



**City Of Royse City, Texas**

**Annual  
Financial Report**

**Fiscal Year Ended September 30, 2013**

**ANNUAL FINANCIAL REPORT**

Fiscal Year Ended September 30, 2013

City of Royse City, Texas

*City Manager*  
*Carl Alsbrook*

*Chief Financial Officer*  
*Joe Stegall*



**CITY OF ROYSE CITY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>I. FINANCIAL SECTION</b>	
Independent Auditor's Report on Financial Statements.....	3
<b>A. Management Discussion and Analysis.....</b>	<b>7</b>
<b>B. Basic Financial Statements</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position.....	21
Statement of Activities.....	22
<b>Fund Financial Statements:</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet.....	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position.....	28
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	29
Statement of Cash Flows.....	30
<b>Notes to the Financial Statements .....</b>	<b>31</b>
<b>C. Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund.....	53
Schedule of Pension Trust - TMRS Funding Progress and Contributions.....	54
<b>D. Supplementary Information</b>	
Budgetary Comparison Schedule - Debt Service Fund.....	57
<b>Non-major Governmental Funds</b>	
Combining Balance Sheet - Non-major Governmental Funds.....	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-major Governmental Funds.....	60
<b>Discretely Presented Component Unit</b>	
Balance Sheet - Economic Development Corporation.....	62
Statement of Revenues, Expenditures, and Changes in Fund Balances - Economic Development Corporation .....	63
Budgetary Comparison Schedule - Economic Development Corporation.....	64



## FINANCIAL SECTION





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Texas Society of CPAs

March 25, 2014

**Independent Auditor's Report**

Mayor and City Council  
City of Royse City  
Royse City, Texas

Members of the City Council:

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the General Fund budgetary comparison schedule and the TMRS Funding Progress and Contributions on pages 7 to 17, 53 and 54 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2014, on our consideration of the City of Royse City, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Royse City, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,

**CONWAY COMPANY CPAs, P.C.**

*Conway Company CPAs, P.C.*



## CITY OF ROYSE CITY, TEXAS

### MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2013

As management of the City of Royse City ("City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

#### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$10,392,715 (net position). Of this amount, \$2,259,778 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. A total of \$5,523,636, or 53%, is invested in capital assets which does not directly generate revenue and is not available to generate liquid capital. Net position restricted for specific purposes total \$2,609,301, or 25%, of total net position.
- The government's total net position increased by \$1,919,794, excluding prior period adjustments, due to increases in both the governmental activities and business-type activities. The increase in governmental activities is due to increases in sales tax revenues and property tax revenues, business-type activities charges for services increased significantly.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$1,852,926, an increase of \$125,454, excluding prior period adjustments, in comparison with the prior year. The increase in combined ending fund balances is attributable to an increase in total revenues of 2%, or \$108,565. Approximately 22% of total fund balance, or \$415,011, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund of \$416,608 was 7% of total General Fund expenditures for the fiscal year. The increase in the total General Fund balance was largely due to increased revenues.
- The City's total long-term debt increased by \$666,687, or 3%, during the current fiscal year, mainly due to the issuance of Certificates of Obligation, Series 2013 in the amount of \$1,585,000.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2013**

**Basic Financial Statements**

The first two statements (pages 21-23) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 24-30) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental fund statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes** (beginning on page 31). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 53-54) is provided to show details about the City's budgetary schedule for the General Fund and the funding progress and contributions for the pension plan.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements include not only the City itself (known as the primary government) but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system activity are reported as business-type activities. The final category is the component unit. The City includes one separate legal entity in its report – the Royse City Economic Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for them.

The government-wide financial statements are on pages 21 - 23 of this report.

**Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Royse City, like all

**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2013**

other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation following the fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The Budgetary Comparison Schedule for the General Fund uses the modified accrual basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 24-27 of this report. The General Fund Budgetary Comparison Schedule can be found on page 53.

*Proprietary Funds* – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows.

The City of Royse City maintains one individual proprietary fund: the Water and Sewer Fund.

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 31 of this report.

**Required Supplementary Information** - In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's General Fund budgetary comparison information and progress in funding its obligation to provide pension benefits to its employees. This information begins on page 53 of this report.

**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2013**

**New GASB Pronouncements**

GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements" was issued to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of this statement had no effect on the financial statements.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34" modifies certain requirements for inclusion of component units in the financial reporting entity and clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination. The statement also amends the criteria for blending component units and provides additional guidance for blending a component unit if the primary government is a business-type activity and clarifies the reporting of equity interests in legally separate organizations. The implementation of this statement had no effect on the financial statements.

The GASB has issued Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement" incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedures. The implementation of this statement had no effect on the financial statements.

The GASB issued the following statements which will be effective in future years as described below:

GASB Statement No. 66, "Technical Corrections-2012-an amendment of GASB Statement No. 10 and No. 62", will be implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement improves financial reporting by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financial activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on equipment and operating leases. The implementation of this statement will not result in any changes to the financial statements.

GASB Statement No. 67, "Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25", will be implemented as required by GASB during the fiscal year ending September 30, 2014. The objective of this statement is to improve financial reporting by state and local government pension plans. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", will be implemented as required by GASB during the fiscal year September 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information on the contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2013**

**City of Royse City's Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$ 2,354,418	\$ 1,833,033	\$ 5,398,828	\$ 4,541,660	\$ 7,753,246	\$ 6,374,693
Capital assets	10,474,267	10,672,990	15,205,678	14,352,468	25,679,945	25,025,458
Total assets	<u>12,828,685</u>	<u>12,506,023</u>	<u>20,604,506</u>	<u>18,894,128</u>	<u>33,433,191</u>	<u>31,400,151</u>
Current liabilities	432,630	260,273	568,934	1,302,269	1,001,564	1,562,542
Long-term liabilities	8,669,677	9,189,570	13,369,235	12,175,118	22,038,912	21,364,688
Total liabilities	<u>9,102,307</u>	<u>9,449,843</u>	<u>13,938,169</u>	<u>13,477,387</u>	<u>23,040,476</u>	<u>22,927,230</u>
Net position:						
Net investment in capital assets	1,891,718	1,583,387	3,631,918	2,792,057	5,523,636	4,375,444
Restricted	1,376,938	1,225,871	1,232,363	2,145,345	2,609,301	3,371,216
Unrestricted	457,722	246,922	1,802,056	479,339	2,259,778	726,261
Total net position	<u>\$ 3,726,378</u>	<u>\$ 3,056,180</u>	<u>\$ 6,666,337</u>	<u>\$ 5,416,741</u>	<u>\$ 10,392,715</u>	<u>\$ 8,472,921</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of the City exceeded liabilities by \$10,392,715 as of September 30, 2013.

*Investment in capital assets:*

The City's net position increased by \$1,919,794 for the fiscal year ended September 30, 2013. However, a large portion, 53%, reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

*Restricted net position:*

Restricted net position represents 25% of total net assets that are subject to external restrictions on how they may be used, or restrictions by enabling legislation. The restricted net position is comprised of (a) \$1,114,886 for debt service, (b) \$1,184,237 for impact fee use, (c) \$310,178 for other state imposed restrictions.

*Unrestricted net position:*

Unrestricted net position in the amount of \$2,259,778 is available to fund the City programs to citizens and creditors.

**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2013**

**City of Royse City's Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Totals</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,552,684	\$ 1,616,796	\$ 4,650,615	\$ 4,198,626	\$ 6,203,299	\$ 5,815,422
Operating Grants and Contributions	92,983	113,114	-	-	92,983	113,114
Capital Grants and Contributions	132,934	-	741,077	-	874,011	-
General Revenues:						
Property Taxes	3,197,458	3,161,579	-	-	3,197,458	3,161,579
Sales Taxes	1,225,503	1,096,970	-	-	1,225,503	1,096,970
Franchise Taxes	398,851	411,909	-	-	398,851	411,909
Hotel/Motel Taxes	58,287	64,036	-	-	58,287	64,036
Investment Income	5,205	6,099	3,153	5,780	8,358	11,879
Miscellaneous	16,782	81,032	75,531	65,310	92,313	146,342
Total Revenues	<u>6,680,687</u>	<u>6,551,535</u>	<u>5,470,376</u>	<u>4,269,716</u>	<u>12,151,063</u>	<u>10,821,251</u>
Expenses:						
Program Expenses						
General Government	1,916,086	2,659,282	-	-	1,916,086	2,659,282
Public Safety	1,902,136	1,830,189	-	-	1,902,136	1,830,189
Public Works	424,156	345,808	-	-	424,156	345,808
Public Services	352,190	357,937	-	-	352,190	357,937
Environmental Services	139,720	237,973	-	-	139,720	237,973
Culture and Recreation	487,896	484,295	-	-	487,896	484,295
Community Development	-	8,193	-	-	-	8,193
Environmental Services	811,717	102,989	-	-	811,717	102,989
Interest on Long-Term Debt	406,658	416,203	-	-	406,658	416,203
Water and Sewer	-	-	3,790,710	3,406,346	3,790,710	3,406,346
Total Expenses	<u>6,440,559</u>	<u>6,442,869</u>	<u>3,790,710</u>	<u>3,406,346</u>	<u>10,231,269</u>	<u>9,849,215</u>
Change in Net Position before Other Revenues and Financing Sources	240,128	108,666	1,679,666	863,370	1,919,794	972,036
Other Revenues:						
Transfers	212,992	225,361	(212,992)	(225,361)	-	-
Total Other Revenues	<u>212,992</u>	<u>225,361</u>	<u>(212,992)</u>	<u>(225,361)</u>	<u>-</u>	<u>-</u>
Total Change in Net Position	453,120	334,027	1,466,674	638,009	1,919,794	972,036
Net Position - October 1	3,056,180	2,882,830	5,416,741	5,241,764	8,472,921	8,124,594
Prior Period Adjustments	217,078	(160,677)	(217,078)	(463,032)	-	(623,709)
Net Position - September 30	<u>\$ 3,726,378</u>	<u>\$ 3,056,180</u>	<u>\$ 6,666,337</u>	<u>\$ 5,416,741</u>	<u>\$ 10,392,715</u>	<u>\$ 8,472,921</u>

Governmental activities had an increase in net position of \$453,120, excluding prior period adjustments. This is due to an increase in property and sales taxes of \$164,412, or 3.7%. In addition, operating and capital contributions had an increase of \$112,803, or 99.9%

Business-type activities increased net position by \$1,466,674, excluding prior period adjustments. Charges for services increased \$451,989, or 10.7%. The City received capital contributions of \$741,077 for the CCN purchase from BHP Water Supply Corporation. See Note E of the financial statements for detail of the purchase.

