

CITY OF SHAVANO PARK, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2011

CITY OF SHAVANO PARK, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2011

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CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Shavano Park, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Shavano Park, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Shavano Park, Texas, management. Our responsibility is to express an 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, each major fund, and the aggregate remaining fund information of the City of Shavano Park, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 and budgetary comparison information on pages 3 through 3E and 27 through 29 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.

Thompson, Williams, Budget, Paster & Young, P.C.
Certified Public Accountants

San Antonio, Texas

December 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Shavano Park's financial performance provides an overview of the City's financial activities for the year ended September 30, 2011.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 4 and 5) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 6. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 3A. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including the police, fire, general administration, court, public works and development services. Ad valorem and sales taxes, franchise fees, fines, and building permit fees finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to cover all of the cost of certain services it provides. The City's water system is reported here.

In our opinion, the City is better off as a result of this year's activities.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Our analysis of the City's major funds begins on page 3B. The fund financial statements begin on page 6 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes (like the Capital Projects Fund). The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- **Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS A WHOLE

For the year ended September 30, 2011, total and net assets changed as follows:

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL</u> |
|--------------------------|------------------------------------|-------------------------------------|---------------------|
| Beginning Total Assets | \$8,273,141 | \$6,635,104 | \$14,908,245 |
| Increase in Total Assets | <u>364,119</u> | <u>(93,016)</u> | <u>271,103</u> |
| ENDING TOTAL ASSETS | <u>\$8,637,260</u> | <u>\$6,542,088</u> | <u>\$15,179,348</u> |
| Beginning Net Assets | \$5,110,609 | \$3,577,347 | \$ 8,687,956 |
| Increase in Net Assets | <u>573,963</u> | <u>101,648</u> | <u>675,611</u> |
| ENDING NET ASSETS | <u>\$5,684,572</u> | <u>\$3,678,995</u> | <u>\$ 9,363,567</u> |

The increase in total assets and net assets for the year is a result of the excess of revenues over expenditures by both governmental and business-type activities for the year. These surpluses of \$573,963 and \$101,648, respectively, are principally reflected in the statement of net assets as net capital assets which has increased by \$187,799 to a total of \$9,932,237.

Governmental Activities

To aid in the understanding of the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a net (expense)/revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

| | |
|----------------------|---|
| Development Services | Building permits, development fees, occupational licenses, and plumbing/electric inspections. |
| Court | Court costs allocation from fines. |
| Police | Fines and arrest fees. Grants are classified as operating grants. |
| Fire | EMS fees. Grants are classified as operating grants |

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Expenses for governmental activities (as presented on page 5) increased by \$179,442 to \$3,418,508 in 2011 from 2010. The City's General Revenues increased less than 1% (or \$31,178). The City's net revenue for 2011 was \$483,943, compared to \$614,120 in 2010.

Business-type Activities

Water revenues (as presented on page 5) increased by 51% (or \$383,665) to \$1,138,336 due to a dry year and increased usage in 2011 from 2010. Total operating expenses of the water department increased by 47% (or \$350,282) to \$1,097,850 mainly due to painting of the Huebner ground tank and an increase in interest expense due to the issuance of revenue bonds for the Trinity Water Well Project. Net income increased by \$58,194 to \$76,611 in 2011 due to the increase in revenues.

THE CITY'S FUNDS

The City's governmental funds - total assets (as presented on page 6) increased 24% (or \$702,017) in 2011. The City's net government funds balances increased by 21.2% (or \$582,839). This increase was primarily due to the replenishment of the capital replacement fund for future capital projects.

The following schedule presents a summary of governmental funds revenues and expenditures (as presented on page 8) for the fiscal year ended September 30, 2011, and the amount and percentage of increases and decreases in relation to the prior year.

| <u>REVENUES</u> | <u>FYE 2011 AMOUNT</u> | <u>PERCENT OF TOTAL</u> | <u>INCREASE (DECREASE) FROM FYE 2010</u> | <u>PERCENT INCREASE (DECREASE)</u> |
|---------------------------|----------------------------|-----------------------------|--|--|
| Taxes | \$2,779,144 | 72% | \$ 17,560 | 1% |
| Franchise Fees | 298,923 | 7 | 15,631 | 6 |
| Building Permits and Fees | 334,808 | 9 | 79,229 | 31 |
| Fines and Forfeitures | 305,240 | 8 | 5,089 | 2 |
| EMS Fees | 62,026 | 1 | 8,179 | 15 |
| Other | 72,982 | 2 | (90,227) | (55) |
| Interest | <u>13,306</u> | <u>2</u> | <u>6,441</u> | <u>94</u> |
| TOTAL REVENUES | <u>\$3,866,429</u> | <u>100%</u> | <u>\$ 41,902</u> | <u>1%</u> |
| <u>EXPENDITURES</u> | <u>FYE 2011 AMOUNT</u> | <u>PERCENT OF TOTAL</u> | <u>INCREASE (DECREASE) FROM FYE 2010</u> | <u>PERCENT INCREASE (DECREASE)</u> |
| City Council | \$ 31,034 | 1% | \$ 19,845 | 177% |
| Administration | 505,031 | 15 | 22,193 | 5 |
| Municipal Court | 61,621 | 2 | 2,837 | 5 |
| Police | 945,590 | 29 | 69,386 | 8 |
| Fire | 945,331 | 28 | 2,072 | 0 |
| Public Works | 322,896 | 10 | 32,398 | 11 |
| Development Services | 112,908 | 3 | 13,718 | 14 |
| Capital Outlay | 87,251 | 3 | (981,461) | (92) |
| Debt Service | <u>300,331</u> | <u>9</u> | <u>11,822</u> | <u>4</u> |
| TOTAL EXPENDITURES | <u>\$3,311,993</u> | <u>100%</u> | <u>\$(807,190)</u> | <u>(20)%</u> |

BUDGETARY HIGHLIGHTS

Budgetary comparisons are included on pages 27 through 29 of this annual financial report.

General fund actual revenues exceeded the budget by 6.8% (or \$232,599) principally due to an increase in permits and licenses and franchise fees. Actual expenditures were less than budgeted amounts in every department principally due to maintenance and capital expenditures. Total expenditures were less than the budget by 2% (or \$58,443).

