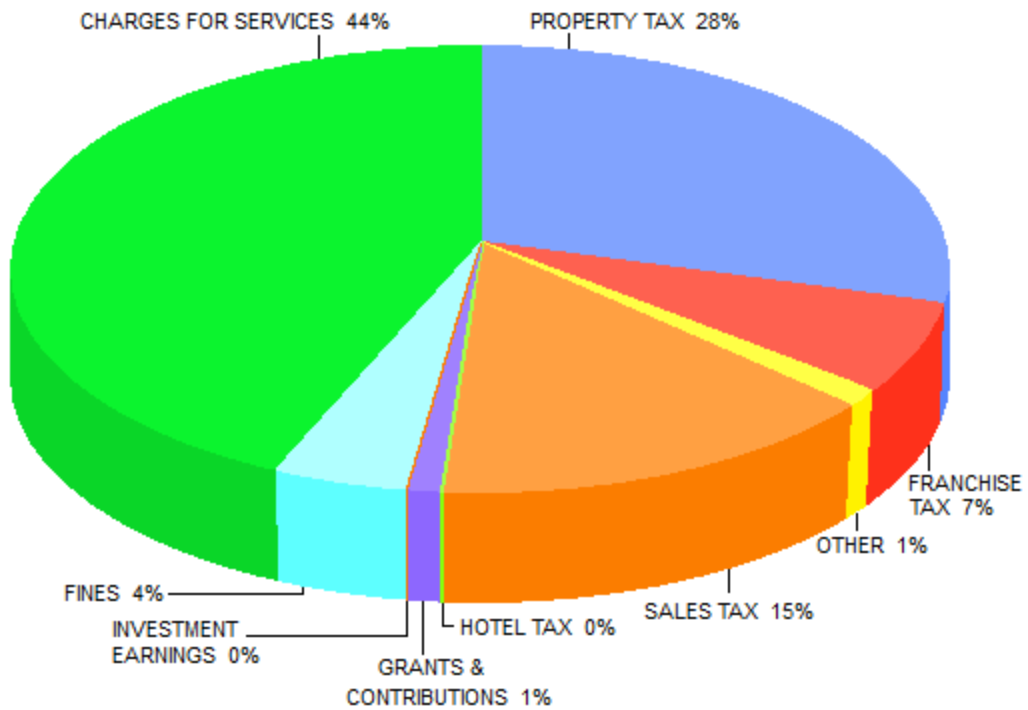
The City's total revenues increased to \$2,269.0 thousand. (See Table 2) This increase is due first to \$218.5 thousand in grant received for ongoing construction in progress of the sewer system. Secondly there is an increase in property taxes for 2012. The other sources of revenue were virtually unchanged from 2011.

Table 2
Changes of Net Assets
in thousands
as of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 443.7	\$ 452.3	\$ 1,020.7	\$ 1,029.6	\$ 1,464.4	\$ 1,481.9
Grants & contributions	9.7	22.0	231.1	0.3	240.8	22.3
General revenues:						
Property taxes	298.5	272.9			298.5	272.9
Other taxes	216.8	204.9			216.8	204.9
Fines and forfeitures	42.2	11.3			42.2	11.3
Investment earnings	0.6	6.4			0.6	6.4
Sale of assets		(5.6)				(5.6)
Other	5.7	7.3			5.7	7.3
Total revenues	<u>1,017.2</u>	<u>971.5</u>	<u>1,251.8</u>	<u>1,029.9</u>	<u>2,269.0</u>	<u>2,001.4</u>
Expenses:						
General administration	162.4	190.8			162.4	190.8
Fire	66.4	83.7			66.4	83.7
Streets	168.1	214.6			168.1	214.6
Police	213.8	168.9			213.8	168.9
Sanitation	183.5	167.0			183.5	167.0
Public service	214.4	190.9			214.4	190.9
Ambulance	101.8	105.6			101.8	105.6
Cemetery	5.2	8.2			5.2	8.2
Community promotion	3.1	8.1			3.1	8.1
Interest on long-term debt	27.3	29.2			27.3	29.2
Utilities			723.2	790.8	723.2	790.8
Total expenses	<u>1,146.0</u>	<u>1,167.0</u>	<u>723.2</u>	<u>790.8</u>	<u>1,869.2</u>	<u>1,957.8</u>
Increase in net assets before transfers	(128.8)	(195.5)	528.6	239.1	399.8	43.6
Transfers	173.9	220.2	(173.9)	(220.2)		
Increase in net assets	<u>45.1</u>	<u>24.7</u>	<u>354.7</u>	<u>18.9</u>	<u>399.8</u>	<u>43.6</u>
Net assets - October 1	1,131.0	1,106.3	1,453.9	1,438.0	2,590.9	2,544.3
Net assets - September 30	<u>\$ 1,176.1</u>	<u>\$ 1,131.0</u>	<u>\$ 1,814.6</u>	<u>\$ 1,456.9</u>	<u>\$ 2,990.7</u>	<u>\$ 2,587.9</u>

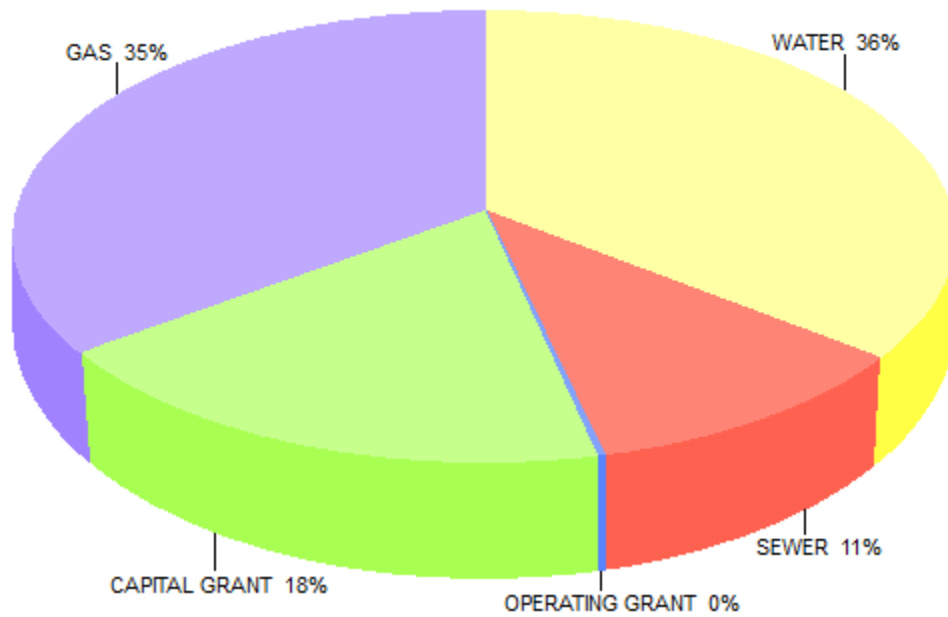
With the exception of the capital grant received in 2012, property taxes remain the largest portion of governmental activity revenues.

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES

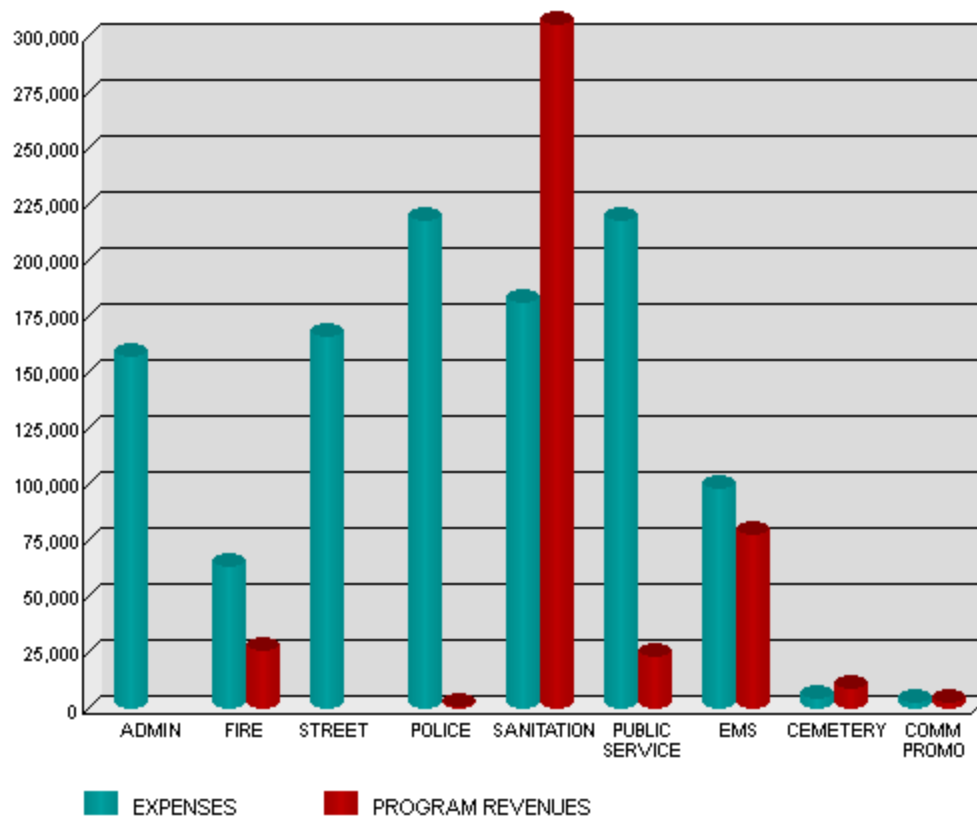


Revenues generated and expenses used in business-type activities remained consistent with previous years, with the exception of capital grants received.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



The business-type activities generated revenues in excess of the cost of supplying the utility service to our residents including administrative costs in the aggregate.