**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2013**

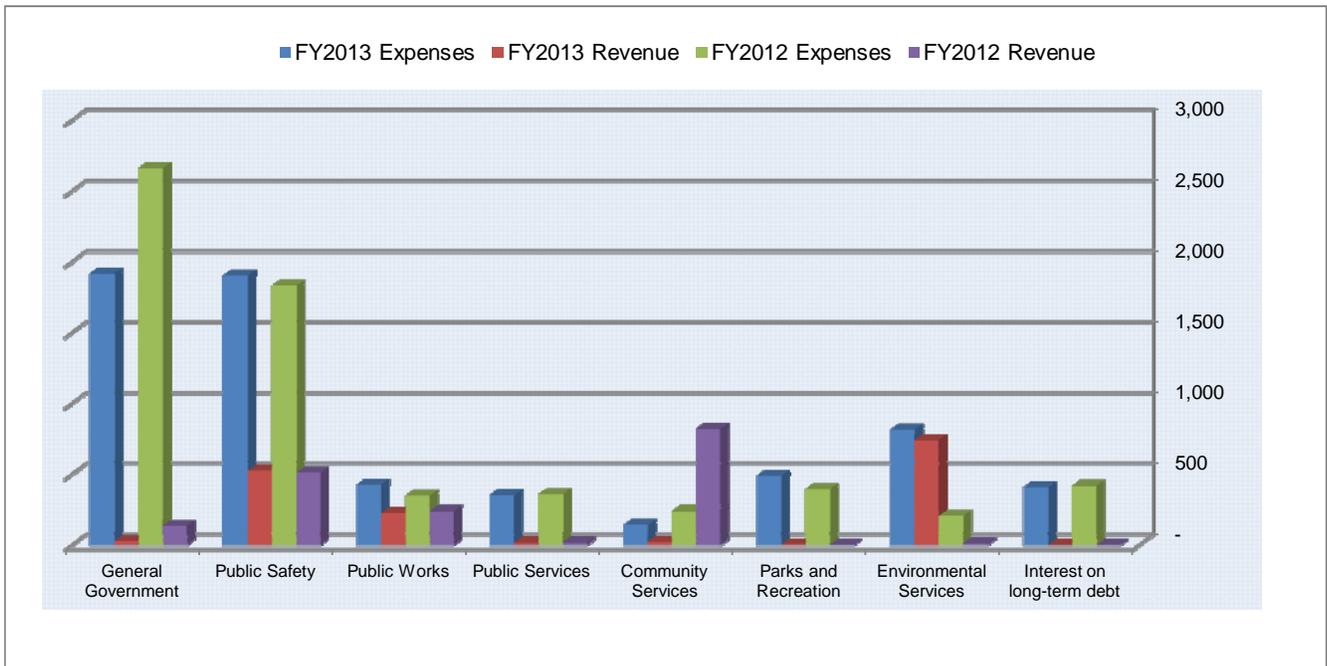
**Governmental-type activities** - Governmental-type activities increased the City's net position by \$453,120, excluding prior period adjustments. Key elements of this increase is as follows:

Sales tax revenues increased by \$128,533, or 11.7%.

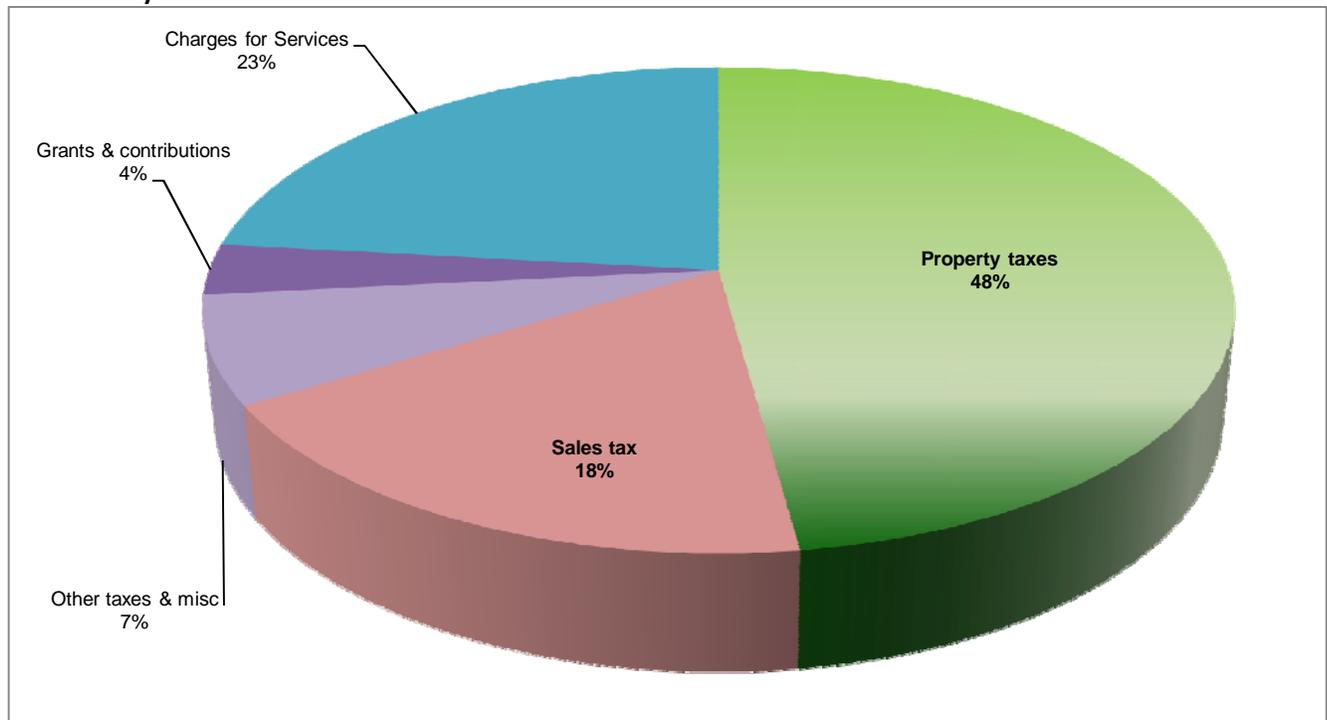
Grants and contributions increased by \$112,803

**Expenses and Program Revenues - Governmental Activities**

(amounts expressed in thousands)



**Revenues by Source - Governmental Activities**



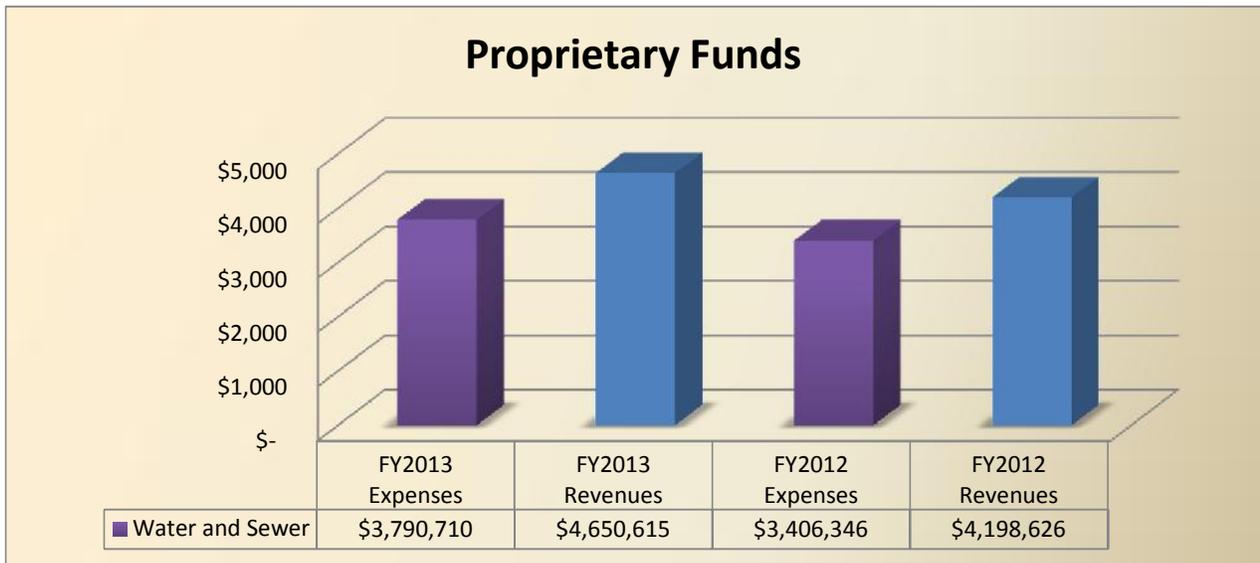
**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2013**

**Business-type Activities** - Business-type activities increased the City's net position by \$1,466,674, excluding prior period adjustments. A key element for this increase is as follows:

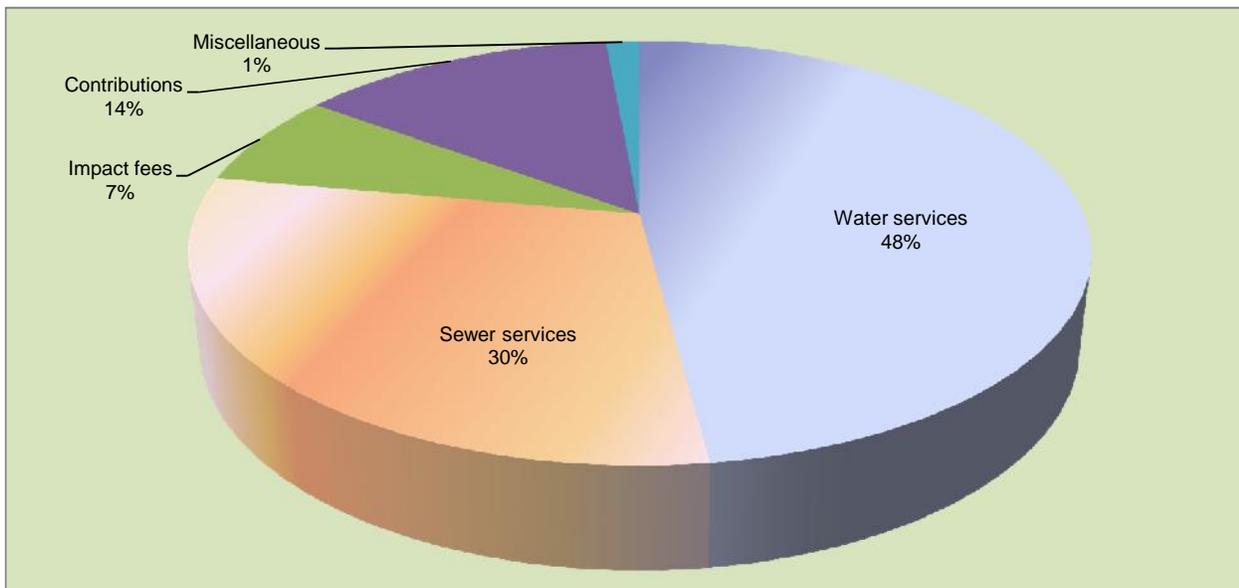
Charge for services increased \$451,989, or 10.7% and the City received a capital contribution of \$741,077

**Expenditures and Program Revenues - Business-type Activities**

(amounts expressed in thousands)



**Revenues by Source - Business-type Activities**



### **Financial Analysis of the City's Funds**

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

#### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year.