Water fund revenues were higher than budget by 36.5% (or \$321,864). Total expenditures were under budget by 7.09% (or \$121,067).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2011, the City had \$15,336,753 invested in capital assets including police and fire equipment, buildings, and vehicles. (See table below.) This represents a net increase of 5% (or \$747,236) over last year.

| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTALS | |
|-------------------------|----------------------------|--------------------|-----------------------------|--------------------|---------------------|---------------------|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Land and Rights | \$ 36,385 | \$ 36,385 | \$ 333,127 | \$ 333,127 | \$ 369,512 | \$ 369,512 |
| Buildings | 3,497,921 | 3,497,921 | - | - | 3,497,921 | 3,497,921 |
| Vehicles | 798,937 | 858,632 | 109,862 | 109,862 | 908,799 | 968,494 |
| Furniture and Equipment | 1,188,765 | 1,216,321 | 249,955 | 254,841 | 1,438,720 | 1,471,162 |
| Infrastructure | <u>2,683,302</u> | <u>2,683,302</u> | <u>5,691,263</u> | <u>6,346,362</u> | <u>8,374,565</u> | <u>9,029,664</u> |
| TOTALS | <u>\$8,205,310</u> | <u>\$8,292,561</u> | <u>\$6,384,207</u> | <u>\$7,044,192</u> | <u>\$14,589,517</u> | <u>\$15,336,753</u> |

This year's major additions included:

| | |
|--------------------|------------------|
| Trinity Water Well | \$655,099 |
| Vehicles | <u>59,695</u> |
| TOTAL | <u>\$714,794</u> |

Debt

At September 30, 2011, the City had \$5,742,272 in outstanding notes compared to \$5,967,665 last year. That is a decrease of 3.9% (or \$225,393) as shown in the following table.

| | GOVERNMENTAL ACTIVITIES | | BUSINESS-TYPE ACTIVITIES | | TOTALS | |
|-------|----------------------------|--------------------|-----------------------------|--------------------|--------------------|--------------------|
| | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 |
| Bonds | <u>\$3,080,409</u> | <u>\$2,842,065</u> | <u>\$2,887,256</u> | <u>\$2,900,207</u> | <u>\$5,967,665</u> | <u>\$5,742,272</u> |

Other obligations of the City include accrued compensated absences.

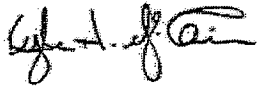
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General fund revenues for fiscal 2012 are budgeted at \$3,465,263 a 4.9% decrease over 2011 actual amounts. With the passage of the 65+ tax freeze on ad valorem tax rates and the susceptibility of building permits and fees to economic conditions, and the finite supply of undeveloped property, the City does not expect to realize significant revenue growth. Although ad valorem taxes will not decrease, building permits and deposits could fall short of budget and even begin to decline from prior years. General fund expenditures for fiscal 2012 are budgeted at \$4,086,865, a 21.8% increase over 2011 actual amounts. \$943,025 of this increase is due to the transfer of funds to the capital replacement fund for the purchase of a fire truck, upgrade the City's dispatch equipment, establish an equipment replacement fund and continue a reserve fund in anticipation of future projects such as drainage, streets and town plan projects.

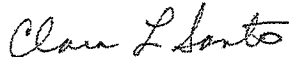
Water Fund revenues for fiscal 2012 are budgeted at \$975,360, a 19% decrease from 2011 actual revenues. FY 2011 was an extremely dry year and we do not anticipate selling water at this same volume next year. Water expenditures are budgeted at \$978,364, which is a decrease of 38% of 2011 actual expenditures due to the completion of the Trinity Water Well Project.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director at 900 Saddletree Court, Shavano Park, Texas.



City Manager



Finance Director

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

| | <u>GOVERNMENTAL ACTIVITIES</u> | <u>BUSINESS-TYPE ACTIVITIES</u> | <u>TOTAL</u> |
|--|------------------------------------|-------------------------------------|--------------------|
| <u>ASSETS</u> | | | |
| <u>CURRENT ASSETS</u> | | | |
| Cash and Investments | \$ 3,363,975 | \$ 1,514,132 | \$4,878,107 |
| Accounts Receivable | 183,470 | 140,323 | 323,793 |
| Internal Balances | 14,215 | (14,215) | - |
| Inventory | - | 43,154 | 43,154 |
| Prepaid Expenses | 1,457 | 600 | 2,057 |
| Total Current Assets | <u>3,563,117</u> | <u>1,683,994</u> | <u>5,247,111</u> |
| Capital Assets | 8,292,561 | 7,044,192 | 15,336,753 |
| Accumulated Depreciation | <u>(3,218,418)</u> | <u>(2,186,098)</u> | <u>(5,404,516)</u> |
| Net Capital Assets | <u>5,074,143</u> | <u>4,858,094</u> | <u>9,932,237</u> |
| TOTAL ASSETS | <u>8,637,260</u> | <u>6,542,088</u> | <u>15,179,348</u> |
| <u>LIABILITIES</u> | | | |
| <u>CURRENT LIABILITIES</u> | | | |
| Accounts Payable | 106,513 | 38,258 | 144,771 |
| Customer Deposits | - | 17,000 | 17,000 |
| Accrued Interest Payable | 13,958 | - | 13,958 |
| Current Portion of Bonds Payable | <u>180,201</u> | <u>37,071</u> | <u>217,272</u> |
| Total Current Liabilities | 300,672 | 92,329 | 393,001 |
| Compensated Absences Payable | 81,642 | 4,474 | 86,116 |
| Bonds Payable | <u>2,570,374</u> | <u>2,766,290</u> | <u>5,336,664</u> |
| TOTAL LIABILITIES | <u>2,952,688</u> | <u>2,863,093</u> | <u>5,815,781</u> |
| <u>NET ASSETS</u> | | | |
| Invested in Capital Assets - Net of Related Debt | 2,323,568 | 2,054,733 | 4,378,301 |
| Restricted for: | | | |
| Court | 67,726 | - | 67,726 |
| Debt Service | 87,808 | - | 87,808 |
| Crime Control | 20,664 | - | 20,664 |
| Unreserved | <u>3,184,806</u> | <u>1,624,262</u> | <u>4,809,068</u> |
| TOTAL NET ASSETS | <u>\$ 5,684,572</u> | <u>\$ 3,678,995</u> | <u>\$9,363,567</u> |

