

CITY OF SHAVANO PARK, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2012

CITY OF SHAVANO PARK, TEXAS
ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2012

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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, 2012, 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, 2012, 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.

Certified Public Accountants

San Antonio, Texas

April 5, 2013

**City of Shavano Park, Texas
Management's Discussion and Analysis (MD & A)
Fiscal Year Ended September 30, 2012**

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, 2012.

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 8 and 9) 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 10. 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 10 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, 2012, the total and net assets changed as follows:

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Beginning Total Assets	\$ 8,637,260	\$ 6,542,088	\$ 15,179,348
Increase in Total Assets	<u>1,300,266</u>	<u>68,120</u>	<u>1,368,386</u>
ENDING TOTAL ASSETS	<u>\$ 9,937,526</u>	<u>\$ 6,610,208</u>	<u>\$ 16,547,734</u>
Beginning Net Assets	\$ 5,684,572	\$ 3,678,995	\$ 9,363,567
Increase in Net Assets	<u>1,513,291</u>	<u>46,147</u>	<u>1,559,438</u>
ENDING NET ASSETS	<u>\$ 7,197,863</u>	<u>\$ 3,725,142</u>	<u>\$ 10,923,005</u>

The increases in net assets for the year were \$1,513,291 and \$46,147 for both the governmental and business-type activities due to excess of revenues over expenditures for the year.

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 of 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 government activities (as presented on page 9) decreased by \$66,546 to \$3,485,054 in 2012 from 2011. The City's general revenues increased 3% (or \$1,062,633) principally due to increased tax revenues of \$799,905. The City's net revenue for 2012 was \$1,513,291, compared to \$483,943 in 2011.

Business-Type Activities

Water revenues (as presented on page 9) decreased by 13% (or \$146,988 to \$991,348. Total operating expenses of the water department decreased by 15% (or \$166,382) to \$931,468. Net income decreased by \$30,464 to \$46,147 in 2012 due to decrease in revenues.

THE CITY'S FUNDS

The City's government funds – total assets (as presented on page 10) increased by 65% (or \$2,371,011 in 2012. The City's government funds balances increased by 36% (or \$1,213,798).

The following schedule presents a summary of general, debt service, and crime control fund revenues and expenditures (as presented on page 11) for the fiscal year ended September 30, 2012, and the amount and percentage of increases and decreases in relation to the prior year.

	<u>FYE 2012 AMOUNT</u>	<u>PERCENT OF TOTAL</u>	<u>INCREASE (DECREASE) FROM FYE 2011</u>	<u>PERCENT INCREASE (DECREASE)</u>
<u>REVENUES</u>				
Taxes	\$3,579,274	75%	\$ 800,130	29%
Franchise Fees	299,752	6%	829	0%
Building Permits and Fees	301,905	6%	(32,903)	-10%
Fines and Forfeitures	267,788	6%	(37,452)	-12%
EMS Fees	78,231	2%	16,205	26%
Other	79,192	2%	6,210	9%
CPS CIED Refund	153,010	3%	153,010	100%
Interest	<u>10,997</u>	0%	<u>(2,309)</u>	-17%
 TOTAL REVENUES	 <u>\$4,770,149</u>	 100%	 <u>\$ 903,720</u>	 23%
<u>EXPENDITURES</u>				
City Council	\$ 11,104	0%	\$ (19,930)	-64%
Administration	555,548	16%	50,517	10%
Municipal Court	65,761	2%	4,140	7%
Police	965,613	27%	20,023	2%
Fire	984,501	28%	39,170	4%
Public Works	318,953	9%	(3,943)	-1%
Development Services	115,705	3%	2,797	2%
Capital Outlay	266,211	7%	178,960	205%
Debt Service	<u>291,319</u>	8%	<u>(9,012)</u>	-3%
 TOTAL EXPENDITURES	 <u>\$3,574,715</u>	 100%	 <u>\$ 262,722</u>	 8%

BUDGETARY HIGHLIGHTS

Budgetary comparisons are included on pages 31 through 33 of this annual financial report. There were no budget amendments during the year.