At September 30, 2013, the City's governmental funds reported total fund balances of \$1,852,926, an 8% increase in comparison with the prior year's total ending fund balances, excluding prior period adjustments. The components of total fund balance are as follows:

- Restricted fund balance, \$1,376,937, consists of amounts restricted by external laws or contractual obligations as follows: \$826,176 for debt service, and \$550,761 for other third party restrictions.
- Assigned fund balance of \$60,978, represents residual fund balance intended for use by special revenue including library, senior center, animal control and other purposes.
- Unassigned fund balance, \$415,011, represents residual available fund balances that have not been restricted, committed, or assigned by management, City Council, or otherwise.

**General Fund** - The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$416,608, compared to \$300,287 at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 7% of total General Fund expenditures.

**Debt Service Fund** - The Debt Service Fund is a major operating fund of the City. At the end of the current fiscal year, restricted fund balance was \$826,176, compared to \$913,963 at the end of the prior fiscal year. These funds are restricted for the payment of debt service expenditures.

#### **Proprietary Funds**

The City's proprietary fund statements provide essentially the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$1,802,056, compared to \$479,339 in the prior year.

**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2013**

**Capital Asset and Debt Administration**

**Capital assets** - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, totals \$25,679,945 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery & equipment, vehicles and construction in progress.

Major capital asset transactions during the year include the following additions:

- Completion of the Verandah water tower
- Infrastructure improvements for water and sewer
- Water rights acquired

**City of Royse City  
Capital Assets  
(net of accumulated depreciation)  
As of September 30**

	Governmental		Business-type		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 925,169	\$ 925,169	\$ 163,056	\$ 216,827	\$ 1,088,225	\$ 1,141,996
Construction in Progress	-	-	139,726	2,664,067	139,726	2,664,067
Certificate of Convenience	-	-	1,177,076	200,500	1,177,076	200,500
Infrastructure	-	-	13,690,171	11,216,101	13,690,171	11,216,101
Buildings & Improvements	8,896,098	9,104,475	6,570	7,859	8,902,668	9,112,334
Machinery & Equipment	653,000	643,346	29,079	47,113	682,079	690,459
<b>Total</b>	<b>\$ 10,474,267</b>	<b>\$ 10,672,990</b>	<b>\$ 15,205,678</b>	<b>\$ 14,352,467</b>	<b>\$ 25,679,945</b>	<b>\$ 25,025,457</b>

More detailed information about the City's capital assets is presented in Note E to the financial statements.

**Long-Term Debt** - As of September 30, 2013 the City had total long-term debt outstanding of \$21,944,242, an increase of \$666,687, or 3%, in comparison with the prior year. The City issued Series 2013 Certificate of in the amount of \$1,585,000 in the Water and Sewer Fund.

**City of Royse City  
Outstanding Debt  
As of September 30**

	Governmental		Business-type		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds	\$ 7,933,769	\$ 8,418,310	\$ 541,829	\$ 585,166	\$ 8,475,598	\$ 9,003,476
Certificates of Obligation	515,000	525,000	12,819,864	11,584,292	13,334,864	12,109,292
Tax Note	-	60,000	-	-	-	60,000
Capital Lease	112,298	37,885	-	-	112,298	37,885
Note Payable	21,482	66,902	-	-	21,482	66,902
<b>Total</b>	<b>\$ 8,582,549</b>	<b>\$ 9,108,097</b>	<b>\$ 13,361,693</b>	<b>\$ 12,169,458</b>	<b>\$ 21,944,242</b>	<b>\$ 21,277,555</b>

More detailed information about the City's long-term obligations is presented in Note F to the financial statements.

**CITY OF ROYSE CITY, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2013**

**Economic Factors and Next Year's Budgets and Rates**

The approved budget for the General Fund FY 2013-2014 reflects a 3.4% increase over the current year budgeted revenue. This is primarily due to increases in property, sales and franchise tax revenues.

This budget will raise more total property taxes than the current year budget by \$201,176 generated by tax revenue from new property added to the tax rolls.

The adopted tax rate for FY 2013-2014 will remain at \$0.698 per \$100 valuation.

**Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to the City Clerk, P.O. Box 638, Royse City, Texas 75189.



## **BASIC FINANCIAL STATEMENTS**



**CITY OF ROYSE CITY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

	<b>Primary Government</b>			<b>Component</b>
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Unit</b>
	<b>Activities</b>	<b>Activities</b>		<b>EDC</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,466,128	\$ 608,836	\$ 2,074,964	\$ 975,659
Receivables (net of allowance for uncollectibles)	458,320	734,114	1,192,434	73,579
Internal balances	(743,172)	743,172	-	-
Restricted assets:				
Cash and cash equivalents	1,173,142	3,312,706	4,485,848	-
Capital assets not being depreciated				
Land	925,169	163,056	1,088,225	-
Construction in progress	-	139,726	139,726	-
Intangible asset	-	1,177,076	1,177,076	-
Capital assets, net of accumulated depreciation				
Machinery & equipment	653,000	29,079	682,079	-
Building & improvements	8,896,098	6,570	8,902,668	-
Infrastructure	-	13,690,171	13,690,171	-
<b>Total Assets</b>	<b>12,828,685</b>	<b>20,604,506</b>	<b>33,433,191</b>	<b>1,049,238</b>
<b>LIABILITIES</b>				
Accounts payable	232,069	120,936	353,005	28,596
Other liabilities	81,639	51,060	132,699	-
Accrued expenses	71,725	6,829	78,554	-
Customer deposits	-	307,761	307,761	-
Accrued interest payable	47,197	82,348	129,545	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	8,713	754	9,467	-
Capital lease	35,376	-	35,376	-
Note payable	21,482	-	21,482	-
Bonds payable	504,575	47,428	552,003	-
Certificates of obligation	10,000	390,000	400,000	-
Due in more than one year:				
Compensated absences	78,415	6,788	85,203	-
Capital lease	76,922	-	76,922	-
Bonds payable	7,429,194	494,401	7,923,595	-
Certificates of obligation	505,000	12,429,864	12,934,864	-
<b>Total Liabilities</b>	<b>9,102,307</b>	<b>13,938,169</b>	<b>23,040,476</b>	<b>28,596</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,891,718	3,631,918	5,523,636	-
Restricted for:				
Debt service	826,176	288,710	1,114,886	-
Impact fee use	240,584	943,653	1,184,237	-
Police	42,781	-	42,781	-
Municipal Court	97,057	-	97,057	-
Hotel/Motel use	170,340	-	170,340	-
Unrestricted	457,722	1,802,056	2,259,778	1,020,642
<b>Total Net Position</b>	<b>\$ 3,726,378</b>	<b>\$ 6,666,337</b>	<b>\$ 10,392,715</b>	<b>\$ 1,020,642</b>

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

**CITY OF ROYSE CITY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Function/Program Activities</b>				
<b>Primary Government</b>				
Governmental Activities:				
General government	\$ 1,916,086	\$ 25,731	\$ 92,983	\$ -
Public safety	1,902,136	523,343	-	111,603
Public works	424,156	224,381	-	-
Public services	352,190	15,951	-	-
Community development	139,720	20,462	-	17,089
Culture and recreation	487,896	4,130	-	4,242
Environmental services	811,717	738,686	-	-
Interest on long-term debt	406,658	-	-	-
<b>Total governmental activities</b>	<b>6,440,559</b>	<b>1,552,684</b>	<b>92,983</b>	<b>132,934</b>
Business-type Activities:				
Water and sewer	3,790,710	4,650,615	-	741,077
<b>Total business-type activities</b>	<b>3,790,710</b>	<b>4,650,615</b>	<b>-</b>	<b>741,077</b>
<b>Total primary government</b>	<b>10,231,269</b>	<b>6,203,299</b>	<b>92,983</b>	<b>874,011</b>
<b>Component Unit</b>				
Economic Development Corporation	402,181	-	-	-
<b>Total component unit</b>	<b>\$ 402,181</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**General revenues:**  
Property taxes  
Sales taxes  
Franchise taxes  
Hotel/Motel taxes  
Investment income  
Miscellaneous  
Transfers  
Total general revenues  
Change in net position  
Net position - beginning  
Prior period adjustments  
Net position - ending