Budgetary Highlights

The City budgets for general fund expenditures and operating expenses of the water, sewer, and sanitation departments. The City did not amend the budget in 2012. The general fund actual expenditures exceeded the total budgeted by approximately 4%. This is due entirely to transfers to the business-type activities which are not budgeted by the city council for the governmental portion of the water distribution system construction cost. The City's expense budget for the Water Works fund was exceeded by actual expenses again in 2012 because the council consistently underestimates the expense for electricity and professional fees and depreciation expenses are not budgeted.

Capital Asset

At the end of 2012, the City had invested \$1,260.2 thousand in a broad range of capital assets, including public service equipment, buildings, facilities, and water, gas and sewer lines. (See Table 3) This amount represents a net increase (including additions and deductions) of \$634.1 thousand over last year.

Table 3
Capital Assets
net of depreciation, in thousands
as of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 37.5	\$ 37.5	\$ 105.4	\$ 105.4	\$ 142.9	\$ 142.9
Construction in Progress			279.5		279.5	
Buildings and Improvements	711.2	758.0	17.4	19.9	728.6	777.9
Infrastructure	57.2	61.8	1,238.2	1,321.0	1,295.4	1,382.8
Machinery and Equipment	165.3	129.3	49.4	64.5	214.7	193.8
Office Furniture and Equipment	9.6	11.7			9.6	11.7
Transportation Equipment	137.3	183.3	30.5	4.1	167.8	187.4
	<u>\$ 1,118.1</u>	<u>\$ 1,181.6</u>	<u>\$ 1,720.4</u>	<u>\$ 1,514.9</u>	<u>\$ 2,838.5</u>	<u>\$ 2,696.5</u>

This year's major capital asset additions included:

- 2013 Freightliner trash truck, \$121.9 thousand
- 2006 Ford pickup, \$15.7 thousand
- 2007 Chevy pickup, \$17 thousand
- Construction in progress of the sewer system, \$279.4 thousand

Long-term Debt

At year-end the City had \$273.0 thousand in certificates of obligation and capital leases outstanding – a decrease of \$40.4 thousand over last year – as shown in Table 4. More detailed information about the City's long-term liabilities is presented in the Notes to the financial statements.

**Table 4
Outstanding Debt
in thousands
as of September 30**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General obligation bond (backed by the City)	\$ 465.0	\$ 505.0	\$	\$	\$ 465.0	\$ 505.0
Proprietary obligation bond (backed by the City)			140.0	180.0	140.0	180.0
	<u>\$ 465.0</u>	<u>\$ 505.0</u>	<u>\$ 140.0</u>	<u>\$ 180.0</u>	<u>\$ 605.0</u>	<u>\$ 685.0</u>

Requests for Information

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, contact the City's Manager, P O Box 909, Stinnett, Texas 79083.

FINANCIAL STATEMENTS AND FOOTNOTES

CITY OF STINNETT, TEXAS
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<i>PRIMARY GOVERNMENT</i>			<i>COMPONENT UNIT</i>
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>	<u>ECONOMIC DEVELOPMENT CORPORATION</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 41,681	\$ 254,361	\$ 296,042	\$ 75,061
Receivables, net	98,331	71,853	170,184	
Due from other governments	2,507		2,507	
Investments	437,656	3,500	441,156	
Debt issuance costs, net		5,075	5,075	
Capital assets				
Non-depreciable	37,539	384,870	422,409	
Depreciable, net	1,080,654	1,335,554	2,416,208	
TOTAL ASSETS	1,698,368	2,055,213	3,753,581	75,061
<u>LIABILITIES</u>				
Accounts payable	8,367	2,136	10,503	
Sales tax payable	1,302	512	1,814	
Accrued liabilities	10,024	7,758	17,782	
Deferred property tax	37,277		37,277	
Deposits for meters	240	90,172	90,412	
Non-current liabilities				
Due within one year				
Certificate of obligation	40,000	45,000	85,000	
Due in more than one year				
Certificate of obligation	425,000	95,000	520,000	
TOTAL LIABILITIES	522,210	240,578	762,788	
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	609,694	1,580,424	2,190,118	
Restricted	437,656	143,500	581,156	
Unrestricted	128,808	90,711	219,519	75,061
TOTAL NET ASSETS	\$ 1,176,158	\$ 1,814,635	\$ 2,990,793	\$ 75,061

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

FUNCTION / PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES			PRIMARY GOVERNMENT			COMPONENT UNIT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION
PRIMARY GOVERNMENT								
Governmental Activities								
General administration	\$ 162,355	\$	\$	\$	\$ (162,355)	\$	\$ (162,355)	\$
Fire	66,390	24,636	2,784		(38,970)		(38,970)	
Streets	168,132				(168,132)		(168,132)	
Police	213,807		985		(212,822)		(212,822)	
Sanitation	183,492	307,516			124,024		124,024	
Public service	214,374	26,610			(187,764)		(187,764)	
Ambulance	101,772	75,295	1,060		(25,417)		(25,417)	
Cemetery	5,218	9,666	1,385		5,833		5,833	
Community promotion	3,114		3,477		363		363	
Interest on long-term debt	27,251				(27,251)		(27,251)	
Total governmental activities	1,145,905	443,723	9,691		(692,491)		(692,491)	
Business-Type Activities								
Water department	253,728	445,460	2,265	228,855		422,852	422,852	
Sewer department	84,576	135,617				51,041	51,041	
Gas department	384,855	439,619				54,764	54,764	
Total business-type activities	723,159	1,020,696	2,265	228,855		528,657	528,657	
TOTAL PRIMARY GOVERNMENT	\$ 1,869,064	\$ 1,464,419	\$ 11,956	\$	(692,491)	528,657	(163,834)	
COMPONENT UNIT								
Economic Development Corporation	\$ 35,341	\$	\$ 3,698	\$				(31,643)
GENERAL REVENUES:								
Taxes								
Property tax					298,519		298,519	
Sales tax					148,609		148,609	51,995
Other intergovernmental sources					68,160		68,160	
Fines and forfeitures					42,161		42,161	
Investment earnings					582	2	584	
Other					5,688		5,688	
Transfers in (out)					173,935	(173,935)		
Total general revenues and transfers					737,654	(173,933)	563,721	51,995
CHANGE IN NET ASSETS					45,163	354,724	399,887	20,352
NET ASSETS - OCTOBER 1					1,130,995	1,459,911	2,590,906	54,709
NET ASSETS - SEPTEMBER 30					\$ 1,176,158	\$ 1,814,635	\$ 2,990,793	\$ 75,061

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 BALANCE SHEET
 GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>GENERAL</u>	<u>OTHER GOVERNMENTAL FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Current cash and cash equivalents	\$ 12,361	\$ 25,820	\$ 38,181
Investments	378,947		378,947
Receivables, net			
Tax	46,565		46,565
Charges for service	6,403		6,403
Utilities	32,916		32,916
Due from other governments	1,803		1,803
TOTAL ASSETS	<u>\$ 478,995</u>	<u>\$ 25,820</u>	<u>\$ 504,815</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Accounts payable	\$ 8,367	\$	\$ 8,367
Sales tax payable	1,302		1,302
Accrued liabilities	6,802		6,802
Deferred property tax	25,594		25,594
Deposits for meters	240		240
TOTAL LIABILITIES	<u>42,305</u>		<u>42,305</u>
Fund Balances			
Assigned	378,947		378,947
Unassigned	57,743	25,820	83,563
TOTAL FUND BALANCES	<u>436,690</u>	<u>25,820</u>	<u>462,510</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 478,995</u>	<u>\$ 25,820</u>	<u>\$ 504,815</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 RECONCILIATION OF THE TOTAL FUND BALANCE OF GOVERNMENT FUNDS
 TO GOVERNMENT-WIDE NET ASSETS
AS OF SEPTEMBER 30, 2012

FUND BALANCES - GOVERNMENTAL FUNDS \$ 462,510

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

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

Governmental capital assets	\$ 2,778,340	
Less accumulated depreciation	<u>(1,660,147)</u>	1,118,193

Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the governmental funds.		63,677
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Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable		(465,000)

Some liabilities, including interest payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(3,222)</u>
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GOVERNMENT-WIDE NET ASSETS		<u><u>\$ 1,176,158</u></u>
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CITY OF STINNETT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	GENERAL	OTHER GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>			
Charges for services	\$ 434,057	\$ 9,666	\$ 443,723
Grants and contributions	8,306	1,385	9,691
Property tax	228,072		228,072
Sales tax	148,609		148,609
Other intergovernmental sources	68,160		68,160
Fines and forfeitures	42,161		42,161
Income on investments	542		542
Other	5,688		5,688
TOTAL REVENUES	<u>935,595</u>	<u>11,051</u>	<u>946,646</u>
<u>EXPENDITURES</u>			
General administration	151,129		151,129
Fire	32,425		32,425
Streets	152,517		152,517
Police	200,431		200,431
Sanitation	157,423		157,423
Public service	155,784		155,784
Ambulance	81,174		81,174
Community promotion	3,114		3,114
Cemetery		5,218	5,218
Capital outlay	115,867		115,867
TOTAL EXPENDITURES	<u>1,049,864</u>	<u>5,218</u>	<u>1,055,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(114,269)</u>	<u>5,833</u>	<u>(108,436)</u>
<u>OTHER FINANCING SOURCES AND (USES)</u>			
Transfers in (out)	<u>166,403</u>	<u>(3,711)</u>	<u>162,692</u>
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>166,403</u>	<u>(3,711)</u>	<u>162,692</u>
NET CHANGES IN FUND BALANCES	52,134	2,122	54,256
FUND BALANCES - OCTOBER 1	<u>384,556</u>	<u>23,698</u>	<u>408,254</u>
FUND BALANCES - SEPTEMBER 30	<u>\$ 436,690</u>	<u>\$ 25,820</u>	<u>\$ 462,510</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 RECONCILIATION OF THE NET CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE CHANGE IN GOVERNMENT-WIDE NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	54,256
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>		
Current year depreciation	(138,362)
Capital asset additions		74,790
<p>Other proceeds reported in the statement of activities are not required for use as current financial resources and therefore are not reported as revenues in the governmental funds.</p>		
		110,488
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
	(<u>56,009)</u>
NET CHANGE IN GOVERNMENT-WIDE NET ASSETS	<u>\$</u>	<u>45,163</u>

CITY OF STINNETT, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	PROPRIETARY FUNDS <u>UTILITY</u>
<u>ASSETS</u>	
Current Assets	
Cash and cash equivalents	\$ 254,361
Accounts receivable, net	<u>71,853</u>
TOTAL CURRENT ASSETS	<u>326,214</u>
Non-Current Assets	
Investments	3,500
Bond issuance, net	5,075
Capital Assets	
Land	105,400
Construction in progress	279,470
Buildings and improvements	55,210
Infrastructure	2,974,982
Machinery and equipment	299,349
Office furniture and equipment	4,111
Transportation equipment	95,892
Less accumulated depreciation	<u>(2,093,990)</u>
TOTAL NON-CURRENT ASSETS	<u>1,728,999</u>
TOTAL ASSETS	<u>2,055,213</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts payable	2,136
Sales tax payable	512
Accrued liabilities	7,758
Deposits for meters	90,172
Current portion of certificates of obligation	<u>45,000</u>
TOTAL CURRENT LIABILITIES	<u>145,578</u>
Non-Current Liabilities	
Non-current portion of certificates of obligation	<u>95,000</u>
TOTAL NON-CURRENT LIABILITIES	<u>95,000</u>
TOTAL LIABILITIES	<u>240,578</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	1,580,424
Restricted	143,500
Unrestricted	<u>90,711</u>
TOTAL NET ASSETS	<u>\$ 1,814,635</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>PROPRIETARY FUNDS UTILITY</u>
<u>OPERATING REVENUES</u>	
Utilities	\$ 1,020,696
<u>OPERATING EXPENSES</u>	
Salaries, wages and employee benefits	222,049
Contractual services, materials and supplies	113,578
Natural gas purchases	198,292
Repairs and maintenance	32,333
Building insurance	2,488
State fees	3,195
Depreciation expense	106,675
Amortization expense	1,692
Capital improvements	32,701
Other expenses	2,594
TOTAL OPERATING EXPENSES	<u>715,597</u>
OPERATING INCOME	<u>305,099</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Income on investments	2
Interest expense	(7,562)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(7,560)</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>297,539</u>
Capital grants and contributions	228,855
Operating grants and contributions	2,265
Transfers out	(173,935)
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>57,185</u>
CHANGE IN NET ASSETS	354,724
NET ASSETS - OCTOBER 1	<u>1,459,911</u>
NET ASSETS - SEPTEMBER 30	<u>\$ 1,814,635</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

PROPRIETARY
FUNDS

UTILITY

CASH FLOWS FROM OPERATIONS

Receipts from customers	\$ 1,012,642
Payments to suppliers	(382,444)
Payments to employees	(224,965)
Net Cash Provided By Operating Activities	<hr/> 405,233 <hr/>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from grants and contributions	231,120
Transfers to governmental funds	(173,935)
Net Cash Provided By Noncapital Financing Activities	<hr/> 57,185 <hr/>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(312,171)
Payments of certificate of obligation	(40,000)
Net Cash Used By Capital and Related Financing Activities	<hr/> (352,171) <hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipts from interest	2
Payments of interest	(7,562)
Net Cash Used By Investing Activities	<hr/> (7,560) <hr/>

NET INCREASE IN CASH AND CASH EQUIVALENTS	102,687
CASH AND CASH EQUIVALENTS - OCTOBER 1	<hr/> 151,674 <hr/>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30	<hr/> <u>\$ 254,361</u> <hr/>

CITY OF STINNETT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

<u>OPERATING INCOME</u>	\$	305,099
Adjustments		
Depreciation		106,675
Amortization		1,692
Changes in assets and liabilities		
(Increase) decrease in customer accounts receivable, net	(8,054)
Increase (decrease) in accounts payable	(1,300)
Increase (decrease) in sales tax payable	(78)
Increase (decrease) in accrued liabilities	(2,916)
Increase (decrease) in meter deposits payable		4,115
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$</u>	<u>405,233</u>

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stinnett, Texas complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. The Reporting Entity

The reporting entity is composed of the primary government, component units and other organizations that are included to insure that the financial statements of the City of Stinnett, Texas are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization, if the City appoints a voting majority of the organizations governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes.

Based on the application of these criteria, the City has one component unit, Economic Development Corporation of Stinnett. Additional information about the Economic Development Corporation of Stinnett can be obtained from their administrative office.

Economic Development Corporation of Stinnett
609 Mackenzie
Stinnett, Texas 79083-0909

B. Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

C. Fund Accounting

The accounts of the City are organized on the basis of funds which are considered a separate accounting entity. The operations of each fund is summarized by providing a separate set of self-balancing accounts which include it's assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statement in this report, into two generic fund types and two broad fund categories as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Fund Accounting (Con't)

Governmental Fund

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the City's governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Cemetery Fund - The Cemetery Fund is used to account for financial resources to be used to improve and maintain the Cemetery.

Governmental Fund Types - Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

Proprietary Fund

The Proprietary Fund is used to account for the City's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following are the City's proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for providing water and sewer services to the residents of the City and some residents outside the City, financed through user charges.

Gas Fund - The Gas Fund accounts for providing gas services to the residents of the City and some residents outside the City, financed through user charges.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made.

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Revenues which are susceptible to accrual under the modified accrual basis of accounting are ad valorem taxes and interest on investments. Revenues such as certain license fees, fees of officials, and fines are not susceptible to accrual because they are neither measurable nor available until they are actually received, and therefore are not recorded until such time.

The accrual basis of accounting is utilized by the proprietary fund type. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities and incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Budgetary Data

The budgetary data in the financial statements reflects the budget passed and approved by the City Council. The City Council approves total budget appropriations only for each fund. Any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. The budget is prepared principally on the modified accrual basis of accounting for governmental funds and on the accrual basis for the proprietary fund. Annual budgets are employed as a management control device during the year. All annual appropriations lapse at fiscal year end. The budgets were not amended during the year.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Proprietary Fund Accounts Receivable

Within the Water, Sewer and Gas Funds, services rendered and billed but not collected as of the close of the fiscal year are accrued and this amount is reflected in the accounts receivable balance. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts. The City has determined the provision for uncollectible accounts to be 90% of account balances more than four months old.

H. Property Taxes Receivable

The delinquent taxes due the City represent all delinquent taxes on real property and the prior year on personal property. No provision for uncollectible taxes has been recorded. In accordance with generally accepted accounting principles applicable to government entities, the portion of taxes receivable that is deemed collectible, but not expected to be available within 60 days after the end of the year has been recorded as deferred revenue.