General fund actual revenues exceeded the budget by 19% (or \$655,512). Total expenditures were less than the budget by 15% (or \$595,041).

Water fund revenues exceeded the budget by 2% (or \$19,346). Total expenditures were under budget by 11% (or \$101,473).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2012, the City had \$15,731,058 invested in capital assets including police and fire equipment, buildings, and vehicles. (See table below.) This represents a net increase of 3% (or \$394,305) over last year.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	2011	2012	2011	2012	2011	2012
Land	\$ 36,385	\$ 36,385	\$ 30,146	\$ 30,146	\$ 66,531	\$ 66,531
Construction in Progress	-	-	-	86,153	-	86,153
Building and Improvements	3,546,111	3,546,111	6,346,362	6,346,362	9,892,473	9,892,473
Street Improvements	2,683,302	2,683,302	-	-	2,683,302	2,683,302
Vehicles and Equipment	2,026,763	2,292,974	364,703	406,644	2,391,466	2,699,618
Water Rights	-	-	302,981	302,981	302,981	302,981
TOTALS	\$ 8,292,561	\$ 8,558,772	\$ 7,044,192	\$ 7,172,286	\$ 15,336,753	\$ 15,731,058

This year's major additions included:

Police Equipment	\$ 99,967
Fire Equipment	77,988
Vehicle	64,800
Water Additions	<u>128,094</u>
TOTAL	<u>\$370,849</u>

Debt

At September 30, 2012, the City had \$5,525,000 in outstanding bonds compared to \$5,742,272 last year. That is a decrease of 4% (or \$217,271) as shown in the following table:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS	
	2011	2012	2011	2012	2011	2012
Bonds	<u>\$2,900,207</u>	<u>\$2,720,006</u>	<u>\$2,842,065</u>	<u>\$2,804,994</u>	<u>\$ 5,742,272</u>	<u>\$ 5,525,000</u>

Other obligations of the City include accrued compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General fund revenues for fiscal year 2013 are budgeted at \$3,970,473 a 3% decrease over 2012 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 2013 are budgeted at \$3,970,473, a 3% increase over 2012.

Water fund revenues for fiscal 2013 are budgeted at \$975,100, a .03% decrease from 2012 actual revenues. Water expenditures are budgeted at \$943,154, which is 4% of 2012 actual.

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 City Manager at 900 Saddletree Court, Shavano Park, Texas.

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash and Investments	\$ 3,582,271	\$ 2,029,322	\$ 5,611,593
Accounts Receivable	453,389	193,784	647,173
Internal Balances	427,359	(427,359)	-
Inventory	-	27,435	27,435
Prepaid Expenses	487,485	600	488,085
Total Current Assets	<u>4,950,504</u>	<u>1,823,782</u>	<u>6,774,286</u>
Capital Assets	8,558,772	7,172,286	15,731,058
Accumulated Depreciation	<u>(3,571,750)</u>	<u>(2,385,860)</u>	<u>(5,957,610)</u>
Net Capital Assets	<u>4,987,022</u>	<u>4,786,426</u>	<u>9,773,448</u>
TOTAL ASSETS	<u>9,937,526</u>	<u>6,610,208</u>	<u>16,547,734</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	70,270	92,123	162,393
Customer Deposits	-	20,500	20,500
Accrued Interest Payable	13,958	-	13,958
Current Portion of Bonds Payable	<u>182,739</u>	<u>74,160</u>	<u>256,899</u>
Total Current Liabilities	<u>266,967</u>	<u>186,783</u>	<u>453,750</u>
Compensated Absences Payable	74,653	3,461	78,114
Bonds Payable	<u>2,398,043</u>	<u>2,694,822</u>	<u>5,092,865</u>
TOTAL LIABILITIES	<u>2,739,663</u>	<u>2,885,066</u>	<u>5,624,729</u>
<u>NET ASSETS</u>			
Invested in Capital Assets - Net of Related Debt	2,406,240	2,017,444	4,423,684
Restricted for:			
Court	71,088	-	71,088
Debt Service	91,973	-	91,973
Crime Control	371,803	-	371,803
Unrestricted	<u>4,256,759</u>	<u>1,707,698</u>	<u>5,964,457</u>
TOTAL NET ASSETS	<u>\$ 7,197,863</u>	<u>\$ 3,725,142</u>	<u>\$10,923,005</u>