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2011

| <u>PROGRAM ACTIVITIES</u> | <u>EXPENSES</u> | <u>PROGRAM REVENUE</u> | | <u>NET (EXPENSE) REVENUE</u> | | |
|---|---------------------|---------------------------------------|-----------------------------------|--|---|--------------------|
| | | <u>CHARGES FOR</u> <u>SERVICES</u> | <u>OPERATING</u> <u>GRANTS</u> | <u>GOVERNMENTAL</u> <u>ACTIVITIES</u> | <u>BUSINESS-TYPE</u> <u>ACTIVITIES</u> | <u>TOTAL</u> |
| <u>Governmental Activities</u> | | | | | | |
| City Council | \$ 31,034 | \$ - | \$ - | \$ (31,034) | \$ - | \$ (31,034) |
| Administration | 655,689 | 17,023 | - | (638,666) | - | (638,666) |
| Municipal Court | 70,600 | 318,608 | - | 248,008 | - | 248,008 |
| Police | 998,650 | 12,023 | 2,005 | (984,622) | - | (984,622) |
| Fire | 1,079,339 | 62,026 | 2,542 | (1,014,771) | - | (1,014,771) |
| Public Works | 340,311 | - | - | (340,311) | - | (340,311) |
| Development Services | 112,936 | 334,808 | - | 221,872 | - | 221,872 |
| Interest | 129,949 | - | - | (129,949) | - | (129,949) |
| Total Governmental Activities | 3,418,508 | 744,488 | 4,547 | (2,669,473) | - | (2,669,473) |
| <u>Business-Type Activities</u> | | | | | | |
| Water | 1,097,850 | 1,138,336 | - | - | 40,486 | 40,486 |
| TOTAL GOVERNMENT | <u>\$ 4,516,358</u> | <u>\$ 1,882,824</u> | <u>\$ 4,547</u> | <u>(2,669,473)</u> | <u>40,486</u> | <u>(2,628,987)</u> |
| <u>General Revenues</u> | | | | | | |
| Taxes | | | | 2,773,543 | - | 2,773,543 |
| Franchise Fees | | | | 298,923 | - | 298,923 |
| Interest | | | | 13,306 | 5,141 | 18,447 |
| Other | | | | 39,241 | 59,387 | 98,628 |
| Transfers | | | | 28,403 | (28,403) | - |
| Total General Revenue and Transfers | | | | 3,153,416 | 36,125 | 3,189,541 |
| Change in Net Assets | | | | 483,943 | 76,611 | 560,554 |
| <u>NET ASSETS AT BEGINNING OF YEAR</u> | | | | | | |
| | | | | 5,110,609 | 3,577,347 | 8,687,956 |
| <u>RESTATEMENT OF NET ASSETS</u> | | | | | | |
| | | | | 90,020 | 25,037 | 115,057 |
| <u>RESTATED NET ASSETS AT BEGINNING OF YEAR</u> | | | | | | |
| | | | | 5,200,629 | 3,602,384 | 8,803,013 |
| <u>NET ASSETS AT END OF YEAR</u> | | | | | | |
| | | | | \$ 5,684,572 | \$ 3,678,995 | \$9,363,567 |

CITY OF SHAVANO PARK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

| | <u>GENERAL</u> | <u>DEBT SERVICE</u> | <u>CRIME CONTROL DISTRICT</u> | <u>TOTAL</u> |
|--|------------------------|-------------------------|---------------------------------------|------------------------|
| <u>ASSETS</u> | | | | |
| Cash and Investments | \$3,255,659 | \$ 87,652 | \$ 20,664 | \$3,363,975 |
| Receivables: | | | | |
| Delinquent Ad Valorem Taxes | 22,417 | 2,245 | - | 24,662 |
| Franchise Fees and Other | 158,808 | - | - | 158,808 |
| Due from Other Funds | 81,941 | 156 | - | 82,097 |
| Prepaid Expenses | <u>1,457</u> | <u>-</u> | <u>-</u> | <u>1,457</u> |
| TOTAL ASSETS | <u>\$3,520,282</u> | <u>\$ 90,053</u> | <u>\$ 20,664</u> | <u>\$3,630,999</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts Payable | \$ 106,513 | \$ - | \$ - | \$ 106,513 |
| Deferred Revenue | 125,657 | 2,245 | - | 127,902 |
| Due to Other Funds | <u>67,882</u> | <u>-</u> | <u>-</u> | <u>67,882</u> |
| Total Liabilities | <u>300,052</u> | <u>2,245</u> | <u>-</u> | <u>302,297</u> |
| <u>FUND BALANCES</u> | | | | |
| Non-Spendable - Prepaid Items | 1,457 | - | - | 1,457 |
| Restricted - Court | 67,726 | - | - | 67,726 |
| Restricted - Debt Service | - | 87,808 | - | 87,808 |
| Restricted - Crime Control District | - | - | 20,664 | 20,664 |
| Committed - Capital Replacement | 377,007 | - | - | 377,007 |
| Committed - Oak Wilt | 39,830 | - | - | 39,830 |
| Unassigned | <u>2,734,210</u> | <u>-</u> | <u>-</u> | <u>2,734,210</u> |
| Total Fund Balances | <u>3,220,230</u> | <u>87,808</u> | <u>20,664</u> | <u>3,328,702</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$3,520,282</u> | <u>\$ 90,053</u> | <u>\$ 20,664</u> | <u>\$3,630,999</u> |

CITY OF SHAVANO PARK, TEXAS
RECONCILIATION OF BALANCE SHEET -
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

| | |
|---|--------------------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUNDS | \$3,328,702 |
| 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 funds; net of accumulated depreciation of \$3,218,418. | 5,074,143 |
| Delinquent ad valorem taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 24,662 |
| Warrant receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 103,240 |
| Accrued interest payable on bonds payable does not require current financial resources and, therefore, is not reported in the funds. | (13,958) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds: | |
| Compensated Absences | (81,642) |
| Bonds Payable | <u>(2,750,575)</u> |
| TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES | <u>\$5,684,572</u> |

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2011

| | <u>GENERAL</u> | <u>DEBT SERVICE</u> | <u>CRIME CONTROL DISTRICT</u> | <u>TOTAL</u> |
|--|--------------------|-------------------------|---------------------------------------|--------------------|
| <u>REVENUES</u> | | | | |
| Taxes | \$2,458,498 | \$ 223,410 | \$ 97,236 | \$2,779,144 |
| Franchise Fees | 298,923 | - | - | 298,923 |
| Building Permits and Fees | 334,808 | - | - | 334,808 |
| Fines and Forfeits | 305,240 | - | - | 305,240 |
| EMS Fees | 62,026 | - | - | 62,026 |
| Other | 72,982 | - | - | 72,982 |
| Interest | 13,197 | 107 | 2 | 13,306 |
| Total Revenues | <u>3,545,674</u> | <u>223,517</u> | <u>97,238</u> | <u>3,866,429</u> |
| <u>EXPENDITURES</u> | | | | |
| City Council | 31,034 | - | - | 31,034 |
| General Administration | 505,031 | - | - | 505,031 |
| Municipal Court | 61,621 | - | - | 61,621 |
| Police | 945,590 | - | - | 945,590 |
| Fire | 945,331 | - | - | 945,331 |
| Public Works | 322,896 | - | - | 322,896 |
| Development Services | 112,908 | - | - | 112,908 |
| Capital Outlay | 87,251 | - | - | 87,251 |
| Principal Retirement | - | 180,203 | - | 180,203 |
| Interest and Fees | - | 120,128 | - | 120,128 |
| Total Expenditures | <u>3,011,662</u> | <u>300,331</u> | <u>-</u> | <u>3,311,993</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>534,012</u> | <u>(76,814)</u> | <u>97,238</u> | <u>554,436</u> |
| <u>OTHER FINANCING SOURCES</u> | | | | |
| Transfers from Other Funds | 83,600 | - | - | 83,600 |
| Transfers from Proprietary Fund | 28,403 | - | - | 28,403 |
| Total Other Financing Sources | <u>112,003</u> | <u>-</u> | <u>-</u> | <u>112,003</u> |
| <u>OTHER FINANCING USES</u> | | | | |
| Transfers to the General Fund | <u>-</u> | <u>-</u> | <u>(83,600)</u> | <u>(83,600)</u> |
| Net Changes in Fund Balance | 646,015 | (76,814) | 13,638 | 582,839 |
| <u>FUND BALANCES - BEGINNING</u> | <u>2,574,215</u> | <u>164,622</u> | <u>7,026</u> | <u>2,745,863</u> |
| FUND BALANCES - ENDING | <u>\$3,220,230</u> | <u>\$ 87,808</u> | <u>\$ 20,664</u> | <u>\$3,328,702</u> |