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

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>	<b>EDC</b>
\$ (1,797,372)	\$ -	\$ (1,797,372)	\$ -
(1,267,190)	-	(1,267,190)	-
(199,775)	-	(199,775)	-
(336,239)	-	(336,239)	-
(102,169)	-	(102,169)	-
(479,524)	-	(479,524)	-
(73,031)	-	(73,031)	-
(406,658)	-	(406,658)	-
<u>(4,661,958)</u>	<u>-</u>	<u>(4,661,958)</u>	<u>-</u>
-	1,600,982	1,600,982	-
-	1,600,982	1,600,982	-
<u>(4,661,958)</u>	<u>1,600,982</u>	<u>(3,060,976)</u>	<u>-</u>
-	-	-	(402,181)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (402,181)</u>
\$ 3,197,458	\$ -	\$ 3,197,458	\$ -
1,225,503	-	1,225,503	408,501
398,851	-	398,851	-
58,287	-	58,287	-
5,205	3,153	8,358	483
16,782	75,531	92,313	933
212,992	(212,992)	-	-
<u>5,115,078</u>	<u>(134,308)</u>	<u>4,980,770</u>	<u>409,917</u>
453,120	1,466,674	1,919,794	7,736
3,056,180	5,416,741	8,472,921	1,012,906
217,078	(217,078)	-	-
<u>\$ 3,726,378</u>	<u>\$ 6,666,337</u>	<u>\$ 10,392,715</u>	<u>\$ 1,020,642</u>

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

**CITY OF ROYSE CITY, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,395,144	\$ -	\$ 70,984	\$ 1,466,128
Receivables, net of allowance for uncollectibles	375,844	82,476	-	458,320
Due from other funds	-	299,969	-	299,969
Restricted - cash and cash equivalents	<u>67,424</u>	<u>544,646</u>	<u>561,072</u>	<u>1,173,142</u>
<b>Total Assets</b>	<u><u>1,838,412</u></u>	<u><u>927,091</u></u>	<u><u>632,056</u></u>	<u><u>3,397,559</u></u>
<b>LIABILITIES</b>				
Accounts payable	231,204	-	865	232,069
Other liabilities	72,697	-	8,942	81,639
Accrued expenses	71,221	-	504	71,725
Due to other funds	<u>1,006,758</u>	<u>-</u>	<u>36,387</u>	<u>1,043,145</u>
<b>Total Liabilities</b>	<u><u>1,381,880</u></u>	<u><u>-</u></u>	<u><u>46,698</u></u>	<u><u>1,428,578</u></u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue-property taxes	<u>15,140</u>	<u>100,915</u>	<u>-</u>	<u>116,055</u>
<b>Fund Balances</b>				
Restricted for:				
Debt service	-	826,176	-	826,176
Roadway Impact use	-	-	240,584	240,584
Police	-	-	42,780	42,780
Municipal court use	-	-	97,057	97,057
Hotel/Motel Use	-	-	170,340	170,340
Assigned to:				
Equipment replacement	2,556	-	-	2,556
General government	22,228	-	11,121	33,349
Library	-	-	3,679	3,679
Senior center	-	-	1,250	1,250
Parks and recreation	-	-	4,242	4,242
Public safety	-	-	11,568	11,568
Animal control	-	-	4,334	4,334
Unassigned	<u>416,608</u>	<u>-</u>	<u>(1,597)</u>	<u>415,011</u>
<b>Total Fund Balances</b>	<u><u>441,392</u></u>	<u><u>826,176</u></u>	<u><u>585,358</u></u>	<u><u>1,852,926</u></u>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<u><u>\$ 1,838,412</u></u>	<u><u>\$ 927,091</u></u>	<u><u>\$ 632,056</u></u>	<u><u>\$ 3,397,559</u></u>

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

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

<b>Total fund balances - governmental funds balance sheet</b>	<b>\$ 1,852,926</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,657,620
Accumulated depreciation has not been included in the governmental fund financial statements.	(3,183,353)
Revenues reported as unearned revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements.	116,055
Long-term liabilities, including bonds payable and capital leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(8,656,140)
Premiums and discounts on issuance of debt were not recognized in the balance sheet for governmental funds.	73,595
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(87,128)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.	(47,197)
<b>Net position of governmental activities - statement of net position</b>	<b><u><u>\$ 3,726,378</u></u></b>

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

**CITY OF ROYSE CITY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes:				
Property, including P&I	\$ 1,469,073	\$ 1,724,682	\$ -	\$ 3,193,755
Sales	1,225,503	-	-	1,225,503
Franchise	398,851	-	-	398,851
Beverage	1,899	-	-	1,899
Hotel/Motel	-	-	58,287	58,287
Fines and fees	416,563	-	45,905	462,468
Licenses and permits	34,051	-	-	34,051
Charge for services	217,478	-	-	217,478
Refuse collection fees	738,686	-	-	738,686
Impact fees	-	-	100,000	100,000
Intergovernmental revenue-state and local	187,583	-	-	187,583
Donations	109	-	38,225	38,334
Investment income	2,588	2,312	306	5,206
Miscellaneous	14,886	-	-	14,886
<b>Total Revenues</b>	<u>4,707,270</u>	<u>1,726,994</u>	<u>242,723</u>	<u>6,676,987</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,795,178	-	55,278	1,850,456
Public safety	1,800,216	-	7,356	1,807,572
Public works	279,818	-	-	279,818
Public services	346,001	-	3,723	349,724
Community development	120,705	-	-	120,705
Culture and recreation	452,877	-	-	452,877
Environmental services	798,217	-	13,500	811,717
Debt service:				
Principal retirement	82,532	558,096	-	640,628
Interest	4,898	404,553	-	409,451
Capital outlays				
General government	87,602	-	-	87,602
Culture and recreation	23,922	-	-	23,922
Public safety	41,577	-	-	41,577
<b>Total Expenditures</b>	<u>5,833,543</u>	<u>962,649</u>	<u>79,857</u>	<u>6,876,049</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,126,273)	764,345	162,866	(199,062)
<b>Other Revenues and Financing Sources (uses)</b>				
Transfers	1,102,083	(852,132)	(90,730)	159,221
Sale of asset	53,771	-	-	53,771
Capital lease proceeds	111,524	-	-	111,524
<b>Total other financing sources (uses)</b>	<u>1,267,378</u>	<u>(852,132)</u>	<u>(90,730)</u>	<u>324,516</u>
<b>Net change in fund balances</b>	141,105	(87,787)	72,136	125,454
<b>Fund balances, October 1</b>	300,287	913,963	296,144	1,510,394
<b>Prior period adjustments</b>	-	-	217,078	217,078
<b>Fund balances, September 30</b>	<u>\$ 441,392</u>	<u>\$ 826,176</u>	<u>\$ 585,358</u>	<u>\$ 1,852,926</u>

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

**CITY OF ROYSE CITY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<b>Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds</b>	<b>\$ 125,454</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but these are shown as an increase in capital assets in the government-wide financial statements. The effect of removing the capital outlays is to increase increase net position.	153,101
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(351,824)
Current year long-term debt principal payments on bonds payable and capital leases are expenditures in the fund financial statements but are shown as reduction in long-term debt in the government-wide financial statements.	640,628
Current year capital lease proceeds are other financing sources in the fund financial statements but are shown as an increase in the liabilities of the government-wide financial statements.	(111,524)
Current year changes in long-term liability for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(5,655)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due.	2,793
Premiums and discounts are recognized in the fund financial statements as other financial sources or uses but these are amortized over th term of the bonds in the government-wide financial statements	(3,554)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	3,701
<b>Change in net position - governmental funds</b>	<b><u><u>\$ 453,120</u></u></b>

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

**CITY OF ROYSE CITY, TEXAS  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2013**

	<u>Water &amp; Sewer Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 916,564
Receivables (net of allowance for uncollectibles)	734,114
Due from other funds	743,172
Restricted cash and cash equivalents	<u>3,004,978</u>
Total Current Assets	<u>5,398,828</u>
Noncurrent assets:	
Capital assets:	
Land	163,056
Intangible asset	1,177,076
Machinery & equipment	232,080
Buildings	39,551
Vehicles	261,364
Infrastructure	16,419,189
Construction in progress	139,726
Less: accumulated depreciation	<u>(3,226,364)</u>
Total capital assets, net	<u>15,205,678</u>
Total noncurrent assets	<u>15,205,678</u>
<b>Total Assets</b>	<u><u>20,604,506</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	120,936
Accrued expenses	6,829
Other liabilities	51,060
Payables from restricted funds:	
Customer deposits	307,761
Accrued interest	82,348
Compensated absences - current	754
Certificates of obligation - current	390,000
Bonds payable - current	<u>47,428</u>
Total Current Liabilities	<u>1,007,116</u>
Noncurrent liabilities:	
Compensated absences	6,788
Certificates of obligation	12,429,864
Bonds payable	<u>494,401</u>
Total noncurrent liabilities	<u>12,931,053</u>
<b>Total liabilities</b>	<u><u>13,938,169</u></u>
<b>NET POSITION</b>	
Net investment in capital assets	3,631,918
Restricted for:	
Debt Service	288,710
Impact fee use	943,653
Unrestricted	<u>1,802,056</u>
<b>Total Net Position</b>	<u><u>\$ 6,666,337</u></u>

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

**CITY OF ROYSE CITY, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Water &amp; Sewer Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for services - water	\$ 2,621,594
Charges for services - sewer	1,638,620
Water impact fees	390,400
Miscellaneous	<u>75,531</u>
<b>Total Operating Revenues</b>	<u>4,726,145</u>
<b>OPERATING EXPENSES:</b>	
Personnel services	345,568
Materials and supplies	84,845
Repairs and maintenance	139,578
Water purchases	861,191
Contractual services	1,054,823
Interceptor expenses	215,742
Depreciation/amortization	<u>428,576</u>
<b>Total Operating Expenses</b>	<u>3,130,323</u>
<b>Operating Income</b>	<u>1,595,822</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest revenue	3,153
Issuance cost on issued debt	(55,187)
Interest expense	<u>(605,199)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(657,233)</u>
<b>Income before capital contributions and transfers</b>	<u>(657,233)</u>
<b>Capital contributions</b>	741,077
<b>Transfers</b>	<u>(212,992)</u>
<b>Change in Net Position</b>	1,466,674
<b>Net Position, October 1</b>	5,416,741
<b>Prior Period Adjustments</b>	<u>(217,078)</u>
<b>Net Position, September 30</b>	<u><u>\$ 6,666,337</u></u>

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

**CITY OF ROYSE CITY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Water/Sewer Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 4,420,457
Cash received from other sources	307,012
Cash paid to employees	(303,629)
Cash paid to suppliers	<u>(2,254,500)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>2,169,340</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	<u>(212,992)</u>
<b>Net cash (used for) non-capital financing activities</b>	<u>(212,992)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(1,270,834)
Debt proceeds	1,585,000
Principal payments on debt obligations	(421,105)
Interest and fiscal charges on debt	<u>(634,867)</u>
<b>Net cash provided by (used for) capital &amp; related financing activities</b>	<u>(741,806)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>3,153</u>
<b>Net cash provided by investing activities</b>	<u>3,153</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,217,695
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,703,847</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 3,921,542</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income	<u>\$ 1,595,822</u>
Adjustment to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation and amortization	428,576
Contributed capital	741,077
Change in Assets and Liabilities:	
(Increase) decrease in assets:	
Accounts receivable	(41,551)
Prepaid expenses	185,000
Increase (decrease) in liabilities:	
Accounts payable	101,677
Escrow payable	(900,000)
Other liabilities	41,939
Customer deposits	<u>16,800</u>
Total adjustments	<u>573,518</u>
<b>Net cash provided by operating activities</b>	<u>\$ 2,169,340</u>

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

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**A. Summary of Significant Accounting Policies**

The City of Royse City, Texas ("City") was settled in 1885 and operates under a Council/Manager form of government with the City Council comprised of the Mayor and six Council members. Some of the services provided are: public safety (police and fire protection), municipal court, water distribution, sewer treatment, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* and by the Financial Accounting Standards Board when applicable. The more significant accounting policies of the City are described below.