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

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2012

PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUE			NET (EXPENSE) REVENUE		
		CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>Governmental Activities</u>							
City Council	\$ 11,104	\$ -	\$ -	\$ -	\$ (11,104)	\$ -	\$ (11,104)
Administration	705,386	35,735	3,456	-	(666,195)	-	(666,195)
Municipal Court	74,770	330,437	-	-	255,667	-	255,667
Police	1,018,625	-	2,011	-	(1,016,614)	-	(1,016,614)
Fire	1,101,056	78,231	7,492	-	(1,015,333)	-	(1,015,333)
Public Works	336,882	-	-	23,030	(313,852)	-	(313,852)
Development Services	115,705	301,904	-	-	186,199	-	186,199
Interest	121,526	-	-	-	(121,526)	-	(121,526)
Total Governmental Activities	3,485,054	746,307	12,959	23,030	(2,702,758)	-	(2,702,758)
<u>Business-Type Activities</u>							
Water	931,468	991,348	-	-	-	59,880	59,880
TOTAL GOVERNMENT	<u>\$ 4,416,522</u>	<u>\$ 1,737,655</u>	<u>\$ 12,959</u>	<u>\$ 23,030</u>	<u>(2,702,758)</u>	<u>59,880</u>	<u>(2,642,878)</u>
<u>General Revenues</u>							
Taxes					3,573,448	-	3,573,448
Franchise Fees					299,752	-	299,752
Interest					10,997	3,358	14,355
CPS CIED Refund					306,020	-	306,020
Other					8,741	-	8,741
Transfers					17,091	(17,091)	-
Total General Revenue and Transfers					4,216,049	(13,733)	4,202,316
Change in Net Assets					1,513,291	46,147	1,559,438
<u>NET ASSETS AT BEGINNING OF YEAR</u>					5,684,572	3,678,995	9,363,567
NET ASSETS AT END OF YEAR					<u>\$ 7,197,863</u>	<u>\$ 3,725,142</u>	<u>\$ 10,923,005</u>

CITY OF SHAVANO PARK, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CRIME CONTROL DISTRICT</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Investments	\$3,136,910	\$ 73,558	\$ 371,803	\$3,582,271
Receivables:				
Delinquent Ad Valorem Taxes	16,756	2,080	-	18,836
CPS CIED Refund Receivable	229,515	-	-	229,515
Warrant Receivable	165,889	-	-	165,889
Other Receivable	39,149	-	-	39,149
Due from Other Funds	1,435,241	43,624	-	1,478,865
Prepaid Expenses	487,485	-	-	487,485
 TOTAL ASSETS	 <u>\$5,510,945</u>	 <u>\$ 119,262</u>	 <u>\$ 371,803</u>	 <u>\$6,002,010</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 70,270	\$ -	\$ -	\$ 70,270
Deferred Revenue	335,654	2,080	-	337,734
Due to Other Funds	1,026,297	25,209	-	1,051,506
Total Liabilities	<u>1,432,221</u>	<u>27,289</u>	<u>-</u>	<u>1,459,510</u>
<u>FUND BALANCES</u>				
Non-Spendable - Prepaid Items	487,485	-	-	487,485
Restricted - Court	71,088	-	-	71,088
Restricted - Debt Service	-	91,973	-	91,973
Restricted - Crime Control District	-	-	371,803	371,803
Committed - Capital Replacement	375,735	-	-	375,735
Committed - Oak Wilt	39,830	-	-	39,830
Unassigned	3,104,586	-	-	3,104,586
Total Fund Balances	<u>4,078,724</u>	<u>91,973</u>	<u>371,803</u>	<u>4,542,500</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$5,510,945</u>	 <u>\$ 119,262</u>	 <u>\$ 371,803</u>	 <u>\$6,002,010</u>