(The Accompanying Notes are an Integral Part of these Financial Statements)

CITY OF SHAVANO PARK, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2011

| | |
|---|-------------------|
| Net Change in Fund Balance - Governmental Funds | \$ 582,839 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. | 87,251 |
| Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. | (360,329) |
| The repayment of long-term debt (bonds and capital lease obligations) consumes the current financial resources of governmental funds. Neither of these transactions, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt is as follows: | |
| Bond Principal Payments | 180,203 |
| The increase in accrued interest expenses does not create a current financial resource and is, therefore not reported as an expenditure in the governmental funds. | (9,820) |
| The increase in the liability for compensated absences does not consume a current financial recourse and is therefore not reported as an expenditure in the governmental funds. | (3,818) |
| The decrease in delinquent ad-valorem taxes for the year does not create a current financial resource and therefore is deferred in the governmental funds. | (5,602) |
| The increase in warrant fees for the year does not create a current financial resource and therefore is deferred in the governmental funds. | <u>13,219</u> |
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>\$ 483,943</u> |

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
ENTERPRISE FUND
SEPTEMBER 30, 2011

ASSETS

| | |
|---------------------------------|--------------------|
| Cash and Investments | \$1,514,132 |
| Receivable from Water Customers | 140,323 |
| Inventory | 43,154 |
| Prepaid Expenses | 600 |
| Capital Assets | 7,044,192 |
| Accumulated Depreciation | <u>(2,186,098)</u> |
| Total Assets | <u>6,556,303</u> |

LIABILITIES

| | |
|---------------------------------------|------------------|
| Accounts Payable and Accrued Expenses | 38,258 |
| Water Customer Deposits | 17,000 |
| Compensated Absences Payable | 4,474 |
| Due to Other Funds | 14,215 |
| Bonds Payable | <u>2,803,361</u> |
| Total Liabilities | <u>2,877,308</u> |

NET ASSETS

| | |
|---|------------------------|
| Invested in Capital Assets, Net of Related Debt | 2,054,733 |
| Unrestricted | <u>1,624,262</u> |
| TOTAL NET ASSETS | <u>\$3,678,995</u> |

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2011

REVENUE

| | |
|--------------------|------------------|
| Water Service | \$1,138,336 |
| Interest and Other | <u>64,528</u> |
| Total Revenue | <u>1,202,864</u> |

OPERATING EXPENSES

| | |
|---------------------------|----------------|
| Personnel | 204,085 |
| Supplies | 22,134 |
| Services | 102,850 |
| Water Lease | 79,291 |
| Maintenance | 322,937 |
| Debt Service | 160,819 |
| Bad Debt Expense | 6,626 |
| Transfers to General Fund | <u>28,403</u> |
| Total Operating Expenses | <u>927,145</u> |

| | |
|--------------------------------|---------|
| Net Income before Depreciation | 275,719 |
|--------------------------------|---------|

| | |
|---------------------|----------------|
| <u>DEPRECIATION</u> | <u>199,108</u> |
|---------------------|----------------|

| | |
|------------|---------------|
| Net Income | <u>76,611</u> |
|------------|---------------|

| | |
|-------------------------------|-----------|
| <u>NET ASSETS - BEGINNING</u> | 3,577,347 |
|-------------------------------|-----------|

| | |
|--|---------------|
| <u>RESTATEMENT OF BEGINNING NET ASSETS</u> | <u>25,037</u> |
|--|---------------|

| | |
|--|------------------|
| <u>NET ASSETS - BEGINNING RESTATED</u> | <u>3,602,384</u> |
|--|------------------|

| | |
|--------------------------|--------------------|
| FUND NET ASSETS - ENDING | <u>\$3,678,995</u> |
|--------------------------|--------------------|

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|----------------|
| Net Income | \$ 76,611 |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | |
| Depreciation and Amortization | 199,108 |
| Change in Operating Assets and Liabilities: | |
| Increase in Accounts Receivable | (66,852) |
| Increase in Inventory | (15,117) |
| Decrease in Accounts Payable and Accrued Expenses | (149,916) |
| Decrease in Due to Other Funds | (2,470) |
| Decrease in Customer Deposits | <u>(2,250)</u> |
| Net Cash Provided by Operating Activities | 39,114 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|-----------|
| Additions to Water Plant and Improvements | (659,985) |
|---|-----------|

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|----------------------|-----------------|
| Repayment of Debt | <u>(42,498)</u> |
| Net Decrease in Cash | (663,369) |

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

2,177,501

CASH AND CASH EQUIVALENTS -
END OF YEAR

\$1,514,132

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2011

| | <u>PET DOCUMENTATION AND RESCUE FUND</u> |
|------------|--|
| Cash | <u>\$ 2,292</u> |
| Net Assets | <u>\$ 2,292</u> |

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Shavano Park, Texas (the City) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Reporting Entity

The financial statements include all the governmental, proprietary, and fiduciary funds of the City. There are no component units applicable to the City. Therefore, the primary government (City of Shavano Park, Texas) is the same as the reporting entity. The City is not a component unit of any other entity,

B. Government-wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

C. Fund Financial Statements

The government uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital projects funds) and the servicing of long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in another fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Financial Statements (Continued)

Fiduciary funds are used to account for assets held by the City as an agent for individuals and/or other funds.

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 by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Governmental fund type operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and fiduciary 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.

In the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus and using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 60 day availability period is used for revenue recognition for governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt is recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise fees, special assessments, interest revenue and charges for services. Licenses, fines and permits are not susceptible to accrual because generally, they are not measurable until received in cash.

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

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

The government reports deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Delinquent taxes and warrants outstanding are reported as deferred revenue as they are not available for current use.

E. Cash and Investments

Cash and investments include amounts in demand deposits, savings accounts, and TexSTAR investment accounts.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

G. Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem taxes, warrants, franchise fees and other fees. Business-type activities report water earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as ad valorem tax, warrants, franchise fees, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

H. Inventories

Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

Prepaid items are payments made to vendors for services that will benefit periods beyond September 30, 2011.

J. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements - In the government-wide financial statements, assets are accounted for as capital assets. All capital assets are valued at historical cost, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | |
|-------------------------|---------------|
| Buildings | 40 Years |
| Vehicles | 3 - 10 Years |
| Furniture and Equipment | 3 - 10 Years |
| Infrastructure | 10 - 40 Years |

Fund Financial Statements - In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

K. Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it incurred.

L. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or the fund financial statements.

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Debt (Continued)

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

M. Equity Classifications – Government-Wide

Government-Wide Statements – Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Statements – Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed or unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

N. Fund Balance

Beginning with fiscal year 2011, the City implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaids) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balance (Continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the Council to the city manager.

In the general fund, the City strives to maintain an unassigned fund balance equal to 25% to 50% of budgeted expenditures.

NOTE 2: PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

Pension Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement Systems (TMRS), administered by TMRS, an agent multiple employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contribution and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. Members can retire at ages 60 and above with five or more years of service or with 20 or more years of service regardless of age. A member is

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 2: PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

vested after five years, but he must leave his accumulated contribution in the plan. If a member withdraws his own money, he is not entitled to the employer financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Pension Contributions

The contribution rate for the employees is 7%, and the City matching percent is currently 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee retirement date, not at the time the employee contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligations of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year "closed" amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate. The assumed investment rate of return is 7.5%. There was no change in the valuation method or actuarial assumptions from the prior year. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. The City's current contribution rate based on the actuarial valuation is 9.61%.

The City's total payroll in fiscal year 2011 was \$2,039,001 and the City's contributions were based on a covered payroll of \$1,970,706 for the period ended December 31, 2010. Both the City and the covered employees made the required contributions during the past three years, amounting to \$206,007 and \$142,731, respectively for the year ended September 30, 2011.

Pension Funding Status and Progress

The historical trend information below demonstrates the City's progress in meeting its pension funding obligations:

| DECEMBER 31, | ACTUARIAL VALUES OF ASSETS | ACTUARIAL ACCRUED LIABILITY | PERCENTAGE FUNDED | OVER/(UNDER) FUNDED AMOUNT | COVERED PAYROLL | UNFUNDED OBLIGATION AS a % OF PAYROLL |
|-----------------|----------------------------------|-----------------------------------|----------------------|----------------------------------|--------------------|---|
| 2008 | \$1,592,084 | \$2,393,220 | 66.5% | \$ (801,136) | \$1,792,195 | 44.7% |
| 2009 | 1,963,051 | 2,872,640 | 68.3% | (909,589) | 1,880,559 | 48.4% |
| 2010 | 2,618,995 | 3,626,340 | 72.2% | (1,007,345) | 1,970,706 | 51.1% |

Each of the municipalities administered by TMRS has an annual individual actuarial valuation performed. All assumptions for the December 31, 2010 valuations are contained in the 2010

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 2: PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to Post Office Box 149153, Austin, Texas 78714-9153 or by visiting the TMRS website at www.TMRS.com.

Other Post Employment Benefits

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City contributed the required amount to the TMRS SDBF for the last three years; the amount for the year ended September 30, 2011 was \$3,677.

NOTE 3: PROPERTY TAXES

Taxes were levied on and payable as of January 1. For fiscal year 2011, the assessed tax rate for the City was \$.3200 per \$100 on an assessed valuation of \$789,548,590. This is broken out as \$.290868 per \$100 for general operations and \$.0291320 per \$100 for debt retirement. Total tax levy for 2011 was \$2,444,895. As of September 30, 2011, the current year uncollected taxes were \$17,277 with total delinquent taxes of \$24,662.

NOTE 4: DEPOSITS AND INVESTMENTS

The City is allowed to invest monies in any federally backed securities. Excess cash is currently invested in pooled investment accounts with TexSTAR and bank certificates of deposit. The City's primary bank depository has pledged securities with the Federal Reserve Bank in an amount sufficient to collateralize all deposits in excess of \$250,000.

Investments owned by various City funds are summarized as follows:

| | <u>GENERAL FUND</u> | <u>DEBT SERVICE FUND</u> | <u>PROPRIETARY FUND</u> | <u>TOTAL</u> |
|-------------------------|-------------------------|----------------------------------|-----------------------------|--------------------|
| TexSTAR | \$1,496,280 | \$ 73,459 | \$ 824,459 | \$2,394,198 |
| Certificates of Deposit | <u>733,970</u> | <u>-</u> | <u>245,299</u> | <u>979,269</u> |
| TOTALS | <u>\$2,230,250</u> | <u>\$ 73,459</u> | <u>\$1,069,758</u> | <u>\$3,373,467</u> |

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 5: LONG-TERM DEBT

The changes in long-term debt during the year are summarized as follows:

| | ORIGINAL AMOUNT | INTEREST RATE PAYABLE | BALANCE OUTSTANDING 10/1/2010 | ISSUED DURING YEAR | RETIRED DURING YEAR | BALANCE OUTSTANDING 9/30/2011 | AMOUNTS DUE WITHIN ONE YEAR |
|--|--------------------|-----------------------------|-------------------------------------|--------------------------|---------------------------|-------------------------------------|-----------------------------------|
| <u>GOVERNMENTAL ACTIVITIES</u> | | | | | | | |
| General Obligation: Series 2000 | \$2,900,000 | 5.0% - 5.75% | \$ 190,679 | \$ - | \$ (95,340) | \$ 95,339 | \$ 95,339 |
| General Obligation: Series 2004 | 1,000,000 | 3.6% - 4.1% | 685,000 | - | (65,000) | 620,000 | 65,000 |
| General Obligation Refunding: Series 2009 | 2,220,620 | 2.5% - 4.375% | 2,204,730 | - | (19,862) | 2,184,868 | 19,862 |
| Unamortized Loss on Defeasance | | | <u>(160,040)</u> | <u>-</u> | <u>(10,408)</u> | <u>(149,632)</u> | <u>(10,408)</u> |
| Total Governmental Activities | | | <u>2,920,369</u> | <u>-</u> | <u>(190,610)</u> | <u>2,750,575</u> | <u>169,793</u> |
| <u>BUSINESS-TYPE ACTIVITIES</u> | | | | | | | |
| Self-Supporting Obligations: Series 2000 | 750,000 | 5.0% - 5.75% | 49,321 | - | (24,660) | 24,661 | 24,661 |
| Self Supporting Obligation Refunding: Series 2009 | 574,380 | 2.5% - 4.375% | 570,270 | - | (5,138) | 565,132 | 5,138 |
| Self Supporting Obligation: Series 2009 | 2,299,999 | 2.5% - 5% | 2,267,665 | - | (15,393) | 2,252,272 | 7,272 |
| Unamortized Loss on Defeasance | | | <u>(41,398)</u> | <u>-</u> | <u>(2,694)</u> | <u>(38,704)</u> | <u>(2,693)</u> |
| Total Business-Type Activities | | | <u>2,845,858</u> | <u>-</u> | <u>(47,885)</u> | <u>2,803,361</u> | <u>34,378</u> |
| TOTAL GOVERNMENT | | | <u>\$5,766,227</u> | <u>\$ -</u> | <u>\$ (238,495)</u> | <u>\$5,553,936</u> | <u>\$ 204,171</u> |

At September 30, 2011, the City's long-term debt consisted of the following combination tax and limited pledge revenue certificates of obligation bonds, issued in 2000, 2004, and 2009: "\$3,650,000 City of Shavano Park Combination Tax and Limited Revenue Pledge Certificates of Obligation Bonds, Series 2000"; "\$1,000,000 City of Shavano Park, Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2004"; \$2,795,000 City of Shavano Park General Obligation Refunding Bond, Series 2009" and \$2,299,999 City of Shavano Park Combination Tax and Limited Revenue Pledge Certificate of Obligation, Series 2009".