**1. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and six-member Council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by GASB Statement No. 14, "The Financial Reporting Entity", as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units".

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component unit may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 by including entities which meet all three of the following requirements:

- The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents;
- the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization;
- the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component unit has been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

**Discretely presented component units.** The Royse City Economic Development Corporation ("EDC") is a discretely presented component unit of the City. The EDC is governed by a board of seven members, all of whom are appointed by the City Council of the City of Royse City and whom can be removed from office by the City Council at its will. The EDC was incorporated in the state of Texas in 1998. The nature and significance of the relationship between the primary government and the EDC is such that exclusion would cause the City's financial statements to be misleading or incomplete. There are no separate financial statements issued for the EDC.

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP which required the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resource measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Management's Discussion and Analysis includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted and final amended General Fund budget with actual results.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Fire, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise fees, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund and the Debt Service Fund. The major proprietary fund is the Water and Sewer Fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The nonmajor funds are combined in a separate column in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the proprietary fund include the costs of sales and service administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

- A. Summary of Significant Accounting Policies  
2. Basis of Presentation, Basis of Accounting  
a. Basis of Presentation (continued)

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

b. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available when they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No.6.

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

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

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for the principal and interest on long-term obligation debt of governmental funds.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flow. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
  - b. Measurement Focus, Basis of Accounting (continued)

Proprietary funds are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purposes. The following is a description of the proprietary fund:

The *Water and Sewer Fund* accounts for those operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis.

3. Financial Statement Amounts

- a. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash from all fund types to increase the amount of funds available for investment. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

- b. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the fiscal year and the reserve for prepaid items has been recognized to signify that a portion of the fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method.

- c. Receivable and Payable Balances

Trade and property tax receivables are shown net of an allowance for uncollectibles.

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts and are reported as Internal Balances.

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

- d. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary fund represent cash and cash equivalents and investments set aside for repayment of customer's water/sewer deposits, impact fees, specific capital additions and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customers deposits received for water and sewer services are, by law, to be considered restricted assets. These activities are included in the proprietary fund.

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies  
3. Financial Statement Amounts (continued)

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost, or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest recorded in the current fiscal year.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Vehicles	4-20
Office Furniture and equipment	5
Machinery and equipment	10
Buildings and Improvements	7-50
Infrastructure	40

f. Compensated Absences

It is the City's policy to pay a separating employee with at least six months of continuous service unused vacation leave not to exceed 80 hours. The rate of pay will be determined by the salary rate in effect at the time of separation. As such, there is an accrual at the close of the fiscal year end in the government-wide and proprietary fund financial statements for the amount due to all employees as of September 30, 2013. No unused sick or holiday leave will be paid out upon termination of employment.

g. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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

h. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The government does have any deferred outflows of resources for the current fiscal period.

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

h. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of a net position that applies to that time. The government has only one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred revenue, is reported only in the governmental funds balance sheet. The governmental funds report deferred revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

i. Net Position Flow Assumption

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

j. Fund Balance Policies

In the fund financial statements, governmental funds report reservations of fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by a resolution or ordinance of the City Council and that remains binding unless removed in the same manner. The resolution must be approved before the end commitment will be reflected on the financial statements.
- *Assigned fund balance* - amounts that are constrained by the City's intent to be used for specific purposes. The intent can be established by either the City Council or City Manager, as authorized by the City Council. Assignment is much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for a special purpose as directed by City Council or City Manager.
- *Unassigned fund balance* - the residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts

j. Fund Balance Policies (continued)

The City believes that adequate levels of fund balance are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent." The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 25% of expenditures, with 20% or less being cause for concern. As of September 30, 2013, the City is not in compliance with their fund balance policy as unassigned fund balance in the General Fund is only equal to 7% of General Fund expenditures.

Additional detailed information, along with the complete Fund Balance Policy, can be obtained from the Chief Financial Officer, City of Royse City, 305 North Arch Street, Royse City, Texas 75189.

k. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

l. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the fiscal year September 30, 2013, the City had a tax rate of \$0.6853 per \$100 assessed values.

m. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed.

n. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain prior year balances have been reclassified in order to be consistent with the current year's presentation.

**CITY OF ROYSE CITY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

A. Summary of Significant Accounting Policies  
 3. Financial Statement Amounts (continued)

o. Interfund Activity

Interfund activity results from loans, services provided, and reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

p. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

q. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

r. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

Expenditures exceeded appropriations in administration, public works, municipal court, and environmental services as well as principal and interest expenditures of the General Fund by (\$367,181). Also, principal expenditures in the Debt Service Fund exceeded appropriations by (\$40,797).

Action Taken

These overexpenditures were funded by greater than anticipated revenues and available fund balance in the General Fund.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None	Not applicable

**CITY OF ROYSE CITY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

B. Compliance and Accountability (continued)

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- The level of control (the level at which expenditures may not exceed budget is the fund level. The City Manager and/or CFO are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

Budgets are legally adopted on a modified accrual basis of accounting. The majority of the City's Capital Projects are budgeted on an annual basis. For budgeted capital projects not expended during the fiscal year, the City will roll those balances into the following year's fiscal budget.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2013, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,560,812 and the bank balance was \$5,212,124. The City's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Cash and investments as of September 30, 2013 consist of and are classified in the financial statements as follows:

**Statement of net position:**

Primary Government	
Cash and Cash Equivalents	\$ 2,074,964
Restricted cash and cash equivalents	4,485,848
Total cash and cash equivalents	<u>\$ 6,560,812</u>
 Governmental - restricted cash	
Debt service	\$ 612,070
Roadway impact	240,584
Special revenues - police	51,723
Municipal court	97,560
Hotel tax use	171,205
Total governmental restricted cash	<u>\$ 1,173,142</u>

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**C. Deposits and Investments  
Cash Deposits (continued)**

Business-type - restricted cash	
Customer deposits	\$ 307,761
Impact fees	1,034,503
Capital projects	<u>1,970,442</u>
Total business-type restricted cash	<u>\$ 3,312,706</u>

**Investments**

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Currently all of the City's investments are with Local Government Investment Cooperative (LOGIC).

LOGIC was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas to jointly invest their funds in permitted investments.

LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of LOGIC.

In order to comply with the Public Funds Investment Act, all portfolios will maintain a AAAm or equivalent rating from at least one nationally recognized rating agency. Standard & Poor's currently rates LOGIC AAAm.

The portfolio is managed by JPMorgan Investment Management, Inc. Day-to-day administration is performed by First Southwest Company and JPMorgan Investment Management, Inc. First Southwest provides distribution, administrative, participant support and marketing services. JPMorgan Investment Management, Inc. or its affiliates provides management, custody and fund accounting services. A request for LOGIC's financial statements can be made at [www.logic.org](http://www.logic.org).

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

As of September 30, 2013, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Average Maturity</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>
LOGIC	<u>\$ 5,342,920</u>	57 days	N/A	AAA-m

As of September 30, 2013 the City did not invest in any securities which are highly sensitive to interest rate fluctuations.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented above is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements and the actual rating as of year end for each investment type:

**Concentration of Credit Risk**

With the exception of U.S. Treasury securities, certificates of deposit and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

C. Deposits and Investments (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of the City to require full collateralization of all City investments and funds on deposit with a depository bank, other than investments which are obligations of the U.S. government and its agencies and instrumentalities.

As of September 30, 2013, the City deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

D. Receivables

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Water and Sewer	Total
Receivables:				
Taxes	\$ 264,533	\$ 84,114	\$ -	\$ 348,647
Fees and Charges	184,877	-	919,069	1,103,946
Other	47,308	-	-	47,308
Gross Receivables	496,718	84,114	919,069	1,499,901
Less: allowance for uncollectibles	(120,874)	(1,638)	(184,955)	(307,467)
Net Total Receivables	<u>\$ 375,844</u>	<u>\$ 82,476</u>	<u>\$ 734,114</u>	<u>\$ 1,192,434</u>

The Water and Sewer Fund accounts receivable includes unbilled charges for services of \$223,865 rendered as of fiscal year end.