I. Capital Assets

The City's property, plant, equipment and infrastructure which meet the established value criteria and having useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets, drainage systems, and lighting systems, are not capitalized if obtained prior to October 1, 2003. After that date, all infrastructure records are maintained in a consistent manner to all other capital asset records. Donated fixed assets, if any, are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used by the government is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	30 years
Infrastructure	10 - 20 years
Equipment	5 - 10 years

Impairment losses related to capital assets are recognized and measured when there has been a significant, unexpected decline in the service utility of capital assets. The events or changes in circumstances which lead to impairment determinations are not considered to be normal or ordinary. The service utility of a capital asset is the usable capacity which, at acquisition, was expected to be used or proved service. Common indicators of impairment include -- evidence of physical damage where the level of damage is such that restoration efforts are needed to restore service utility; enactment of laws or approval of regulations as well as changes in environmental factors; technological developments, or other evidence of obsolescence; changes in the manner of duration of use of capital assets; or construction stoppages due to lack of funding. Based on these criteria, there are no impairment charges during fiscal year 2012.

J. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

K. Sales Tax Revenue

The tax is collected by vendors from their consumers and submitted to the Comptroller of the State of Texas by the 20th of the month following collection. The State then remits the allocated amount of sales tax to the City by the 10th of the month following vendor submission. These amounts are included in the gross receipts tax revenue and are recorded as revenue when the City receives the funds. The current rate is 8.25%.

L. Vacation

Regular full-time employees are entitled to vacations of two to five weeks per year depending on longevity. Vacation time earned, but not taken, is paid at termination, but cannot be accumulated beyond one calendar year. The City has recorded a liability for accrued vacation \$7,758 in the Proprietary Funds and \$6,802 in the Governmental Fund.

M. Risk Management

The City is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City purchases insurance coverage to mitigate the effects of any losses. There were no significant reductions in insurance coverage from coverage in the prior year. Any settlement amounts have not exceeded coverage for the current year or the past three fiscal years.

N. Commitments and Contingencies

The City participates in some state and/or federally assisted programs. In connection with grants under these programs, the City is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

O. Subsequent Events

Management has evaluated subsequent events and transactions which occurred after the balance sheet date through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued. The accompanying financial statements include all Type 1 events and transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management and those charged with governance have also determined that there are no non-recognized Type 2 subsequent events which require additional disclosure.

O. New Accounting Pronouncements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, improves financial reporting by addressing issues related to service concession arrangements (SCAs). The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City does not have SCAs and therefore its financial reporting was not impacted by this Statement.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, improves financial reporting for a governmental financial reporting entity. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement provides amendments to Statement No. 14, *The Financial Reporting Entity*, and Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2012. The City will implement this Statement in fiscal year 2013.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement will bring the authoritative accounting and financial reporting literature together in one place. This Statement will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in more consistent application of applicable guidance. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City will implement this Statement in fiscal year 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City will implement this Statement in fiscal year 2013.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, clarifies the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The requirements of this Statement are effective for fiscal periods beginning after June 15, 2011. The City does not use hedging relationships and therefore was not effected by this Statement.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City will implement this Statement in fiscal year 2014.

GASB Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City will implement this Statement in fiscal year 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The requirements of this Statement are effective for financial statement for fiscal years beginning after June 15, 2013. The City will implement this Statement in fiscal year 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, improves accounting and financial reporting for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements for this Statement are effective for financial statements for periods beginning after June 15, 2014. The City will implement this Statement in fiscal year 2015.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The City does not anticipate the need for implementation of this Statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City has not fully determined the effects that implementation of Statements No. 61, No. 62, No. 63, No. 65, No. 66, No. 67, and No. 68 will have on the City's financial statements.

BUDGETARY CONTROL AND PROCEDURES

The City Council appropriates a total expenditures budget based on projected revenues on an annual basis. The budget allocations among the various departments are included in the Required Supplemental Information section following the Notes to Financial Statements. The City's annual operating budgets include estimated revenues and expenditures for all funds. In accordance with the provisions of the general Texas municipality statutes, budget compliance and monitoring is on a department / fund level. The City Council's budgetary process is described below: 1) prior to the beginning of each fiscal year, the City Secretary submits proposed operating budgets for each fund to the Mayor and City Council for the fiscal year beginning October 1; 2) required public hearings are conducted to review and consider the proposed budget line items; 3) prior to October 1, the budgets are legally enacted through the passage of an ordinance; 4) the Mayor and City Council have the authority to transfer budgeted amounts between accounts within any fund; however, any changes to the budget fund totals for revenues and/or expenditures must be approved by ordinance.

CASH AND INVESTMENTS

The City's investment policies are governed by State statutes and City ordinances. The Public Funds Investment Act ("PFIA", Chapter 2256) requires the City to adopt, implement and publicize an investment policy which covers specific provisions in the Act regarding investment practices, management reporting and policy establishment. The investment policy in effect is available for public inspection at the City Hall. The PFIA establishes authorized investment vehicles for the City. The City is in substantial compliance with the PFIA at the end of the 2012 fiscal year.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City minimizes interest rate risk by limiting investments to having a maturity date of one year or less.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City manages its custodial credit risk by depositing its funds with institutions participating in the FDIC insurance programs and is able to collateralize the deposits in accordance to state statutes.

In accordance with FDIC, public deposits are funds owned by the City. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution through December 2013, when the coverage will revert back to the original \$100,000 limit. As of September 30, 2012, the City's funds on deposit were adequately covered by either FDIC insurance or collateralized securities held by the financial institutions pledged to cover the City's deposits. The City had not time or demand deposits subject to custodial credit risk during the 2012 fiscal year.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least the amount on deposit with the institution. The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of Texas.

At September 30, 2012, the City had insured bank balances as follows:

The Borger Interbank	
Carrying amounts in demand accounts	\$ 401,548
Less FDIC coverage	<u>250,000</u>
Collateralized	<u>\$ 151,548</u>

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

CASH AND INVESTMENTS - CONTINUED

The cash previously shown as the City's deposits with financial institutions is reconciled with cash and certificates of deposit shown on the Statement of Net Assets as follows:

City's deposits with Borger Interbank	\$ 295,642
Petty cash on hand	<u>400</u>
Cash and Cash Equivalents - Statement of Net Assets	<u><u>\$ 296,042</u></u>

For the Proprietary Fund's Statement of Cash Flows, the City has defined cash and cash equivalents as all cash on hand and all demand deposits. Under this definition, the cash caption on the Statement of Cash Flows consists of the following items on the Statement of Net Assets:

Cash and cash equivalents	\$ 254,361
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PROPERTY TAX

Real and personal property values are assessed by Hutchinson County for the period January 1st, to December 31st, as of January 1st. Taxes are levied prior to October 1st of the current year. The tax statements are mailed on October 1st. Taxes are collected from October 31st to June 30th of the following year. Penalty and interest are added on collections after January 31st. Taxes become delinquent on July 1st. The County remits tax collections to the City in the month following collection.

SALES TAX

Sales tax is collected by vendors from their consumers and submitted to the Comptroller of the State of Texas by the 20th of the month following collection. The State then remits the allocated amount of sales tax to the City by the 10th of the month following vendor submission. These amounts are included in the gross receipts tax revenue and are recorded as revenue when the City receives the funds. The current rate is 8.25%.

INTERFUND TRANSFERS

Net transfers of \$173,935 from governmental activities to business-type activities on the government-wide statement of activities is the result of payroll coding errors. The following interfund transfers are reflected in the fund level financial statements for the year ended September 30, 2012:

	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Funds		
General Fund	\$	\$ 166,403
Debt Service Fund	28,757	40,000
Cemetery Fund	<u>3,711</u>	
Total Governmental Funds	<u>32,468</u>	<u>206,403</u>
Proprietary Funds		
Water and Sewer Fund	190,216	
Gas Fund	35,000	
Capital Grant Fund	16,531	60,000
Debt Service Fund		<u>7,812</u>
Total Proprietary Funds	<u>241,747</u>	<u>67,812</u>
Total Transfers	<u><u>\$ 274,215</u></u>	<u><u>\$ 274,215</u></u>