CITY OF SHAVANO PARK, TEXAS
RECONCILIATION OF BALANCE SHEET -
GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 4,542,500
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 \$3,571,750.	4,987,022
Delinquent ad valorem taxes are not available to pay for current period expenditures and, therefore, are deferred in the funds.	18,836
Warrant receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	165,888
CPS CIED Refund receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	153,010
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	(74,653)
Bonds Payable	<u>(2,580,781)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 7,197,864</u>

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CRIME CONTROL DISTRICT</u>	<u>TOTAL</u>
<u>REVENUES</u>				
Taxes	\$2,917,921	\$295,398	\$ 365,955	\$3,579,274
Franchise Fees	299,752	-	-	299,752
Building Permits and Fees	301,905	-	-	301,905
Fines and Forfeits	267,788	-	-	267,788
EMS Fees	78,231	-	-	78,231
Other	79,192	-	-	79,192
CPS CIED Refund	153,010	-	-	153,010
Interest	10,894	86	17	10,997
Total Revenues	<u>4,108,693</u>	<u>295,484</u>	<u>365,972</u>	<u>4,770,149</u>
<u>EXPENDITURES</u>				
City Council	11,104	-	-	11,104
General Administration	555,548	-	-	555,548
Municipal Court	65,761	-	-	65,761
Police	965,613	-	-	965,613
Fire	984,501	-	-	984,501
Public Works	318,953	-	-	318,953
Development Services	115,705	-	-	115,705
Capital Outlay	266,211	-	-	266,211
Principal Retirement	-	180,203	-	180,203
Interest and Fees	-	111,116	-	111,116
Total Expenditures	<u>3,283,396</u>	<u>291,319</u>	<u>-</u>	<u>3,574,715</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>825,297</u>	<u>4,165</u>	<u>365,972</u>	<u>1,195,434</u>
<u>OTHER FINANCING SOURCES</u>				
Gain on Sale of Assets	1,273	-	-	1,273
Transfers from Other Funds	14,833	-	-	14,833
Transfers from Proprietary Fund	17,091	-	-	17,091
Total Other Financing Sources	<u>33,197</u>	<u>-</u>	<u>-</u>	<u>33,197</u>
<u>OTHER FINANCING USES</u>				
Transfers to the General Fund	<u>-</u>	<u>-</u>	<u>(14,833)</u>	<u>(14,833)</u>
Net Changes in Fund Balance	858,494	4,165	351,139	1,213,798
<u>FUND BALANCES - BEGINNING</u>	<u>3,220,230</u>	<u>87,808</u>	<u>20,664</u>	<u>3,328,702</u>
FUND BALANCES - ENDING	<u>\$4,078,724</u>	<u>\$ 91,973</u>	<u>\$ 371,803</u>	<u>\$4,542,500</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, 2012

Net Change in Fund Balance - Governmental Funds	\$ 1,213,798
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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.	266,211
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.	(353,332)
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	169,795
The decrease 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.	6,988
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.	(5,826)
The increase in CPS CIED Refund for the year does not create a current financial resource and therefore is deferred in the governmental funds.	153,010
The increase in warrant fees for the year does not create a current financial resource and therefore is deferred in the governmental funds.	<u>62,648</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,513,292</u>

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
ENTERPRISE FUND
SEPTEMBER 30, 2012

ASSETS

Cash and Investments	\$ 2,029,322
Receivable from Water Customers	193,784
Inventory	27,435
Prepaid Expenses	600
Due from Other Funds	86,285
Capital Assets	7,172,286
Accumulated Depreciation	<u>(2,385,860)</u>
Total Assets	<u>7,123,852</u>

LIABILITIES

Accounts Payable and Accrued Expenses	92,123
Water Customer Deposits	20,500
Compensated Absences Payable	3,461
Due to Other Funds	513,644
Bonds Payable	<u>2,768,982</u>
Total Liabilities	<u>3,398,710</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	2,017,444
Unrestricted	<u>1,707,698</u>
Total Net Assets	<u>3,725,142</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,123,852</u>
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CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2012