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**E. Capital Assets**

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

	Beginning Balances	Additions	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 925,169	\$ -	\$ -	\$ 925,169
Total capital assets, not being depreciated	925,169	-	-	925,169
Capital assets, being depreciated:				
Buildings and Improvements	10,139,524	-	-	10,139,524
Machinery & Equipment	2,439,826	153,101	-	2,592,927
Total capital assets being depreciated	12,579,350	153,101	-	12,732,451
Less accumulated depreciation for:				
Buildings and Improvements	(1,035,048)	(208,378)	-	(1,243,426)
Machinery & Equipment	(1,796,480)	(143,447)	-	(1,939,927)
Total accumulated depreciation	(2,831,528)	(351,825)	-	(3,183,353)
Total capital assets, being depreciated	9,747,822	(198,724)	-	9,549,098
Governmental activities capital assets, net	\$ 10,672,991	\$ (198,724)	\$ -	\$ 10,474,267
<b>Business-type Funds:</b>				
Capital assets, not being depreciated				
Land	\$ 216,827	\$ -	\$ (53,771)	\$ 163,056
Construction-In-Progress	2,664,067	139,728	(2,664,069)	139,726
Intangible assets	200,500	976,576	-	1,177,076
Total capital assets, not being depreciated	3,081,394	1,116,304	(2,717,840)	1,479,858
Capital assets, being depreciated:				
Water & Sewer System	13,546,818	2,872,371	-	16,419,189
Buildings and Improvements	39,551	-	-	39,551
Machinery & Equipment	493,444	-	-	493,444
Total capital assets being depreciated	14,079,813	2,872,371	-	16,952,184
Less accumulated depreciation for:				
Water & Sewer System	(2,330,716)	(398,302)	-	(2,729,018)
Buildings and Improvements	(31,691)	(1,290)	-	(32,981)
Machinery & Equipment	(446,331)	(18,034)	-	(464,365)
Total accumulated depreciation:	(2,808,738)	(417,626)	-	(3,226,364)
Total capital assets, being depreciated, net	11,271,075	2,454,745	-	13,725,820
Business-type activities capital assets, net	\$ 14,352,469	\$ 3,571,049	\$ (2,717,840)	\$ 15,205,678

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

<b>Governmental activities:</b>	
General government	\$ 55,794
Public safety	94,563
Public works	144,340
Municipal Court	2,465
Community Services	19,015
Culture and recreation	35,648
Total depreciation expense - governmental activities	\$ 351,825
<b>Business-type activities:</b>	
Water and Sewer	\$ 417,626

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

E. Capital Assets (continued)

A Certificate of Convenience and Necessity (CCN) was filed in January, 2013 requesting approval for an agreement designating service areas between BHP Water Supply Corporation and the City with Texas Commission on Environmental Quality ("TCEQ"). Under this agreement, BHP and the City entered into a contract service agreement regarding their respective water service areas. Under the agreement, BHP will transfer an 11.77 acre portion to the City and the City will be dually certified with the City of Josephine as to this portion. Also, BHP will release a 76.23-acre portion to the City and the City will be solely certificated to this portion. An estimated 88 total acres of BHP's CCN No. 10064 will be transferred to the City. There are no customers in this area. There will be no transfer of facilities under this agreement. This decision to grant the transfer was approved in October 2013.

F. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2013, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable:					
General Obligation Bonds & Certificates of Obligation	\$ 9,020,457	\$ -	\$ (498,096)	\$ 8,522,361	\$ 514,575
Tax Note	60,000	-	(60,000)	-	-
Less deferred amounts:					
For issuance discounts	(81,710)	-	5,837	(75,873)	-
For issuance premiums	4,564	-	(2,283)	2,281	-
	9,003,311	-	(554,542)	8,448,769	514,575
Capital Leases	37,886	111,524	(37,112)	112,298	35,376
Compensated Absences	81,473	75,942	(70,287)	87,128	8,713
Notes Payable	66,902	-	(45,420)	21,482	21,482
Governmental activity Long-term liabilities	<u>\$ 9,189,572</u>	<u>\$ 187,466</u>	<u>\$ (707,361)</u>	<u>\$ 8,669,677</u>	<u>\$ 580,146</u>
	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Bonds Payable:					
General Obligation Bonds & Certificates of Obligation	\$ 12,267,544	\$ 1,585,000	\$ (373,902)	\$ 13,478,642	\$ 437,428
Less deferred amounts:					
For issuance discounts	(84,330)	(73,612)	7,030	(150,912)	-
For issuance premiums	5,096	43,799	(1,138)	47,757	-
On refunding	(18,854)	-	5,060	(13,794)	-
	12,169,456	1,555,187	(362,950)	13,361,693	437,428
Compensated Absences	5,660	6,201	(4,319)	7,542	754
Business-type activity Long-term liabilities	<u>\$ 12,175,116</u>	<u>\$ 1,561,388</u>	<u>\$ (367,269)</u>	<u>\$ 13,369,235</u>	<u>\$ 438,182</u>

Compensated Absences

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

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

F. Long-Term Obligations (continued)

**Changes in Governmental Bonded Debt by Series**

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding September 30,		Retired	Amounts Outstanding September 30,		Due Within One Year
			2012	Increase		2013		
GO Bonds, Series 1976	5.00%	\$ 150,000	\$ 28,000	\$ -	\$ (7,000)	\$ 21,000	\$ 7,000	
GO Bonds, Series 2005	3.25-4.00%	1,149,476	197,457	-	(81,096)	116,361	77,575	
CO, Series 2006	4.03%	1,875,000	1,565,000	-	(85,000)	1,480,000	90,000	
CO, Series 2007A	4.25-4.75%	7,850,000	6,705,000	-	(315,000)	6,390,000	330,000	
CO, Series 2011	2.10-3.25%	535,000	525,000	-	(10,000)	515,000	10,000	
Tax Note, Series 2012	2.25%	60,000	60,000	-	(60,000)	-	-	
Total Bonds and CO's payable		<u>\$ 11,619,476</u>	<u>\$ 9,080,457</u>	<u>\$ -</u>	<u>\$ (558,096)</u>	<u>\$ 8,522,361</u>	<u>\$ 514,575</u>	

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2014	\$ 514,575	\$ 377,576	\$ 892,151
2015	500,786	351,311	852,097
2016	482,000	325,248	807,248
2017	510,000	315,736	825,736
2018	530,000	293,318	823,318
2019-2023	3,030,000	1,100,157	4,130,157
2024-2028	2,835,000	359,852	3,194,852
2029-2031	120,000	12,000	132,000
Totals	<u>\$ 8,522,361</u>	<u>\$ 3,135,198</u>	<u>\$ 11,657,559</u>

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

\$1,149,476 2005 General Obligation Refunding Bond issued for the purpose of refunding all of the issuer's outstanding combination tax and revenue certificates of obligation, Series 1992 and 2000.

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

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

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

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

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

F. Long-Term Obligations (continued)

**Changes in Business-type Bonded Debt by Series**

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30,		Retired	Amounts Outstanding September 30,		Due Within One Year
			2012	Increase		2013		
GO Bonds, Series 2005	3.25-4.00%	\$ 480,524	\$ 82,544	\$ -	\$ (33,902)	\$ 48,642	\$ 32,428	
GO Bonds, Series 2010	2.00-3.75%	555,000	525,000	-	(15,000)	510,000	15,000	
CO, Series 2005	3.25-4.50%	5,015,000	3,960,000	-	(75,000)	3,885,000	130,000	
CO, Series 2007B	5.49-6.38%	4,695,000	4,085,000	-	(175,000)	3,910,000	185,000	
CO, Series 2010	2.00-4.50%	3,690,000	3,615,000	-	(75,000)	3,540,000	75,000	
CO, Series 2013	2.0-3.0%	1,585,000	-	1,585,000	-	1,585,000	-	
Total Bonds and CO's payable		<u>\$ 16,020,524</u>	<u>\$ 12,267,544</u>	<u>\$ 1,585,000</u>	<u>\$ (373,902)</u>	<u>\$ 13,478,642</u>	<u>\$ 437,428</u>	

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2013	\$ 437,428	\$ 658,783	\$ 1,096,211
2014	571,214	612,893	1,184,107
2015	720,000	589,337	1,309,337
2016	760,000	560,437	1,320,437
2017	785,000	528,895	1,313,895
2018-2022	3,980,000	2,091,327	6,071,327
2023-2027	4,490,000	1,015,465	5,505,465
2028-2031	1,735,000	142,276	1,877,276
Totals	<u>\$ 13,478,642</u>	<u>\$ 6,199,413</u>	<u>\$ 19,678,055</u>

\$480,524 2005 General Obligation Refunding Bond were issued for the purpose of providing funds to refund al of the issuer's outstanding combination tax and revenue certificates of obligation, Series 1992 and 2000.

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

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

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

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

\$1,585,000 Combination Tax and Revenue Certificates of Obligation, Series 2013 were issued for the purpose of acquiring, constructing, installing and equipping improvements to the City's waterworks and sewer system, including construction and installation of sewer line and legal, fiscal, and engineering fees in connection with projects.

**CITY OF ROYSE CITY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

F. Long-Term Obligations (continued)

Capital Leases

The City has the following lease agreements:

\$27,198 Equipment Lease Purchase Agreement for financing the purchase of equipment dated December 9, 2008. It is payable in annual installments of \$6,804, including interest at a rate of 8.5%. The lease was paid off in the current fiscal year.

\$39,335 Software Lease Agreement with Government Capital Corporation for financing the purchase of software dated July 12, 2011. It is payable in annual installments of \$14,471, including interest. The lease is secured by equipment and has a carrying value of \$13,409 at September 30, 2013.

\$63,680 Equipment Lease Agreement with Government Capital Corporation for financing the purchase of police vehicle in October, 2012. The lease is payable in annual installments of \$6,965, including interest. The lease is secured by equipment and has a carrying value of \$51,044 at September 30, 2013.

\$47,844 Equipment Lease Agreement with Government Capital Corporation for financing the purchase of two Chevrolet trucks in May, 2013. The lease is payable in annual installments of \$16,621, including interest. The lease is secured by equipment and has a carrying value of \$47,844 at September 30, 2013.

Capital lease repayment requirements are as follows:

Year Ending September 30:	General Fund
2014	\$ 45,022
2015	30,551
2016	30,551
2017	13,930
Totals	120,054
Amounts Representing Interest	(7,756)
Present Value of Minimum Lease Payments	<u>\$ 112,298</u>

Notes Payable

The City incurred a note payable to Sanitation Solutions in the amount of \$120,000. The note is repaid in annual payments of \$24,000. This note will be paid in full in fiscal year 2014.

Debt service requirements as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2014	<u>\$ 21,482</u>	<u>\$ 2,518</u>	<u>\$ 24,000</u>

G. Operating lease

The City has two operating leases for office equipment of \$611 a month. These leases began in November, 2012.