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

CAPITAL ASSETS

CHANGES IN CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	BEGINNING BALANCE 10/01/2011	ADDITIONS	DELETIONS AND DISPOSALS	ENDING BALANCE 09/30/2012
PRIMARY GOVERNMENT				
<i>Governmental Activities</i>				
Assets not Depreciated				
Land	\$ 37,539	\$	\$	\$ 37,539
Construction in Progress				
Depreciable Assets				
Buildings and Improvements	1,290,978			1,290,978
Infrastructure	257,347			257,347
Machinery and Equipment	483,812	121,914	123,701	482,025
Office Furniture and Equipment	25,082			25,082
Transportation Equipment	685,369			685,369
Total Depreciable Assets	2,742,588	121,914	123,701	2,740,801
Accumulated Depreciation				
Buildings and Improvements	532,957	46,786		579,743
Infrastructure	195,545	4,619		200,164
Machinery and Equipment	354,475	38,782	76,577	316,680
Office Furniture and Equipment	13,365	2,136		15,501
Transportation Equipment	502,020	46,039		548,059
Total Accumulated Depreciation	1,598,362	138,362	76,577	1,660,147
Net Depreciable Assets	1,144,226	(16,448)	47,124	1,080,654
<i>Net Governmental Activities Capital Assets</i>	<u>\$ 1,181,765</u>	<u>\$ (16,448)</u>	<u>\$ 47,124</u>	<u>\$ 1,118,193</u>
<i>Business-Type Activities</i>				
Assets not Depreciated				
Land	\$ 105,400	\$	\$	\$ 105,400
Construction in Progress		279,470		279,470
Depreciable Assets				
Buildings and Improvements	55,210			55,210
Infrastructure	2,974,982			2,974,982
Machinery and Equipment	299,349			299,349
Office Furniture and Equipment	4,111			4,111
Transportation Equipment	63,192	32,700		95,892
Total Depreciable Assets	3,396,844	32,700		3,429,544
Accumulated Depreciation				
Buildings and Improvements	35,345	2,436		37,781
Infrastructure	1,653,938	82,799		1,736,737
Machinery and Equipment	234,822	15,137		249,959
Office Furniture and Equipment	4,111			4,111
Transportation Equipment	59,099	6,304		65,403
Total Accumulated Depreciation	1,987,315	106,676		2,093,991
Net Depreciable Assets	1,409,529	(73,976)		1,335,553
<i>Net Business-Type Activities Capital Assets</i>	<u>\$ 1,514,929</u>	<u>\$ 205,494</u>	<u>\$</u>	<u>\$ 1,720,423</u>
NET PRIMARY GOVERNMENT CAPITAL ASSETS	<u>\$ 2,696,694</u>	<u>\$ 189,046</u>	<u>\$ 47,124</u>	<u>\$ 2,838,616</u>

GOVERNMENTAL FUND SPECIAL ASSESSMENT DEBT

Certificates of obligation series 2003 due in annual installments on February 15 backed by the full faith and credit of the City.

	\$ 465,000
Less: certificate due within one year	40,000
Long-Term Debt	<u>\$ 425,000</u>

GOVERNMENTAL FUND SPECIAL ASSESSMENT DEBT - CONTINUED

The annual requirements to amortize the certificates of obligation as of September 30 are as follows:

<u>SEPTEMBER</u> <u>30</u>	PRINCIPLE	INTEREST	TOTAL
2013	\$ 40,000	\$ 24,970	\$ 64,970
2014	45,000	22,675	67,675
2015	45,000	20,200	65,200
2016	50,000	17,540	67,540
2017	50,000	14,740	64,740
2018-2021	235,000	27,733	262,733
	<u>\$ 465,000</u>	<u>\$ 127,858</u>	<u>\$ 592,858</u>

PROPRIETARY FUND SPECIAL ASSESSMENT DEBT

Certificates of obligation series 2005 due in annual installments on February 15 backed by the full faith and credit of the City.

	\$ 140,000
Less: certificate due within one year	<u>45,000</u>
Long-Term Debt	<u>\$ 95,000</u>

The annual requirements to amortize the certificates of obligation as of September 30 are as follows:

<u>SEPTEMBER</u> <u>30</u>	PRINCIPLE	INTEREST	TOTAL
2013	\$ 45,000	\$ 5,785	\$ 50,785
2014	45,000	3,603	48,603
2015	50,000	1,250	51,250
	<u>\$ 140,000</u>	<u>\$ 10,638</u>	<u>\$ 150,638</u>

RETIREMENT PLAN

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:

	<u>2011</u>	<u>2012</u>
Employee deposit rate	5%	5%
Matching Ratio (city to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of	60 / 5, 0 / 25	60 / 5, 0 / 25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

RETIREMENT PLAN - CONTINUED

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 (over funded) actuarial liability (asset) over the applicable period for 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 for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation / (asset) are as follows:

Schedule of Actuarial Liabilities and Funding Progress
 For the Year Ended September 2012

Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 1,503,337
Actuarial Accrued Liability	\$ 1,316,336
Percentage Funded	123.50%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ (309,487)
Annual Covered Payroll	\$ 395,689
UAAL as a Percentage of Covered Payroll	(78.21%)
Net Pension Obligation (NPO) as the Beginning of Period	\$ -0-
Annual Pension Cost: Annual Required Contribution (ARC)	\$ 13,097
Contributions Made	\$ 13,097
NPO at the end of the period	\$ -0-

The required contributions 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:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	23 years; closed period	25 years; closed period	45.7 years; closed period
Amortization Period for new Gains / Losses	25 years	25 years	25 years
Asset Valuation Method	10-yr Smoothed Market	10-yr Smoothed Market	10-yr Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.5%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0%	3.0%	3.0%
	0.0%	0.0%	0.0%

The following schedule of funding progress 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.

CITY OF STINNETT, TEXAS
 NOTES TO FINANCIAL STATEMENTS

RETIREMENT PLAN - CONTINUED

Schedule of Funding Progress (unaudited)

<u>ACTUARIAL VALUATION DATE</u>	<u>ACTUARIAL VALUE OF ASSETS</u>	<u>ACTUARIAL ACCRUED LIABILITY</u>	<u>FUNDED RATIO</u>	<u>UNFUNDED ACTUARIAL ACCRUED LIABILITY</u>	<u>ANNUAL COVERED PAYROLL</u>	<u>UAAL AS A PERCENTAGE OF COVERED PAYROLL</u>	<u>ANNUAL REQUIRED CONTRIBUTION</u>
12/31/2005	\$ 974,992	\$ 956,225	102.0%	\$ (18,767)	\$ 469,262	(4.0) %	\$ 49,642
12/31/2006	1,070,835	1,049,936	102.0%	(20,899)	399,406	(5.2) %	25,820
12/31/2007	1,154,586	1,063,403	108.6%	(91,183)	387,161	(23.6) %	22,893
12/31/2008	1,231,188	1,139,270	108.1%	(91,918)	451,214	(20.4) %	15,137
12/31/2009	1,334,647	1,245,035	107.2%	(89,612)	436,396	(20.5) %	13,151
12/31/2010	1,503,337	1,214,526	123.8%	(288,811)	430,876	(67.0) %	13,406
12/31/2011	1,525,823	1,316,336	123.5%	(309,487)	395,689	(78.2) %	13,406