REVENUE

Water Service	\$ 950,353
Other Revenue	<u>40,995</u>
Total Revenue	<u>991,348</u>

OPERATING EXPENSES

Personnel	211,863
Supplies	38,571
Services	117,072
Water Lease	49,378
Maintenance	147,097
Debt Service	167,725
Depreciation	<u>199,762</u>
Total Operating Expenses	<u>931,468</u>

Net Operating Income	59,880
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Nonoperating Revenues

Interest Income	<u>3,358</u>
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Income Before Transfers	63,238
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TRANSFERS OUT

(17,091)

Change in Net Assets	46,147
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NET ASSETS - BEGINNING

3,678,995

TOTAL NET ASSETS - ENDING

\$3,725,142

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
ENTERPRISE FUND
YEAR ENDED SEPTEMBER 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ 46,147
Adjustments to Reconcile Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	199,762
Change in Operating Assets and Liabilities:	
Increase in Accounts Receivable	(53,462)
Decrease in Inventory	15,719
Increase in Due from other Funds	(86,285)
Increase in Accounts Payable and Accrued Expenses	52,852
Increase in Due to From Other Funds	499,429
Increase in Customer Deposits	<u>3,500</u>
Net Cash Provided by Operating Activities	677,662

CASH FLOWS FROM INVESTING ACTIVITIES

Capital Asset Additions	(128,094)
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CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Debt	<u>(34,378)</u>
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Net Increase in Cash	515,190
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<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>1,514,132</u>
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$2,029,322</u>
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CITY OF SHAVANO PARK, TEXAS
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED SEPTEMBER 30, 2012

	<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, 2012

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, 2012

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, 2012

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, 2012

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, 2012.

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 is 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, 2012

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”.

N. Fund Balance

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, 2012

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, 2012

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 2012 was \$2,005,344 and the City's contributions were based on a covered payroll of \$2,047,329 for the period ended December 31, 2011. Both the City and the covered employees made the required contributions during the years ended September 30, 2012, 2011, and 2010, amounting to \$140,374, \$206,007, and \$142,731, respectively.

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
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%
2011	3,017,813	3,860,023	78.2%	(842,210)	2,047,329	41.1%

Each of the municipalities administered by TMRS has an annual individual actuarial valuation performed. All assumptions for the December 31, 2011 valuations are contained in the 2011

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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, 2012 was \$3,658.

NOTE 3: PROPERTY TAXES

Taxes were levied on and payable as of January 1. For fiscal year 2012, the assessed tax rate for the City was \$.3200 per \$100 on an assessed valuation of \$791,642,564. This is broken out as \$.281730 per \$100 for general operations and \$.038270 per \$100 for debt retirement. Total tax levy for 2012 was \$2,463,453. As of September 30, 2012, the current year uncollected taxes were \$12,289 with total delinquent taxes of \$18,836.

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, TexPool, and bank certificates of deposit. The City's bank depositories were covered by FDIC and pledge securities at September 30, 2012.

Investments owned by various City funds are summarized as follows:

	GENERAL FUND	DEBT SERVICE FUND	PROPRIETARY FUND	TOTAL
TexSTAR	\$1,497,880	\$ 73,543	\$ 740,193	\$2,311,616
TexPool	106	-	359	465
Certificates of Deposit	743,504	-	247,557	991,061
TOTALS	<u>\$2,241,490</u>	<u>\$ 73,543</u>	<u>\$ 988,109</u>	<u>\$3,303,142</u>