H. Pension Plan

1. Plan Description

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

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

**CITY OF ROYSE CITY, TEXAS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

H. Pension Plan

1. Plan Description (continued)

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

	Plan Year	
	2012	2013
Employee deposit rate:	7%	7%
Matching ratio (city to employee):	2 to 1	2 to 1
Years required for vesting	5 yrs	5 yrs
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	100%
Annuity increase (to retirees)	0% of CPI	30% of CPI

2. Contributions

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

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

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

	<u>12/31/10</u>	<u>12/31/11</u>	<u>12/31/12</u>
Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial cost method	Projected	Projected	Projected
	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level %	Level %	Level %
GASB25 equivalent single	23.1 yrs	22.3 yrs	21.3 yrs
Amortization period	closed period	closed period	closed period
Amortization period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10yr Smoothed	10yr Smoothed	10yr Smoothed
	Market	Market	Market
Actuarial assumptions:			
Investment rate of return *	7%	7%	7%
Projected salary increase *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation rate at	3.00%	3.00%	3.00%
Cost-of-living Adjustments	0.00%	0.90%	0.90%



**CITY OF ROYSE CITY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**J. Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reduction in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years. The City has renewed all coverages and policies for fiscal year 2013-2014.

**K. Litigation**

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

**L. Commitments and Contingencies**

Construction Commitments

The City has an active construction project as of September 30, 2013. The projects include mainly sewer infrastructure and improvements.

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

Proprietary Funds

<u>Project</u>	<u>Project Budget Appropriation</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Pond branch sewer project	\$ 1,509,808	\$ 139,726	\$ 1,370,082

**M. Additional Water and Sewer Information**

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

Gallons Pumped	479,386,000
Gallons Billed	418,940,509

The City has a contract with North Texas Municipal Water District ("NTMWD") to purchase substantially all of its water. Under the contract, the City pays NTMWD a rate based on water usage. The rates charged are subject to minimum annual contract payments. Contract payments for water for the year ended September 30, 2013 were \$861,191.

In 2001, the City entered into a contract with NTMWD whereby they agreed to issue \$1,730,000 revenue bonds to enable the City to acquire and construct a 1,000,000 gallon ground storage tank and related facilities. The bonds are secured solely by payments made by the City to NTMWD. Payments are required annually through June 1, 2022. Contractual commitment paid in the the current fiscal year was \$143,954.

**CITY OF ROYSE CITY, TEXAS  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**N. Interfund Transactions**

<u>Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Total</u>
General Fund	\$ -	\$ 1,155,854	\$ 1,155,854
Debt Service Fund	852,132	-	852,132
Other Governmental Funds	90,730	-	90,730
Water and Sewer Fund	212,992	-	212,992
Total Major Funds	<u>\$ 1,155,854</u>	<u>\$ 1,155,854</u>	<u>\$ 2,311,708</u>

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

**O. Subsequent Events**

The City has evaluated all events or transactions that occurred after September 30, 2013 up through March 25, 2014, the date the financial statements were available to be issued. During this period, management was not aware of any event requiring disclosure.

**P. Prior Period Adjustment**

One prior period adjustment was recorded for both governmental activities and business-type activities of \$217,078. In the prior year, the Roadway Impact Fund was presented in the business-type activities. This is corrected in the current year's financial statement presentation by reclassifying to the governmental activities.

**Q. Royse City Economic Development Corporation**

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

**1. Deposits and Investments**

**Cash Deposits**

At September 30, 2013, the carrying amount of the EDC's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$975,455 and the bank balance was \$975,668. The EDC's cash deposits at September 30, 2013 and during the year ended September 30, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the EDC's agent bank in the EDC's name.

Cash and investments as of September 30, 2013 consist of and are classified in the accompanying financial statements as follows:

**Statement of net assets:**

Primary Government	
Cash and Cash Equivalents	<u>\$ 975,659</u>

**Investments**

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

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

**2. Receivables**

Account receivable at the end of the fiscal year is due from the City in the amount of \$73,579. No allowance for uncollectible is calculated since there is minimal chance that the entire amount will not be collected.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF ROYSE CITY, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Taxes:				
Property, including P&I	\$ 1,503,875	\$ 1,503,875	\$ 1,469,073	\$ (34,802)
Sales	1,188,000	1,188,000	1,225,503	37,503
Franchise	408,000	408,000	398,851	(9,149)
Beverage	-	-	1,899	1,899
Charge for services	194,850	194,850	217,478	22,628
Fines and fees	246,859	246,859	416,563	169,704
Licenses and permits	79,500	79,500	34,051	(45,449)
Refuse collection fees	750,000	750,000	738,686	(11,314)
Intergovernmental revenue-state and local	111,503	111,503	187,583	76,080
Donations	-	-	109	109
Investment income	1,500	1,500	2,588	1,088
Miscellaneous	88,000	88,000	14,886	(73,114)
<b>Total Revenues</b>	<b>4,572,087</b>	<b>4,572,087</b>	<b>4,707,270</b>	<b>135,183</b>
<b>EXPENDITURES</b>				
Current:				
General government	1,597,683	1,665,183	1,795,178	(129,995)
Public safety	1,862,668	1,862,668	1,800,216	62,452
Streets	258,423	259,323	279,818	(20,495)
Municipal court	167,264	166,964	346,001	(179,037)
Community services	124,038	123,888	120,705	3,183
Parks	480,753	495,678	452,877	42,801
Environmental services	746,384	783,384	798,217	(14,833)
Debt Service:				
Principal retirement	45,275	45,275	82,532	(37,257)
Interest	-	-	4,898	(4,898)
Capital outlays:				
General government	-	-	87,602	(87,602)
Culture and recreation	22,000	22,000	23,922	(1,922)
Public safety	42,000	42,000	41,577	423
<b>Total Expenditures</b>	<b>5,346,488</b>	<b>5,466,363</b>	<b>5,833,543</b>	<b>(367,180)</b>
<b>Excess of revenues</b>				
<b>over (under) expenditures</b>	<b>(774,401)</b>	<b>(894,276)</b>	<b>(1,126,273)</b>	<b>(231,997)</b>
<b>Other Financing Sources (uses)</b>				
Transfers	1,090,733	1,090,733	1,102,083	11,350
Sale of asset	-	-	53,771	53,771
Capital lease proceeds	-	-	111,524	111,524
<b>Total other financing sources (uses)</b>	<b>1,090,733</b>	<b>1,090,733</b>	<b>1,267,378</b>	<b>176,645</b>
<b>Net change in fund balance</b>	<b>316,332</b>	<b>196,457</b>	<b>141,105</b>	<b>(55,352)</b>
<b>Fund Balance, October 1</b>	<b>300,287</b>	<b>300,287</b>	<b>300,287</b>	
<b>Fund Balance, September 30</b>	<b>\$ 616,619</b>	<b>\$ 496,744</b>	<b>\$ 441,392</b>	

**CITY OF ROYSE CITY, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

**TMRS FUNDING PROGRESS AND CONTRIBUTIONS  
 LAST SIX FISCAL YEARS (UNAUDITED)  
 (UNAUDITED)**

<b>Fiscal Year</b>	<b>Actuarial Valuation Date</b>	<b>(1) Actuarial Value of Assets</b>	<b>(2) Actuarial Accrued Liability (AAL) -Unit Credit</b>	<b>(3) Unfunded Actuarial Accrued Liability UAAL (2)-(1)</b>	<b>(4) Funded Percent (1)/(2)</b>	<b>(5) Covered Payroll</b>	<b>(6) UAAL as Percent of Covered Payroll (3)/(5)</b>	<b>(7) Annual Required Contributions</b>	<b>(8) Actual Contributions</b>	<b>Percent Contributed (8)/(7)</b>
2008	12/31/2007	\$ 1,071,878	\$ 1,834,600	\$ 762,722	58.4%	\$ 2,333,042	32.7%	\$ 138,398	\$ 138,398	100%
2009	12/31/2008	1,308,365	1,963,264	654,899	66.6%	1,725,686	38.0%	155,910	155,910	100%
2010	12/31/2009	1,597,312	2,396,021	798,709	66.7%	1,935,740	41.3%	180,873	180,873	100%
2011	12/31/2010	2,267,612	3,276,858	1,009,246	69.2%	1,987,438	50.8%	199,253	199,253	100%
2012	12/31/2011	2,634,944	3,814,485	1,179,541	69.1%	2,108,279	55.9%	180,934	180,934	100%
2013	12/31/2012	2,490,742	4,093,884	1,027,703	60.8%	2,237,680	45.9%	221,271	221,271	100%

## SUPPLEMENTARY INFORMATION



**CITY OF ROYSE CITY, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,746,332	\$ 1,746,332	\$ 1,724,682	\$ (21,650)
Investment Income	2,000	2,000	2,312	312
Total Revenues	<u>1,748,332</u>	<u>1,748,332</u>	<u>1,726,994</u>	<u>(21,338)</u>
<b>EXPENDITURES</b>				
Debt Service:				
Principal Retirement	513,514	513,514	558,096	(44,582)
Interest and Fiscal Agent Fees	429,676	429,676	404,553	25,123
Total Expenditures	<u>943,190</u>	<u>943,190</u>	<u>962,649</u>	<u>(19,459)</u>
<b>Excess of revenues over expenditures</b>	<u>805,142</u>	<u>805,142</u>	<u>764,345</u>	<u>(40,797)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers	(854,712)	(854,712)	(852,132)	2,580
Total Other Financing Sources and Uses	<u>(854,712)</u>	<u>(854,712)</u>	<u>(852,132)</u>	<u>2,580</u>
<b>Net change in fund balance</b>	(49,570)	(49,570)	(87,787)	(38,217)
<b>Fund Balance, October 1</b>	913,963	913,963	913,963	
<b>Fund Balance, September 30</b>	<u>\$ 864,393</u>	<u>\$ 864,393</u>	<u>\$ 826,176</u>	