SUPPLEMENTAL DEATH BENEFITS FUND

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 benefits 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 an "other post employment benefit," or OPEB.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>REVENUES FROM CHARGES FOR SERVICES</u>				
Administration department	\$	\$	\$	\$
Fire department	24,636	32,000	(7,364)	32,016
Sanitation department	307,516	295,000	12,516	304,170
Public service department	26,610	28,700	(2,090)	24,874
Ambulance department	75,295	66,000	9,295	80,420
TOTAL REVENUES FROM CHARGES FOR SERVICES	<u>434,057</u>	<u>421,700</u>	<u>12,357</u>	<u>441,480</u>
<u>REVENUES FROM OPERATING GRANTS AND CONTRIBUTIONS</u>				
Administration department				
Fire department	2,784	3,000	(216)	7,730
Police department	985	2,000	(1,015)	1,782
Public service department				
Ambulance department	1,060	1,100	(40)	1,000
Helen's Kids	3,477	100	3,377	7,531
Stinnett Birthday Celebration		500	(500)	3,879
TOTAL REVENUES FROM OPERATING GRANTS AND CONTRIBUTIONS	<u>8,306</u>	<u>6,700</u>	<u>1,606</u>	<u>21,922</u>
<u>REVENUES FROM PROPERTY TAXES</u>				
Property tax	228,072	230,000	(1,928)	207,354
<u>REVENUES FROM INTERGOVERNMENTAL SOURCES</u>				
Sales tax	148,609	127,500	21,109	132,763
<u>REVENUES FROM OTHER INTERGOVERNMENTAL SOURCES</u>				
Franchise tax	67,327	60,000	7,327	71,200
Hotel occupancy tax	833	1,000	(167)	934
TOTAL REVENUES FROM OTHER INTERGOVERNMENTAL SOURCES	<u>68,160</u>	<u>61,000</u>	<u>7,160</u>	<u>72,134</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>REVENUES FROM FINES AND FORFEITURES</u>				
Police department	\$ 42,161	\$ 25,000	\$ 17,161	\$ 11,329
<u>REVENUES FROM INCOME ON INVESTMENTS</u>				
Investment earnings	542	5,000	(4,458)	6,441
<u>REVENUES FROM SALE OF ASSETS</u>				
Sale of assets		5,000	(5,000)	1,260
<u>REVENUES FROM OTHER SOURCES</u>				
Miscellaneous	5,688	2,100	3,588	7,288
<u>CONTRIBUTIONS AND TRANSFERS</u>				
Transfers in	166,403	60,000	106,403	220,194
TOTAL REVENUES	<u>\$ 1,101,998</u>	<u>\$ 944,000</u>	<u>\$ 157,998</u>	<u>\$ 1,122,165</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
 GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>GENERAL ADMINISTRATION EXPENDITURES</u>				
Salaries	\$ 63,283	\$ 72,000	\$ 8,717	\$ 88,884
Social security	7,152	6,000	(1,152)	6,892
Retirement	1,643	2,700	1,057	3,064
Workers comp	2,087	5,000	2,913	5,080
General liability insurance	17,598	10,000	(7,598)	12,434
Insurance and bonds	1,279	4,000	2,721	4,245
Utilities and telephone	6,175	7,000	825	6,876
Janitorial expenditure	4,438	3,000	(1,438)	
Office supplies	4,953	8,500	3,547	8,216
Training, travel and dues	5,369	7,500	2,131	11,331
Professional fees	15,543	12,500	(3,043)	11,192
Computer service		1,000	1,000	387
Auto expense	155	2,000	1,845	1,165
Supplies	438	1,000	562	423
Election expense	6,370	5,000	(1,370)	326
Assessing and collecting	3,153	5,000	1,847	3,449
Repairs and maintenance	7,597	10,000	2,403	13,221
Miscellaneous	3,896	4,500	604	4,425
TOTAL GENERAL ADMINISTRATION EXPENDITURES	<u>151,129</u>	<u>166,700</u>	<u>15,571</u>	<u>181,610</u>
<u>FIRE DEPARTMENT EXPENDITURES</u>				
Firemen's fees		6,000	6,000	
Workers comp	2,087	1,500	(587)	1,580
Utilities	5,038	6,000	962	5,799
Contract services	5,229	5,900	671	4,600
Office supplies	103	500	397	74
Training, travel and dues	4,731	5,000	269	6,785
Auto expense	5,264	11,000	5,736	9,276
Supplies	2,552	3,000	448	2,761
Repairs and maintenance	6,177	9,000	2,823	6,381
Building insurance	1,244	1,500	256	1,830
TOTAL FIRE DEPARTMENT EXPENDITURES	<u>32,425</u>	<u>49,400</u>	<u>16,975</u>	<u>39,086</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>STREET DEPARTMENT EXPENDITURES</u>				
Salaries	\$ 27,829	\$ 32,000	\$ 4,171	\$ 44,638
Social security	2,216	4,000	1,784	3,491
Retirement	416	1,700	1,284	1,444
Workers comp	2,087	2,000	(87)	2,080
General liability insurance	2,057	5,000	2,943	2,099
Utilities	14,015	20,000	5,985	18,294
Contract services	6,732	22,000	15,268	15,072
Supplies	2,150	1,500	(650)	1,281
Professional fees	2,447	1,900	(547)	1,836
Auto expense	5,899	8,000	2,101	7,519
Repairs and maintenance	85,798	105,000	19,202	99,556
Interest expense [not budgeted]				497
Miscellaneous	871	2,000	1,129	2,240
TOTAL STREET DEPARTMENT EXPENDITURES	152,517	205,100	52,583	200,047
<u>POLICE DEPARTMENT EXPENDITURES</u>				
Salaries	105,312	105,520	208	90,957
Social security	7,301	5,000	(2,301)	6,180
Retirement	1,135	2,000	865	2,199
Workers comp	2,087	1,600	(487)	1,780
General liability insurance	17,152	19,000	1,848	11,018
Utilities and telephone	7,102	3,980	(3,122)	5,160
Contract services	4,175	4,500	325	4,315
Office supplies	2,411	2,500	89	2,169
Training, travel and dues	3,631	7,500	3,869	977
Professional fees	5,416	3,400	(2,016)	5,412
Court state fees	17,268	5,000	(12,268)	3,486
Auto expense	12,555	13,000	445	13,588
Supplies	6,453	2,000	(4,453)	1,378
Uniforms	1,618	7,500	5,882	7,131
Repairs and maintenance	5,991	3,000	(2,991)	2,329
Miscellaneous	824	2,000	1,176	
TOTAL POLICE DEPARTMENT EXPENDITURES	200,431	187,500	(12,931)	158,079

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>SANITATION DEPARTMENT EXPENDITURES</u>				
Salaries	\$ 27,112	\$ 32,000	\$ 4,888	\$ 33,923
Social security	2,156	3,300	1,144	2,720
Retirement		1,500	1,500	1,163
Workers comp	2,087	1,500	(587)	1,580
General liability insurance	6,454	5,000	(1,454)	4,288
Utilities and telephone	988	1,500	512	813
Contract services	82,780	90,000	7,220	68,157
Training, travel and dues		100	100	5
Professional fees	1,079	1,400	321	2,427
Auto expense	18,335	13,500	(4,835)	15,960
Supplies	842	1,000	158	1,282
Repairs and maintenance	15,277	5,000	(10,277)	8,390
Miscellaneous	313	300	(13)	
TOTAL SANITATION DEPARTMENT EXPENDITURES	157,423	156,100	(1,323)	140,708
<u>PUBLIC SERVICE DEPARTMENT EXPENDITURES</u>				
Salaries	73,166	92,000	18,834	86,386
Social security	5,531	7,000	1,469	6,452
Retirement	545	1,000	455	1,198
Workers comp	2,087	1,500	(587)	1,580
Utilities and telephone	34,585	22,600	(11,985)	19,381
Training, travel and dues	2,786	2,000	(786)	1,332
Professional fees	3,003	1,400	(1,603)	706
Auto expense	8,119	4,500	(3,619)	4,661
Supplies	11,235	5,000	(6,235)	4,114
Repairs and maintenance	5,765	8,000	2,235	8,378
Building insurance	1,244	1,500	256	1,830
Park special [not budgeted]	336		(336)	3,612
Concessions	5,805	7,200	1,395	6,619
Miscellaneous	1,577	2,000	423	281
TOTAL PUBLIC SERVICE DEPARTMENT EXPENDITURES	155,784	155,700	(84)	146,530

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>AMBULANCE EXPENDITURES</u>				
Ambulance fees	\$ 2,495	\$ 3,000	\$ 505	\$ 2,262
Salaries	31,915	31,800	(115)	30,027
Social security	2,395	2,000	(395)	2,330
Retirement	545	1,000	455	1,077
Workers comp	2,087	1,800	(287)	1,580
General liability insurance	5,750	6,000	250	5,218
Utilities and telephone	3,333	4,500	1,167	3,327
Contract services	5,918	5,500	(418)	4,000
Office supplies	1,223	1,400	177	1,116
Training, travel and dues	2,526	4,000	1,474	3,483
Professional fees	5,764	9,400	3,636	8,607
Auto expense	5,640	5,600	(40)	4,182
Supplies	512	1,000	488	314
Medical supplies	3,937	5,000	1,063	2,219
Uniforms	529	500	(29)	234
Volunteer expenditures	2,505	5,000	2,495	5,212
Repairs and maintenance	4,100	13,000	8,900	10,123
TOTAL AMBULANCE EXPENDITURES	<u>81,174</u>	<u>100,500</u>	<u>19,326</u>	<u>85,311</u>
<u>COMMUNITY PROMOTION</u>				
Helen's Kids [not budgeted]	1,622		(1,622)	3,903
Stinnett Birthday Celebration [not budgeted]				4,257
Cemetery expenditure [not budgeted]	1,492		(1,492)	563
TOTAL COMMUNITY PROMOTION	<u>3,114</u>		<u>(3,114)</u>	<u>8,723</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL EXPENDITURES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENDITURES
 GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>CAPITAL IMPROVEMENT EXPENDITURES</u>				
General administration	\$ 2,150	\$ 5,000	\$ 2,850	\$ 5,969
Fire department	11,644	20,000	8,356	21,578
Street department	2,357	10,000	7,643	
Police department	1,516	35,000	33,484	20,993
Sanitation department	79,190	8,000	(71,190)	4,390
Public service department	14,256	10,000	(4,256)	
Ambulance department	4,754	8,000	3,246	3,470
TOTAL CAPITAL IMPROVEMENT EXPENDITURES	<u>115,867</u>	<u>96,000</u>	<u>(19,867)</u>	<u>56,400</u>
 TOTAL EXPENDITURES	 <u>\$ 1,049,864</u>	 <u>\$ 1,117,000</u>	 <u>\$ 67,136</u>	 <u>\$ 1,016,494</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
STATEMENT OF ACTUAL REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (BUDGET BASIS) COMPARED TO BUDGET
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL	ADJUSTMENT TO BUDGETARY BASIS	ACTUAL ON BUDGETARY BASIS	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<u>OPERATING REVENUES</u>					
Utilities	\$ 1,020,696		\$ 1,020,696	\$ 1,105,100	\$(84,404)
Less bad debts	()		()		()
TOTAL OPERATING REVENUES	1,020,696		1,020,696	1,105,100	(84,404)
<u>OPERATING EXPENSES</u>					
Salaries, wages and employee benefits	222,049		222,049	234,300	12,251
Contractual services, materials and supplies	113,578		113,578	109,700	(3,878)
Natural gas purchases	198,292		198,292	400,000	201,708
Repairs and maintenance	32,333		32,333	46,600	14,267
Building insurance	2,488		2,488	3,000	512
State fees	3,195		3,195	500	(2,695)
Depreciation expense	106,675	\$(106,675) ⁽¹⁾			
Amortization expense	1,692	(1,692) ⁽²⁾			
Capital improvements	32,701		32,701	134,000	101,299
Other expenses	2,594		2,594	4,000	1,406
TOTAL OPERATING EXPENSES	715,597	(108,367)	607,230	932,100	324,870
OPERATING INCOME (LOSS)	305,099	108,367	413,466	173,000	240,466
<u>NON-OPERATING REVENUES (EXPENSES)</u>					
Capital grants and contributions	228,855		228,855	250,000	(21,145)
Operating grants and contributions	2,265		2,265		2,265
Income on investments	2		2		2
Interest expense	(7,562)		(7,562)	(7,800)	238
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ 223,560	\$	\$ 223,560	\$ 242,200	\$(18,640)