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

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 10/1/2011	ISSUED DURING YEAR	RETIRED DURING YEAR	BALANCE OUTSTANDING 9/30/2012	AMOUNTS DUE WITHIN ONE YEAR
<u>GOVERNMENTAL ACTIVITIES</u>							
General Obligation: Series 2000	\$2,900,000	5.0% - 5.75%	\$ 95,339	\$ -	\$ (95,339)	\$ -	\$ -
General Obligation: Series 2004	1,000,000	3.6% - 4.1%	620,000	-	(65,000)	555,000	70,000
General Obligation Refunding: Series 2009	2,220,620	2.5% - 4.375%	2,184,868	-	(19,863)	2,165,006	123,147
Unamortized Loss on Defeasance			<u>(149,632)</u>	<u>-</u>	<u>10,408</u>	<u>(139,224)</u>	<u>(10,408)</u>
Total Governmental Activities			<u>2,750,575</u>	<u>-</u>	<u>(169,794)</u>	<u>2,580,782</u>	<u>182,739</u>
<u>BUSINESS-TYPE ACTIVITIES</u>							
Self-Supporting Obligations: Series 2000	750,000	5.0% - 5.75%	24,661	-	(24,661)	-	-
Self Supporting Obligation Refunding: Series 2009	574,380	2.5% - 4.375%	565,132	-	(5,138)	559,994	31,853
Self Supporting Obligation: Series 2009	2,299,999	2.5% - 5%	2,252,272	-	(7,272)	2,245,000	45,000
Unamortized Loss on Defeasance			<u>(38,705)</u>	<u>-</u>	<u>2,693</u>	<u>(36,012)</u>	<u>(2,693)</u>
Total Business-Type Activities			<u>2,803,360</u>	<u>-</u>	<u>(34,378)</u>	<u>2,768,982</u>	<u>74,160</u>
TOTAL GOVERNMENT			<u>\$5,553,935</u>	<u>\$ -</u>	<u>\$ (204,172)</u>	<u>\$5,349,764</u>	<u>\$256,899</u>

At September 30, 2012, 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 \$2,693 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, 2012

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,	BUSINESS TYPE			GOVERNMENTAL TYPE		
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL
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	90,963	111,805	202,768	219,037	72,643	291,680
2018-2022	498,447	506,838	1,005,285	961,553	242,238	1,203,791
2023-2027	544,952	395,007	939,959	715,048	60,737	775,785
2028-2032	460,000	279,250	739,250	-	-	-
2033-2037	595,000	148,625	743,625	-	-	-
2038-2039	285,000	14,375	299,375	-	-	-
	<u>2,804,994</u>	<u>\$1,929,697</u>	<u>\$4,734,691</u>	<u>2,720,006</u>	<u>\$737,269</u>	<u>\$3,457,275</u>
DEFEASEMENT LOSS	<u>(36,012)</u>			<u>(139,224)</u>		
NET BONDS OUTSTANDING	<u>\$2,768,982</u>			<u>\$2,580,782</u>		

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 valorem 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, 2012

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>9/30/2011</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>9/30/2012</u>
<u>Governmental Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 36,385	\$ -	\$ -	\$ 36,385
Capital Assets being Depreciated				
Building and Improvements	3,546,111	-	-	3,546,111
Street Improvements	2,683,302	-	-	2,683,302
Vehicles and Equipment	2,026,763	266,211	-	2,292,974
Total Capital Assets being Depreciated	8,256,176	266,211	-	8,522,387
Less Accumulated Depreciation for:				
Building and Improvements	(665,575)	(90,695)	-	(756,270)
Street Improvements	(1,064,007)	(67,083)	-	(1,131,090)
Vehicles and Equipment	(1,488,836)	(195,554)	-	(1,684,390)
Total Accumulated Depreciation	(3,218,418)	(353,332)	-	(3,571,750)
Total Capital Assets being Depreciated - Net	5,037,758	(87,121)	-	4,950,637
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	\$ 5,074,143	\$ (87,121)	\$ -	\$ 4,987,022
<u>Business-Type Activities</u>				
Capital Assets not being Depreciated				
Land	\$ 30,146	\$ -	\$ -	\$ 30,146
Construction in Progress	-	86,153	-	86,153
Water Rights	302,981	-	-	302,981
Total Capital Assets not being Depreciated	333,127	86,153	-	419,280
Capital Assets being Depreciated				
Water Plant and Improvements	6,346,362	-	-	6,346,362
Machinery and Equipment	364,703	41,941	-	406,644
Total Capital Assets being Depreciated	6,711,065	41,941	-	6,753,006
Less Accumulated Depreciation for:				
Water Plant and Improvements	(1,941,560)	(162,678)	-	(2,104,238)
Machinery and Equipment	(244,538)	(37,084)	-	(281,622)
Total Accumulated Depreciation	(2,186,098)	(199,762)	-	(2,385,860)
Total Capital Assets being Depreciated - Net	4,524,967	(157,821)	-	4,367,146
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	\$ 4,858,094	\$ (71,668)	\$ -	\$ 4,786,426