During the year ended September 30, 2009 the City issued \$2,795,000 of General Obligation Refunding Bonds, Series 2009, to defease certain bonds outstanding (\$2,575,000) from the \$3,650,000 Combination Tax and Limited Pledge Certificates of Obligation Bonds, Series 2000 - to achieve debt service savings. The defeasement loss (or difference in the \$2,795,000 refunding bonds and the \$2,575,000 bonds defeased) of \$220,000 has been deferred and is recorded as a reduction in bonds payable in these financial statements: \$45,213 related to the self-supporting obligations has been recorded in the enterprise fund and \$174,787 relates to the general obligation bonds. This amount will be amortized as an increase in interest expense over the remaining 16½ years of the bond obligation. Amortization in the current year was \$2,694 for the self-supporting bonds and \$10,408 for the general obligation bonds.

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 5: LONG-TERM DEBT (CONTINUED)

The City realized \$488,000 of savings from the reduced interest cost of the refunding bonds over the defeased bonds. When offset by the \$220,000 defeasement loss on issue which will be amortized to interest expense, the City's net savings will be \$268,000 over the remaining bond term. The defeased bonds were redeemed in August 2010.

The following table presents the annual debt service requirement of the City:

| YEAR ENDING SEPTEMBER 30, | SELF-SUPPORTING OBLIGATIONS | | | GENERAL OBLIGATIONS | | |
|---------------------------------|-----------------------------|--------------|--------------|---------------------|------------|--------------|
| | PRINCIPAL | INTEREST | TOTAL | PRINCIPAL | INTEREST | TOTAL |
| 2012 | \$ 37,071 | \$ 162,231 | \$ 199,302 | \$ 180,201 | \$ 110,120 | \$ 290,321 |
| 2013 | 76,853 | 122,163 | 199,016 | 193,147 | 100,560 | 293,707 |
| 2014 | 83,908 | 119,864 | 203,772 | 206,092 | 93,846 | 299,938 |
| 2015 | 83,908 | 117,222 | 201,130 | 206,092 | 87,063 | 293,155 |
| 2016 | 85,963 | 114,548 | 200,511 | 219,037 | 80,182 | 299,219 |
| 2017-2021 | 480,227 | 525,192 | 1,005,419 | 1,009,773 | 280,632 | 1,290,405 |
| 2022-2026 | 574,135 | 419,458 | 993,593 | 885,865 | 94,986 | 980,851 |
| 2027-2031 | 440,000 | 301,750 | 741,750 | - | - | - |
| 2032-2036 | 565,000 | 177,625 | 742,625 | - | - | - |
| 2036-2039 | 415,000 | 31,875 | 446,875 | - | - | - |
| | 2,842,065 | \$ 2,091,928 | \$ 4,933,993 | 2,900,207 | \$ 847,389 | \$ 3,747,596 |
| DEFEASEMENT LOSS | (38,704) | | | (149,632) | | |
| NET BONDS OUTSTANDING | \$ 2,803,361 | | | \$ 2,750,575 | | |

The bonds are \$5,000 in denomination and are dated August 15, 2000; February 15, 2004; May 1, 2009; and August 1, 2009. The bonds were issued for the purpose for securing funds to improve the City's water system, construct and renovate a new city hall, and for drainage and street improvements. The Self-Supporting Limited Revenue Pledge Bonds are repayable from the net revenue of the City's proprietary fund. The general obligation bonds are payable out of the City's ad valorem tax revenues, the City Council having been authorized to levy and cause to be assessed and collected an amount of ad valorem taxes sufficient to pay the annual as provided in the bond ordinance, solely for the benefit of said bonds. The bond ordinance stipulates that "said interest and sinking fund shall be kept separate and apart from all other funds and accounts of said City, and shall be used only for paying the interest on and principal of said bonds." All ad vaorem taxes levied and collected for and on account of said bonds shall be deposited, as collected, to the credit of said interest and sinking fund. During each year while any of said bonds or interest coupons appertaining thereto are outstanding and unpaid, the governing body of said City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest of said bonds as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of such bonds as such principal matures and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid interest and sinking fund. Said ad valorem taxes sufficient to provide

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 5: LONG-TERM DEBT (CONTINUED)

for the payment of the interest on and principal of said bonds, as such interest comes due and such principal matures, are hereby pledged irrevocably for such payment, within the limit prescribed by law.

NOTE 6: CAPITAL ASSETS

The following is a summary of changes in capital assets:

| | <u>9/30/2010</u> | <u>ADDITIONS</u> | <u>DISPOSALS</u> | <u>9/30/2011</u> |
|---|---------------------|---------------------|------------------|---------------------|
| <u>Governmental Activities</u> | | | | |
| Capital Assets not being Depreciated | | | | |
| Land | \$ 36,385 | \$ - | \$ - | \$ 36,385 |
| Capital Assets being Depreciated | | | | |
| Buildings | 3,497,921 | - | - | 3,497,921 |
| Street Improvements | 2,683,302 | - | - | 2,683,302 |
| Vehicles and Equipment | | | | |
| Administration and Court | 354,489 | 5,966 | - | 360,455 |
| Police | 418,892 | 70,937 | - | 489,829 |
| Fire | 1,033,564 | 6,364 | - | 1,039,928 |
| Public Works | 162,533 | 3,984 | - | 166,517 |
| Development Services | 18,224 | - | - | 18,224 |
| Total Capital Assets being Depreciated | <u>8,168,925</u> | <u>87,251</u> | <u>-</u> | <u>8,256,176</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings | (113,196) | (31,297) | - | (144,493) |
| Street Improvements | (1,458,708) | (124,806) | - | (1,583,514) |
| Vehicles and Equipment | | | | |
| Administration and Court | (246,987) | (34,408) | - | (281,395) |
| Police | (237,963) | (49,841) | - | (287,804) |
| Fire | (680,344) | (102,844) | - | (783,188) |
| Public Works | (102,667) | (17,133) | - | (119,800) |
| Development Services | (18,224) | - | - | (18,224) |
| Total Accumulated Depreciation | <u>(2,858,089)</u> | <u>(360,329)</u> | <u>-</u> | <u>(3,218,418)</u> |
| Total Capital Assets being Depreciated - Net | <u>5,310,836</u> | <u>(273,078)</u> | <u>-</u> | <u>5,037,758</u> |
| GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET | <u>\$ 5,347,221</u> | <u>\$ (273,078)</u> | <u>\$ -</u> | <u>\$ 5,074,143</u> |
| <u>Business-Type Activities</u> | | | | |
| Capital Assets not being Depreciated | | | | |
| Land | \$ 30,146 | \$ - | \$ - | \$ 30,146 |
| Water Rights | 302,981 | - | - | 302,981 |
| Total Capital Assets not being Depreciated | <u>333,127</u> | <u>-</u> | <u>-</u> | <u>333,127</u> |
| Capital Assets being Depreciated | | | | |
| Water Plant and Improvements | 5,691,263 | 655,099 | - | 6,346,362 |
| Machinery and Equipment | 359,817 | 4,886 | - | 364,703 |
| Total Capital Assets being Depreciated | <u>6,051,080</u> | <u>659,985</u> | <u>-</u> | <u>6,711,065</u> |
| Less Accumulated Depreciation for: | | | | |
| Water Plant and Improvements | (1,778,880) | (162,680) | - | (1,941,560) |
| Machinery and Equipment | (208,110) | (36,428) | - | (244,538) |
| Total Accumulated Depreciation | <u>(1,986,990)</u> | <u>(199,108)</u> | <u>-</u> | <u>(2,186,098)</u> |
| Total Capital Assets being Depreciated - Net | <u>4,064,090</u> | <u>460,877</u> | <u>-</u> | <u>4,524,967</u> |
| BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET | <u>\$ 4,397,217</u> | <u>\$ 460,877</u> | <u>\$ -</u> | <u>\$ 4,858,094</u> |

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 6: CAPITAL ASSETS (CONTINUED)

At September 30, 2011 the new water well into the Trinity Aquifer was nearly complete.

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

Governmental Activities

| | |
|-----------------|---------------|
| Administration | \$ 150,245 |
| Municipal Court | 8,969 |
| Police | 51,413 |
| Fire | 132,569 |
| Public Works | <u>17,133</u> |

| | |
|--|-------------------|
| TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES | <u>\$ 360,329</u> |
|--|-------------------|

Business-Type Activities

| | |
|-------|-------------------|
| Water | <u>\$ 199,108</u> |
|-------|-------------------|

| | |
|---|-------------------|
| TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES | <u>\$ 199,108</u> |
|---|-------------------|

NOTE 7: DEFERRED REVENUE

The following is a summary of deferred revenues at September 30, 2011:

| | <u>GENERAL FUND</u> | <u>DEBT SERVICE</u> |
|----------------------------|-----------------------|---------------------|
| Ad Valorem Taxes | \$ 22,417 | \$ 2,245 |
| Warrant Fees | <u>103,240</u> | <u>-</u> |
| TOTAL DEFERRED REVENUE | <u>\$ 125,657</u> | <u>\$ 2,245</u> |

NOTE 8: CONTINGENT LIABILITIES

The City is contingently liable in respect of lawsuits and other claims in the ordinary course of its operations. Should such contingencies become a real liability, funds would have to be appropriated in future budgets for settlement. The City does not feel that there are any matters pending at September 30, 2011 that would have a material effect on the financial condition of the City.

In addition, the City participates in federally funded grant programs from the U.S. Justice Department and Department of Homeland Security, which are subject to federal regulations and guidelines. Should any of the grant program expenditures be disallowed by the respective grantor agency, funds would have to be appropriated in future City budgets for settlement. However, the City feels that such future amounts, if any, would be immaterial.

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2011

NOTE 9: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The liability for claims and judgments would be reported in the general long-term debt account group because they would not be liquidated with expendable available financial resources. The City did not have any such liability at September 30, 2011. There were no reductions in insurance coverage from the prior year. Also, the amount of settlements did not exceed insurance coverage for each of the past three years.

NOTE 10: RESTATEMENT OF NET ASSETS

During the current fiscal year the City noted the water fund's inventory at the end of the September 30, 2010 fiscal year was understated. The correction increased beginning net assets by \$25,037. The City also noted that warrant receivables of \$180,040 net of allowance for doubtful accounts of \$90,020 were not recognized in the governmental activities in the prior year. The correction increased beginning net assets in the governmental activities by \$90,020.

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2011

| | BUDGETED AMOUNTS | | | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|-----------------------------|------------------|-------------|-------------|--|
| | ORIGINAL | FINAL | ACTUAL | |
| GENERAL FUND | | | | |
| Revenues | | | | |
| Taxes - Ad Valorem | \$2,204,292 | \$2,204,292 | \$2,231,642 | \$ 27,350 |
| Taxes - Sales | 188,200 | 188,200 | 226,856 | 38,656 |
| Franchise Fees | 235,855 | 235,855 | 298,923 | 63,068 |
| Permits and Licenses | 253,655 | 253,655 | 334,808 | 81,153 |
| Court Fines | 310,876 | 310,876 | 305,240 | (5,636) |
| Grants | 11,250 | 11,250 | 14,403 | 3,153 |
| Rentals | 34,200 | 34,200 | 37,009 | 2,809 |
| EMS Fees | 60,000 | 60,000 | 62,026 | 2,026 |
| Other | 17,150 | 17,150 | 21,570 | 4,420 |
| Interest | 5,000 | 5,000 | 13,197 | 8,197 |
| Transfer from Crime Control | 83,600 | 83,600 | 83,600 | - |
| Transfer from Water | 21,000 | 21,000 | 28,403 | 7,403 |
| Total Revenues | 3,425,078 | 3,425,078 | 3,657,677 | 232,599 |
| Expenditures | | | | |
| City Council | | | | |
| Personnel | 200 | 200 | - | 200 |
| Supplies | 500 | 500 | 274 | 226 |
| Services | 34,400 | 32,400 | 30,760 | 1,640 |
| Total City Council | 35,100 | 33,100 | 31,034 | 2,066 |
| Administration | | | | |
| Personnel | 320,500 | 326,650 | 325,991 | 659 |
| Benefits Citywide | 68,250 | 3,050 | 3,000 | 50 |
| Supplies | 12,000 | 12,950 | 12,913 | 37 |
| Services | 129,750 | 154,420 | 154,970 | (550) |
| Capital Expenditures | 0 | 5,600 | 5,583 | 17 |
| Maintenance | 14,500 | 8,430 | 8,157 | 273 |
| Total Administration | 545,000 | 511,100 | 510,614 | 486 |
| Development Services | | | | |
| Personnel | 43,785 | 45,085 | 44,505 | 580 |
| Supplies | 1,650 | 2,400 | 2,323 | 77 |
| Services | 55,550 | 63,900 | 63,497 | 403 |
| Maintenance | 2,100 | 2,700 | 2,583 | 117 |
| Total Development Services | 103,085 | 114,085 | 112,908 | 1,177 |
| Municipal Court | | | | |
| Personnel | 39,245 | 39,845 | 39,821 | 24 |
| Supplies | 3,600 | 5,970 | 5,986 | (16) |
| Services | 13,425 | 12,655 | 12,654 | 1 |
| Capital Expenditures | 3,000 | 3,000 | 383 | 2,617 |
| Maintenance | 10,200 | 10,000 | 3,160 | 6,840 |
| Total Municipal Court | 69,470 | 71,470 | 62,004 | 9,466 |