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
STATEMENT OF ACTUAL REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (BUDGET BASIS) COMPARED TO BUDGET
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	<u>ACTUAL</u>	<u>ADJUSTMENT TO BUDGETARY BASIS</u>	<u>ACTUAL ON BUDGETARY BASIS</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	\$ 528,659	\$ 108,367	\$ 637,026	\$ 415,200	\$ 221,826
TRANSFERS IN (OUT)	(173,935)		(173,935)	17,200	(191,135)
	(173,935)		(173,935)	17,200	(191,135)
CHANGE IN NET ASSETS	354,724	108,367	463,091	432,400	30,691
NET ASSETS - OCTOBER 1	<u>1,459,911</u>				
NET ASSETS - SEPTEMBER 30	<u>\$ 1,814,635</u>				

NOTES

- (1) The City of Stinnett does not budget depreciation expense.
(2) The City of Stinnett does not budget amortization expense.

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>OPERATING REVENUES</u>				
Water sales	\$ 434,960	\$ 360,000	\$ 74,960	\$ 359,784
Water taps	775	1,000	(225)	725
Service charges	19,331	18,500	831	18,109
Sewer service	125,250	123,000	2,250	123,835
Sewer taps	675	1,500	(825)	900
Miscellaneous [not budgeted]	86		86	137
	<u>581,077</u>	<u>504,000</u>	<u>77,077</u>	<u>503,490</u>
Less Bad Debts	()		()	(2,123)
TOTAL OPERATING REVENUES	581,077	504,000	77,077	501,367
<u>NON-OPERATING REVENUES</u>				
Grant receipts	228,855	250,000	(21,145)	67,180
Contributions [not budgeted]	2,265		2,265	
Investment earnings [not budgeted]	2		2	
TOTAL NON-OPERATING REVENUES	<u>231,122</u>	<u>250,000</u>	<u>(18,878)</u>	<u>67,180</u>
<u>CONTRIBUTIONS AND TRANSFERS</u>				
Transfers out	(138,935)	17,200	(156,135)	(60,894)
	<u>\$ 673,264</u>	<u>\$ 771,200</u>	<u>\$ (97,936)</u>	<u>\$ 507,653</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
SCHEDULE OF ACTUAL EXPENSES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENSES
WATER AND SEWER FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>OPERATING EXPENSES</u>				
SALARIES, WAGES AND EMPLOYEE BENEFITS				
Salaries	\$ 85,533	\$ 87,400	\$ 1,867	\$ 85,771
Social security	5,587	8,000	2,413	6,305
Retirement	1,122	3,500	2,378	2,797
Workers comp insurance	2,087	2,000	(87)	2,080
General liability insurance	16,618	22,000	5,382	20,961
TOTAL SALARIES, WAGES AND EMPLOYEE BENEFITS	110,947	122,900	11,953	117,914
CONTRACTUAL SERVICES, MATERIAL AND SUPPLIES				
Utilities and telephone	32,345	39,500	7,155	38,163
Office supplies	3,779	3,500	(279)	2,998
Travel, training and dues	4,523	7,000	2,477	6,306
Professional fees	20,893	15,800	(5,093)	14,049
Contract labor [not budgeted]				1,289
Auto expense	7,362	6,500	(862)	5,760
Supplies	6,986	6,500	(486)	6,539
TOTAL CONTRACTUAL SERVICES, MATERIALS AND SUPPLIES	75,888	78,800	2,912	75,104
Repairs and maintenance	13,789	29,000	15,211	61,819
Building insurance	1,244	1,500	256	1,830
State fees	3,195	500	(2,695)	469
Depreciation expense [not budgeted]	98,633		(98,633)	79,260
Amortization expense [not budgeted]	1,692		(1,692)	1,692
Capital improvements	24,417	84,000	59,583	8,029
Miscellaneous	937	2,000	1,063	2,462
TOTAL OPERATING EXPENSES	330,742	318,700	(12,042)	348,579
<u>NON-OPERATING EXPENSES</u>				
Interest expense	7,562	7,800	238	9,393
TOTAL OPERATING AND NON-OPERATING EXPENSES	<u>\$ 338,304</u>	<u>\$ 326,500</u>	<u>\$ (11,804)</u>	<u>\$ 357,972</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL REVENUES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL REVENUES
 GAS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
<u>OPERATING REVENUES</u>				
Gas sales	\$ 432,447	\$ 592,300	\$ (159,853)	\$ 453,195
Service charges	6,996	8,800	(1,804)	7,921
Miscellaneous [not budgeted]	176		176	
	<u>439,619</u>	<u>601,100</u>	<u>(161,481)</u>	<u>461,116</u>
Less Bad Debts	<u>()</u>		<u>()</u>	<u>(1,838)</u>
TOTAL OPERATING REVENUES	439,619	601,100	(161,481)	459,278
<u>CONTRIBUTIONS AND TRANSFERS</u>				
Transfers out [not budgeted]	<u>(35,000)</u>		<u>(35,000)</u>	<u>(20,000)</u>
	<u>\$ 404,619</u>	<u>\$ 601,100</u>	<u>\$ (196,481)</u>	<u>\$ 439,278</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 SCHEDULE OF ACTUAL EXPENSES COMPARED TO BUDGET AND TO PRIOR YEAR ACTUAL EXPENSES
 GAS FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	ACTUAL 2012	ORIGINAL & FINAL BUDGET 2012	VARIANCE FAVORABLE (UNFAVORABLE)	ACTUAL 2011
OPERATING EXPENSES				
SALARIES, WAGES AND EMPLOYEE BENEFITS				
Salaries	\$ 85,536	\$ 87,400	\$ 1,864	\$ 52,457
Social security	5,587	5,000	(587)	3,730
Retirement	1,122	2,500	1,378	1,641
Workers comp insurance	2,087	1,500	(587)	1,580
General liability insurance	16,770	15,000	(1,770)	11,525
TOTAL SALARIES, WAGES AND EMPLOYEE BENEFITS	111,102	111,400	298	70,933
CONTRACTUAL SERVICES, MATERIAL AND SUPPLIES				
Utilities and telephone	8,873	5,500	(3,373)	4,727
Office supplies	3,536	2,500	(1,036)	2,586
Training, travel and dues	2,392	2,000	(392)	1,894
Professional fees	12,305	10,800	(1,505)	8,018
Contract labor		4,000	4,000	
Auto expense	7,247	3,600	(3,647)	3,582
Supplies	3,337	2,500	(837)	3,894
TOTAL CONTRACTUAL SERVICES, MATERIALS AND SUPPLIES	37,690	30,900	(6,790)	24,701
Natural gas purchases	198,292	400,000	201,708	306,142
Repairs and maintenance	18,544	17,600	(944)	16,329
Building insurance	1,244	1,500	256	1,830
Depreciation expense [not budgeted]	8,042		(8,042)	5,986
Capital improvements	8,284	50,000	41,716	580
Miscellaneous	1,657	2,000	343	2,582
TOTAL OPERATING EXPENSES	\$ 384,855	\$ 613,400	\$ 228,545	\$ 429,083