CITY OF SHAVANO PARK, TEXAS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2012

NOTE 6: CAPITAL ASSETS (CONTINUED)

At September 30, 2012 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	\$ 149,838
Municipal Court	9,009
Police	53,012
Fire	123,544
Public Works	<u>17,929</u>

TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 353,332</u>
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Business-Type Activities

Water	<u>\$ 199,762</u>
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TOTAL DEPRECIATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u>\$ 199,762</u>
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NOTE 7: DEFERRED REVENUE

The following is a summary of deferred revenues at September 30, 2012:

	<u>GENERAL FUND</u>	<u>DEBT SERVICE</u>
Ad Valorem Taxes	\$ 16,756	\$ 2,080
CPS CIED Refund	153,010	-
Warrant Fees	<u>165,888</u>	<u>-</u>
 TOTAL DEFERRED REVENUE	 <u>\$ 335,654</u>	 <u>\$ 2,080</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, 2012 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, 2012

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 City did not have any such liability at September 30, 2012. 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.

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2012

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
GENERAL FUND				
Revenues				
Taxes - Ad Valorem	\$2,151,659	\$2,151,659	\$2,174,440	\$ 22,781
Taxes - Sales	212,000	212,000	743,481	531,481
Franchise Fees	272,000	272,000	299,752	27,752
Permits and Licenses	310,079	310,079	301,905	(8,174)
Court Fines	294,415	294,415	267,788	(26,627)
Grants	12,225	12,225	35,989	23,764
Rentals	36,800	36,800	35,735	(1,065)
EMS Fees	60,000	60,000	78,231	18,231
Other	15,350	15,350	7,468	(7,882)
CPS CIED Refund	-	-	153,010	153,010
Interest	8,000	8,000	10,894	2,894
Transfer from Other				
Government Funds	92,850	92,850	14,833	(78,017)
Gain on Sale of Assets	-	-	1,273	1,273
Transfer from Water	21,000	21,000	17,091	(3,909)
Total Revenues	3,486,378	3,486,378	4,141,890	655,512
Expenditures				
City Council				
Supplies	-	-	311	(311)
Services	16,000	16,000	10,793	5,207
Total City Council	16,000	16,000	11,104	4,896
Administration				
Personnel	320,500	320,500	333,725	(13,225)
Benefits Citywide	88,500	88,500	1,350	87,150
Supplies	14,050	14,050	16,651	(2,601)
Services	164,800	164,800	188,976	(24,176)
Maintenance	15,550	15,550	14,846	704
Total Administration	603,400	603,400	555,548	47,852
Development Services				
Personnel	45,535	45,535	46,275	(740)
Supplies	1,650	1,650	2,867	(1,217)
Services	61,100	61,100	63,710	(2,610)
Maintenance	3,400	3,400	2,853	547
Total Development Services	111,685	111,685	115,705	1,177
Municipal Court				
Personnel	40,435	40,435	38,674	1,761
Supplies	5,100	5,100	5,898	(798)
Services	14,090	14,090	13,844	246
Maintenance	6,800	6,800	7,345	(545)
Total Municipal Court	66,425	66,425	65,761	664

CITY OF SHAVANO PARK, TEXAS
STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP BUDGETARY BASIS) (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2012