**CITY OF ROYSE CITY, TEXAS  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013**

	<u>Hotel/ Motel</u>	<u>Court Technology</u>	<u>Court Security</u>	<u>Roadway Impact</u>	<u>Police Forfeiture</u>	<u>State Police</u>	<u>TXPW Grant</u>	<u>Library</u>
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,679
Cash and cash equivalents - Restricted	171,205	38,427	30,619	240,584	21,335	30,387	-	-
<b>Total Assets</b>	<u>171,205</u>	<u>38,427</u>	<u>30,619</u>	<u>240,584</u>	<u>21,335</u>	<u>30,387</u>	<u>-</u>	<u>3,679</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	865	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	8,942	-	-
Due to other funds	-	-	-	-	-	-	1,597	-
<b>Total Liabilities</b>	<u>865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,942</u>	<u>1,597</u>	<u>-</u>
<b>Fund Balances</b>								
Restricted for:								
Municipal court use	-	38,427	30,619	-	-	-	-	-
Police	-	-	-	-	21,335	21,445	-	-
Roadway Impact	-	-	-	240,584	-	-	-	-
Hotel/Motel Use	170,340	-	-	-	-	-	-	-
Assigned to:								
General government	-	-	-	-	-	-	-	-
Library	-	-	-	-	-	-	-	3,679
Senior Center	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Animal Control	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(1,597)	-
<b>Total Fund Balances</b>	<u>170,340</u>	<u>38,427</u>	<u>30,619</u>	<u>240,584</u>	<u>21,335</u>	<u>21,445</u>	<u>(1,597)</u>	<u>3,679</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 171,205</u>	<u>\$ 38,427</u>	<u>\$ 30,619</u>	<u>\$ 240,584</u>	<u>\$ 21,335</u>	<u>\$ 30,387</u>	<u>\$ -</u>	<u>\$ 3,679</u>

**CITY OF ROYSE CITY, TEXAS  
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013**

	<u>Senior Center</u>	<u>Main Street</u>	<u>Building Donations</u>	<u>Police Donations</u>	<u>Fire Donations</u>	<u>Animal</u>	<u>Parks</u>	<u>Juvenile Case Management Fund</u>	<u>Total</u>
<b>ASSETS</b>									
Cash and cash equivalents	\$ 1,250	\$ 5,121	\$ 6,000	\$ 1,533	\$ 44,825	\$ 4,334	\$ 4,242	\$ -	\$ 70,984
Cash and cash equivalents - Restricted	-	-	-	-	-	-	-	28,515	561,072
<b>Total Assets</b>	<u>1,250</u>	<u>5,121</u>	<u>6,000</u>	<u>1,533</u>	<u>44,825</u>	<u>4,334</u>	<u>4,242</u>	<u>28,515</u>	<u>632,056</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities</b>									
Accounts payable	-	-	-	-	-	-	-	-	865
Other liabilities	-	-	-	-	-	-	-	504	9,446
Due to other funds	-	-	-	-	34,790	-	-	-	36,387
<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,790</u>	<u>-</u>	<u>-</u>	<u>504</u>	<u>46,698</u>
<b>Fund Balances</b>									
Restricted for:									
Municipal court use	-	-	-	-	-	-	-	28,011	97,057
Police	-	-	-	-	-	-	-	-	42,780
Roadway Impact	-	-	-	-	-	-	-	-	240,584
Hotel/Motel Use	-	-	-	-	-	-	-	-	170,340
Assigned to:									
General government	-	5,121	6,000	-	-	-	-	-	11,121
Library	-	-	-	-	-	-	-	-	3,679
Senior Center	1,250	-	-	-	-	-	-	-	1,250
Parks and recreation	-	-	-	-	-	-	4,242	-	4,242
Public Safety	-	-	-	1,533	10,035	-	-	-	11,568
Animal Control	-	-	-	-	-	4,334	-	-	4,334
Unassigned	-	-	-	-	-	-	-	-	(1,597)
<b>Total Fund Balances</b>	<u>1,250</u>	<u>5,121</u>	<u>6,000</u>	<u>1,533</u>	<u>10,035</u>	<u>4,334</u>	<u>4,242</u>	<u>28,011</u>	<u>585,358</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,250</u>	<u>\$ 5,121</u>	<u>\$ 6,000</u>	<u>\$ 1,533</u>	<u>\$ 44,825</u>	<u>\$ 4,334</u>	<u>\$ 4,242</u>	<u>\$ 28,515</u>	<u>\$ 632,056</u>

**CITY OF ROYSE CITY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

88

	<u>Hotel/ Motel</u>	<u>Court Technology</u>	<u>Court Security</u>	<u>Roadway Impact</u>	<u>Police Forfeiture</u>	<u>State Police</u>	<u>TXPW Grant</u>	<u>Library</u>
<b>REVENUES</b>								
Taxes:								
Hotel/Motel	\$ 58,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Roadway Impact Fees	-	-	-	100,000	-	-	-	-
Fines and Fees	-	9,113	6,837	-	-	18,853	-	-
Donations	-	-	-	-	-	-	-	-
Investment Income	-	-	-	306	-	-	-	-
<b>Total Revenues</b>	<u>58,287</u>	<u>9,113</u>	<u>6,837</u>	<u>100,306</u>	<u>-</u>	<u>18,853</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>								
Current:								
General government	49,632	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	5,235	-	-
Municipal Court	-	-	-	-	-	-	-	-
Environmental services	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>49,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,235</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	8,655	9,113	6,837	100,306	-	13,618	-	-
<b>Other Revenues and Financing Sources (Uses)</b>								
Transfers	-	-	-	(76,800)	-	(13,930)	-	-
<b>Total Other Revenues and Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,800)</u>	<u>-</u>	<u>(13,930)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	8,655	9,113	6,837	23,506	-	(312)	-	-
<b>Fund balances, October 1</b>	161,685	29,313	23,782	217,078	21,335	21,757	(1,597)	3,679
<b>Fund balances, September 30</b>	<u>\$ 170,340</u>	<u>\$ 38,426</u>	<u>\$ 30,619</u>	<u>\$ 240,584</u>	<u>\$ 21,335</u>	<u>\$ 21,445</u>	<u>\$ (1,597)</u>	<u>\$ 3,679</u>

**CITY OF ROYSE CITY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Senior Center</u>	<u>Main Street</u>	<u>Building Donations</u>	<u>Police Donations</u>	<u>Fire Donations</u>	<u>Animal</u>	<u>Parks</u>	<u>Juvenile Case Management Fund</u>	<u>Total</u>
<b>REVENUES</b>									
Taxes:									
Hotel/Motel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,287
Roadway Impact Fees	-	-	-	-	-	-	-	-	100,000
Fines and Fees	-	-	-	-	-	-	-	11,102	45,905
Donations	-	10,794	6,000	-	100	17,089	4,242	-	38,225
Investment Income	-	-	-	-	-	-	-	-	306
<b>Total Revenues</b>	<u>-</u>	<u>10,794</u>	<u>6,000</u>	<u>-</u>	<u>100</u>	<u>17,089</u>	<u>4,242</u>	<u>11,102</u>	<u>242,723</u>
<b>EXPENDITURES</b>									
Current:									
General government	-	5,646	-	-	-	-	-	-	55,278
Fire Department	-	-	-	2,121	-	-	-	-	7,356
Municipal Court	-	-	-	-	-	-	-	3,723	3,723
Environmental services	-	-	-	-	-	13,500	-	-	13,500
<b>Total Expenditures</b>	<u>-</u>	<u>5,646</u>	<u>-</u>	<u>2,121</u>	<u>-</u>	<u>13,500</u>	<u>-</u>	<u>3,723</u>	<u>79,857</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	5,148	6,000	(2,121)	100	3,589	4,242	7,379	162,866
<b>Other Revenues and Financing Sources (Uses)</b>									
Transfers	-	-	-	-	-	-	-	-	(90,730)
<b>Total Other Revenues and Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(90,730)</u>
<b>Net change in fund balances</b>	-	5,148	6,000	(2,121)	100	3,589	4,242	7,379	72,136
<b>Fund balances, October 1</b>	1,250	(27)	-	3,654	9,935	745	-	20,633	513,222
<b>Fund balances, September 30</b>	<u>\$ 1,250</u>	<u>\$ 5,121</u>	<u>\$ 6,000</u>	<u>\$ 1,533</u>	<u>\$ 10,035</u>	<u>\$ 4,334</u>	<u>\$ 4,242</u>	<u>\$ 28,012</u>	<u>\$ 585,358</u>

**CITY OF ROYSE CITY, TEXAS  
BALANCE SHEET  
DISCRETELY PRESENTED COMPONENT UNIT  
SEPTEMBER 30, 2013**

	<u>EDC</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 975,659
Receivables (net of allowance for uncollectibles)	<u>73,579</u>
<b>Total Assets</b>	<u><u>1,049,238</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts Payable	<u>28,596</u>
<b>Total Liabilities</b>	<u><u>28,596</u></u>
<b>Fund Balance</b>	
Assigned for:	
Community Development	<u>1,020,642</u>
<b>Total Fund Balance</b>	<u><u>1,020,642</u></u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 1,049,238</u></u>

**CITY OF ROYSE CITY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE  
DISCRETELY PRESENTED COMPONENT UNIT  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>EDC</u>
<b>REVENUES</b>	
Taxes:	
Sales	\$ 408,501
Investment Income	483
Miscellaneous	<u>933</u>
<b>Total Revenues</b>	<u>409,917</u>
 <b>EXPENDITURES</b>	
Current:	
Administrative	153,334
Miscellaneous	50,554
Community Development	122,213
Project costs	<u>76,080</u>
<b>Total Expenditures</b>	<u>402,181</u>
 <b>Net change in fund balance</b>	 7,736
 <b>Fund balance, October 1</b>	 <u>1,012,906</u>
<b>Fund balance, September 30</b>	<u><u>\$ 1,020,642</u></u>

**CITY OF ROYSE CITY, TEXAS  
 BUDGETARY COMPARISON SCHEDULE  
 ECONOMIC DEVELOPMENT CORPORATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Sales	\$ 372,950	\$ 372,950	\$ 408,501	\$ 35,551
Investment Income	500	500	483	(17)
Miscellaneous	-	-	933	933
Total Revenues	<u>373,450</u>	<u>373,450</u>	<u>409,917</u>	<u>36,467</u>
<b>EXPENDITURES</b>				
Current:				
Administrative	154,000	154,000	153,334	666
Miscellaneous	200,992	200,992	50,554	150,438
Community development	125,000	125,000	122,213	2,787
Project costs	75,000	75,000	76,080	(1,080)
Total Expenditures	<u>554,992</u>	<u>554,992</u>	<u>402,181</u>	<u>152,811</u>
<b>Net change in fund balance</b>	(181,542)	(181,542)	7,736	189,278
<b>Fund balance, October 1</b>	<u>1,012,906</u>	<u>1,012,906</u>	<u>1,012,906</u>	
<b>Fund balance, September 30</b>	<u>\$ 831,364</u>	<u>\$ 831,364</u>	<u>\$ 1,020,642</u>	