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 [UNAUDITED] SCHEDULE OF FUNDING PROGRESS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY	FUNDED RATIO	UNFUNDED ACTUARIAL ACCRUED	ANNUAL COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED	ANNUAL REQUIRED CONTRIBUTION
12/31/2011	\$ 1,525,823	\$ 1,316,336	120.0 %	\$ (309,487)	\$ 395,689	(78.2) %	\$ 13,097
12/31/2010	1,503,337	1,214,526	120.0	(288,811)	430,876	(67.0)	13,406
12/31/2009	1,334,647	1,245,035	110.0	(89,612)	436,396	(20.5)	13,151
12/31/2008	1,231,188	1,139,270	110.0	(91,918)	451,214	(20.4)	15,137
12/31/2007	1,154,586	1,063,403	110.0	(91,183)	387,161	(23.6)	22,893
12/31/2006	1,070,835	1,049,936	100.0	(20,899)	399,406	(5.2)	25,820
12/31/2005	974,992	956,225	100.0	(18,767)	469,262	(4.0)	49,642

OTHER SUPPLEMENTAL INFORMATION

CITY OF STINNETT, TEXAS
 COMBINING BALANCE SHEET
 PROPRIETARY FUNDS
SEPTEMBER 30, 2012 AND 2011

	WATER AND SEWER FUND	GAS FUND	TOTAL UTILITY FUNDS
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 171,582	\$ 82,779	\$ 254,361
Accounts receivable, net	60,033	11,820	71,853
TOTAL CURRENT ASSETS	<u>231,615</u>	<u>94,599</u>	<u>326,214</u>
NON-CURRENT ASSETS			
Investments	3,500		3,500
Bond issuance, net	5,075		5,075
Capital Assets			
Land	105,400		105,400
Construction in progress	279,470		279,470
Buildings and improvements	28,988	26,222	55,210
Infrastructure	2,679,177	295,805	2,974,982
Machinery and equipment	265,632	33,717	299,349
Office furniture and equipment	2,056	2,055	4,111
Transportation equipment	48,178	47,714	95,892
Less accumulated depreciation	(1,766,639)	(327,351)	(2,093,990)
TOTAL NON-CURRENT ASSETS	<u>1,650,837</u>	<u>78,162</u>	<u>1,728,999</u>
TOTAL ASSETS	<u>\$ 1,882,452</u>	<u>\$ 172,761</u>	<u>\$ 2,055,213</u>
<u>LIABILITIES AND FUND BALANCES</u>			
CURRENT LIABILITIES			
Accounts payable	\$ 1,861	\$ 275	\$ 2,136
Sales tax payable		512	512
Accrued liabilities	4,308	3,450	7,758
Deposits for meters	37,657	52,515	90,172
Current portion of certificates of obligation	45,000		45,000
TOTAL CURRENT LIABILITIES	<u>88,826</u>	<u>56,752</u>	<u>145,578</u>
NON-CURRENT LIABILITIES			
Non-current portion of certificates of obligation	95,000		95,000
TOTAL NON-CURRENT LIABILITIES	<u>95,000</u>		<u>95,000</u>
TOTAL LIABILITIES	<u>183,826</u>	<u>56,752</u>	<u>240,578</u>
<u>FUND BALANCES</u>			
Invested in capital assets, net of related debt	1,502,262	78,162	1,580,424
Restricted	143,500		143,500
Unrestricted	52,864	37,847	90,711
TOTAL FUND BALANCES	<u>1,698,626</u>	<u>116,009</u>	<u>1,814,635</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,882,452</u>	<u>\$ 172,761</u>	<u>\$ 2,055,213</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 COMPARATIVE BALANCE SHEET
 WATER AND SEWER FUND
SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 171,582	\$ 79,607
Accounts receivable, net	<u>60,033</u>	<u>53,578</u>
TOTAL CURRENT ASSETS	<u>231,615</u>	<u>133,185</u>
NON-CURRENT ASSETS		
Investments	3,500	3,500
Bond issuance, net	5,075	6,766
Capital Assets		
Land	105,400	105,400
Construction in progress	279,470	
Buildings and improvements	28,988	28,988
Infrastructure	2,679,177	2,679,177
Machinery and equipment	265,632	265,632
Office furniture and equipment	2,056	2,056
Transportation equipment	48,178	31,178
Less accumulated depreciation	<u>(1,766,639)</u>	<u>(1,668,006)</u>
TOTAL NON-CURRENT ASSETS	<u>1,650,837</u>	<u>1,454,691</u>
TOTAL ASSETS	<u>\$ 1,882,452</u>	<u>\$ 1,587,876</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 1,861	\$ 2,346
Accrued liabilities	4,308	5,882
Deposits for meters	37,657	35,982
Current portion of certificates of obligation	<u>45,000</u>	<u>40,000</u>
TOTAL CURRENT LIABILITIES	<u>88,826</u>	<u>84,210</u>
NON-CURRENT LIABILITIES		
Non-current portion of certificates of obligation	<u>95,000</u>	<u>140,000</u>
TOTAL NON-CURRENT LIABILITIES	<u>95,000</u>	<u>140,000</u>
TOTAL LIABILITIES	<u>183,826</u>	<u>224,210</u>
<u>FUND BALANCE</u>		
Invested in capital assets, net of related debt	1,502,262	794,275
Restricted	143,500	219,482
Unrestricted	<u>52,864</u>	<u>349,909</u>
TOTAL FUND BALANCE	<u>1,698,626</u>	<u>1,363,666</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,882,452</u>	<u>\$ 1,587,876</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 COMPARATIVE BALANCE SHEET
 GAS FUND
SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 82,779	\$ 72,067
Accounts receivable, net	<u>11,820</u>	<u>10,221</u>
TOTAL CURRENT ASSETS	<u>94,599</u>	<u>82,288</u>
NON-CURRENT ASSETS		
Capital Assets		
Buildings and improvements	26,222	26,222
Infrastructure	295,805	295,805
Machinery and equipment	33,717	33,717
Office furniture and equipment	2,055	2,055
Transportation equipment	47,714	32,014
Less accumulated depreciation	<u>(327,351)</u>	<u>(319,309)</u>
TOTAL NON-CURRENT ASSETS	<u>78,162</u>	<u>70,504</u>
TOTAL ASSETS	<u>\$ 172,761</u>	<u>\$ 152,792</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 275	\$ 1,090
Sales tax payable	512	590
Accrued liabilities	3,450	4,792
Deposits for meters	<u>52,515</u>	<u>50,075</u>
TOTAL CURRENT LIABILITIES	<u>56,752</u>	<u>56,547</u>
TOTAL LIABILITIES	<u>56,752</u>	<u>56,547</u>
<u>FUND BALANCE</u>		
Invested in capital assets, net of related debt	78,162	70,504
Unrestricted	<u>37,847</u>	<u>25,741</u>
TOTAL FUND BALANCE	<u>116,009</u>	<u>96,245</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 172,761</u>	<u>\$ 152,792</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 COMPARATIVE BALANCE SHEET
 CEMETERY FUND
SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 25,820	\$ 20,499
Accounts receivable		
TOTAL ASSETS	<u>\$ 25,820</u>	<u>\$ 20,499</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Fund balance		
Unassigned	\$ 25,820	\$ 20,499
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,820</u>	<u>\$ 20,499</u>

See Notes to Financial Statements and Independent Auditor's Report

CITY OF STINNETT, TEXAS
 COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 CEMETERY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>REVENUES</u>		
Lot fees	\$ 8,986	\$ 9,869
Contributions	1,385	50
Service fees	<u>680</u>	<u>894</u>
TOTAL REVENUES	<u>11,051</u>	<u>10,813</u>
<u>EXPENDITURES</u>		
Repairs		26
Supplies		1,587
Contract labor	4,169	4,161
Utilities	873	1,055
Miscellaneous expenditures	<u>176</u>	<u>785</u>
TOTAL EXPENDITURES	<u>5,218</u>	<u>7,614</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>5,833</u>	<u>3,199</u>
OTHER FINANCING SOURCES AND (USES)		
Transfers out	<u>(3,711)</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,122	3,199
FUND BALANCES - OCTOBER 1	<u>23,698</u>	<u>20,499</u>
FUND BALANCES - SEPTEMBER 30	<u>\$ 25,820</u>	<u>\$ 23,698</u>

See Notes to Financial Statements and Independent Auditor's Report

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JAMES R. ALLEN, C.P.A.

AUDITOR COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

The Honorable City Council
Stinnett, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Stinnett, Texas for the year ended September 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 1, 2012. Professional

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Stinnett, Texas are described in the Notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the City's financial statements was:

Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels, and analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. However, we identified some of the misstatements detected as a result of audit procedures and corrected by management as material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole (see page 33 and 34).

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 13, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Mayor Billy Murphy, management, City Council of Stinnett, Texas and is not intended to be and should not be used by anyone other than these specified parties.

James R Allen, CPA
May 13, 2013

JAMES R. ALLEN, CPA

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JAMES R. ALLEN, C.P.A.

AUDITOR COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS IDENTIFIED IN AN AUDIT

The Honorable City Council
Stinnett, Texas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Stinnett, Texas as of and for the year ended September 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered City of Stinnett, Texas's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Stinnett, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Stinnett, Texas's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

James R Allen, CPA
May 13, 2013