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<u>GENERAL FUND (CONTINUED)</u>				
<u>Expenditures (Continued)</u>				
Police Department				
Personnel	\$ 872,050	\$ 872,050	\$ 800,174	\$ 71,876
Supplies	19,100	19,100	17,618	1,482
Services	84,450	84,450	74,475	9,975
Capital Expenditures	163,000	163,000	160,154	2,846
Maintenance	76,000	76,000	73,346	2,654
Total Police Department	<u>1,214,600</u>	<u>1,214,600</u>	<u>1,125,767</u>	<u>88,833</u>
Fire Department				
Personnel	811,600	811,600	865,862	(54,262)
Supplies	23,000	23,000	23,338	(338)
Services	46,930	46,930	30,661	16,269
Capital Expenditures	584,100	584,100	72,032	512,068
Maintenance	63,550	63,550	64,640	(1,090)
Total Fire Department	<u>1,529,180</u>	<u>1,529,180</u>	<u>1,056,533</u>	<u>472,647</u>
Public Works				
Personnel	153,700	153,700	166,358	(12,658)
Supplies	4,600	4,600	3,915	685
Services	6,850	6,850	4,203	2,647
Capital Expenditures	4,600	4,600	34,025	(29,425)
Maintenance	162,200	162,200	144,477	17,723
Total Public Works	<u>331,950</u>	<u>331,950</u>	<u>352,978</u>	<u>(21,028)</u>
Total Expenditures	<u>3,873,240</u>	<u>3,873,240</u>	<u>3,283,396</u>	<u>595,041</u>
CHANGE IN FUND BALANCE	<u>\$ (386,862)</u>	<u>\$ (386,862)</u>	<u>\$ 858,494</u>	<u>\$ 60,471</u>
<u>DEBT FUND</u>				
<u>Revenues</u>				
Taxes - Ad Valorem	\$ 292,280	\$ 292,280	\$ 295,398	\$ 3,118
Interest	50	50	86	36
Transfer from Water	52,349	52,349	-	(52,349)
Total Revenues	<u>344,679</u>	<u>344,679</u>	<u>295,484</u>	<u>(49,195)</u>
<u>Expenditures</u>				
Bond Principal	210,001	210,001	180,202	29,799
Bond Interest	132,668	132,668	110,115	22,553
Bond Agent Fees	2,000	2,000	1,002	998
Total Expenditures	<u>344,669</u>	<u>344,669</u>	<u>291,319</u>	<u>53,563</u>
CHANGE IN FUND BALANCE	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 4,165</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, 2012

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
<u>CRIME CONTROL DISTRICT FUND</u>				
<u>Revenues</u>				
Taxes - Sales	\$ 90,000	\$ 90,000	\$ 365,955	\$ 275,955
Interest	-	-	17	17
Total Revenues	<u>90,000</u>	<u>90,000</u>	<u>365,972</u>	<u>275,972</u>
<u>Expenditures</u>				
Transfer to General Fund	<u>89,000</u>	<u>89,000</u>	<u>14,833</u>	<u>74,167</u>
Total Expenditures	<u>89,000</u>	<u>89,000</u>	<u>14,833</u>	<u>74,167</u>
CHANGE IN FUND BALANCE	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 351,139</u>	<u>\$ 201,805</u>
<u>WATER FUND</u>				
<u>Revenues</u>				
Water Service	\$ 878,360	\$ 878,360	\$ 894,328	\$ 15,968
Debt Service	60,000	60,000	56,025	(3,975)
Interest and Other	<u>37,000</u>	<u>37,000</u>	<u>44,353</u>	<u>7,353</u>
Total Revenues	<u>975,360</u>	<u>975,360</u>	<u>994,706</u>	<u>19,346</u>
<u>Expenditures</u>				
Personnel	211,950	211,950	211,863	87
Supplies	25,100	25,100	38,571	(13,471)
Services	200,700	200,700	117,072	83,628
Capital Expenditures	110,000	110,000	128,094	(18,094)
Water Lease	50,000	50,000	49,378	622
Maintenance	156,800	156,800	147,097	9,703
Debt Service	202,814	202,814	167,725	35,089
Transfers to General Fund	<u>21,000</u>	<u>21,000</u>	<u>17,091</u>	<u>3,909</u>
Total Expenditures	<u>978,364</u>	<u>978,364</u>	<u>876,891</u>	<u>101,473</u>
CHANGE IN NET ASSETS	<u>\$ (3,004)</u>	<u>\$ (3,004)</u>	<u>\$ 117,815</u>	<u>\$ 120,819</u>