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011

| | <u>BUDGETED AMOUNTS</u> | | | VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE) |
|---------------------------------|-------------------------|--------------------|--------------------|--|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| <u>GENERAL FUND (CONTINUED)</u> | | | | |
| <u>Expenditures (Continued)</u> | | | | |
| Police Department | | | | |
| Personnel | \$ 852,900 | \$ 833,900 | \$ 810,546 | \$ 23,354 |
| Supplies | 14,000 | 15,700 | 13,891 | 1,809 |
| Services | 54,650 | 51,650 | 50,582 | 1,068 |
| Capital Expenditures | 71,520 | 73,220 | 70,937 | 2,283 |
| Maintenance | <u>70,850</u> | <u>72,450</u> | <u>70,571</u> | <u>1,879</u> |
| Total Police Department | <u>1,063,920</u> | <u>1,046,920</u> | <u>1,016,527</u> | <u>30,393</u> |
| Fire Department | | | | |
| Personnel | 796,500 | 833,500 | 832,932 | 568 |
| Supplies | 20,700 | 21,200 | 20,976 | 224 |
| Services | 50,250 | 44,750 | 41,508 | 3,242 |
| Capital Expenditures | 12,750 | 8,750 | 6,364 | 2,386 |
| Maintenance | <u>55,380</u> | <u>52,380</u> | <u>49,915</u> | <u>2,465</u> |
| Total Fire Department | <u>935,580</u> | <u>960,580</u> | <u>951,695</u> | <u>8,885</u> |
| Public Works | | | | |
| Personnel | 153,800 | 159,700 | 159,685 | 15 |
| Supplies | 4,050 | 4,050 | 3,900 | 150 |
| Services | 7,400 | 5,400 | 4,578 | 822 |
| Capital Expenditures | 1,000 | 4,000 | 3,984 | 16 |
| Maintenance | <u>151,700</u> | <u>159,700</u> | <u>154,733</u> | <u>4,967</u> |
| Total Public Works | <u>317,950</u> | <u>332,850</u> | <u>326,880</u> | <u>5,970</u> |
| Total Expenditures | <u>3,070,105</u> | <u>3,070,105</u> | <u>3,011,662</u> | <u>58,443</u> |
| CHANGE IN FUND BALANCE | <u>\$ 354,973</u> | <u>\$ 354,973</u> | <u>\$ 646,015</u> | <u>\$ 291,042</u> |
| <u>DEBT FUND</u> | | | | |
| <u>Revenues</u> | | | | |
| Taxes - Ad Valorem | \$ 220,772 | \$ 220,772 | \$ 223,410 | \$ 2,638 |
| Interest | 120 | 120 | 107 | (13) |
| Transfer from Water | <u>53,712</u> | <u>53,712</u> | <u>-</u> | <u>(53,712)</u> |
| Total Revenues | <u>274,604</u> | <u>274,604</u> | <u>223,517</u> | <u>(51,087)</u> |
| <u>Expenditures</u> | | | | |
| Bond Principal | 210,001 | 210,001 | 180,203 | 29,798 |
| Bond Interest | 141,893 | 141,893 | 118,128 | 23,765 |
| Bond Agent Fees | <u>2,000</u> | <u>2,000</u> | <u>2,000</u> | <u>-</u> |
| Total Expenditures | <u>353,894</u> | <u>353,894</u> | <u>300,331</u> | <u>53,563</u> |
| CHANGE IN FUND BALANCE | <u>\$ (79,290)</u> | <u>\$ (79,290)</u> | <u>\$ (76,814)</u> | <u>\$ 2,476</u> |

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2011

| | <u>BUDGETED AMOUNTS</u> | | | <u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u> |
|------------------------------------|-------------------------|---------------------|---------------------|---|
| | <u>ORIGINAL</u> | <u>FINAL</u> | <u>ACTUAL</u> | |
| <u>CRIME CONTROL DISTRICT FUND</u> | | | | |
| <u>Revenues</u> | | | | |
| Taxes - Sales | \$ 81,158 | \$ 81,158 | \$ 97,236 | \$ 16,078 |
| Interest | - | - | 2 | 2 |
| Total Revenues | <u>81,158</u> | <u>81,158</u> | <u>97,238</u> | <u>16,080</u> |
| <u>Expenditures</u> | | | | |
| Transfer to General Fund | <u>83,600</u> | <u>83,600</u> | <u>83,600</u> | - |
| Total Expenditures | <u>83,600</u> | <u>83,600</u> | <u>83,600</u> | - |
| CHANGE IN FUND BALANCE | <u>\$ (2,442)</u> | <u>\$ (2,442)</u> | <u>\$ 13,638</u> | <u>\$ 16,080</u> |
| <u>WATER FUND</u> | | | | |
| <u>Revenues</u> | | | | |
| Water Service | \$ 804,000 | \$ 804,000 | \$1,082,493 | \$ 278,493 |
| Debt Service | 60,000 | 60,000 | 55,843 | (4,157) |
| Interest and Other | 17,000 | 17,000 | 64,528 | 47,528 |
| Total Revenues | <u>881,000</u> | <u>881,000</u> | <u>1,202,864</u> | <u>321,864</u> |
| <u>Expenditures</u> | | | | |
| Personnel | 212,270 | 206,270 | 204,085 | 2,185 |
| Supplies | 18,200 | 23,200 | 22,134 | 1,066 |
| Services | 94,500 | 104,500 | 102,850 | 1,650 |
| Capital Expenditures | 391,000 | 684,500 | 659,985 | 24,515 |
| Water Lease | 80,000 | 80,000 | 79,291 | 709 |
| Maintenance | 387,050 | 377,050 | 322,937 | 54,113 |
| Debt Service | 204,177 | 204,177 | 160,819 | 43,358 |
| Bad Debt | - | - | 6,626 | 6,626 |
| Transfers to General Fund | <u>21,000</u> | <u>28,500</u> | <u>28,403</u> | <u>97</u> |
| Total Expenditures | <u>1,408,197</u> | <u>1,708,197</u> | <u>1,587,130</u> | <u>121,067</u> |
| CHANGE IN NET ASSETS | <u>\$ (527,197)</u> | <u>\$ (827,197)</u> | <u>\$ (384,266)</u> | <u>\$ 442,931</u> |