

Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FORT STOCKTON, TEXAS

Fort Stockton, Texas

ANNUAL FINANCIAL REPORT

For The Year Ended September 30, 2012

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INTRODUCTORY SECTION

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CITY OF FORT STOCKTON, TEXAS
 ANNUAL FINANCIAL REPORT
 For The Year Ended September 30, 2012
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City Council (Elected Officials at Large)

Mayor

William C. Lannom

Mayor Pro-Tem

Darren Hodges

Council members

Chris Alexander

Allan Childs

Billy Jackson

Dino Ramirez

Officials Appointed by the City Council

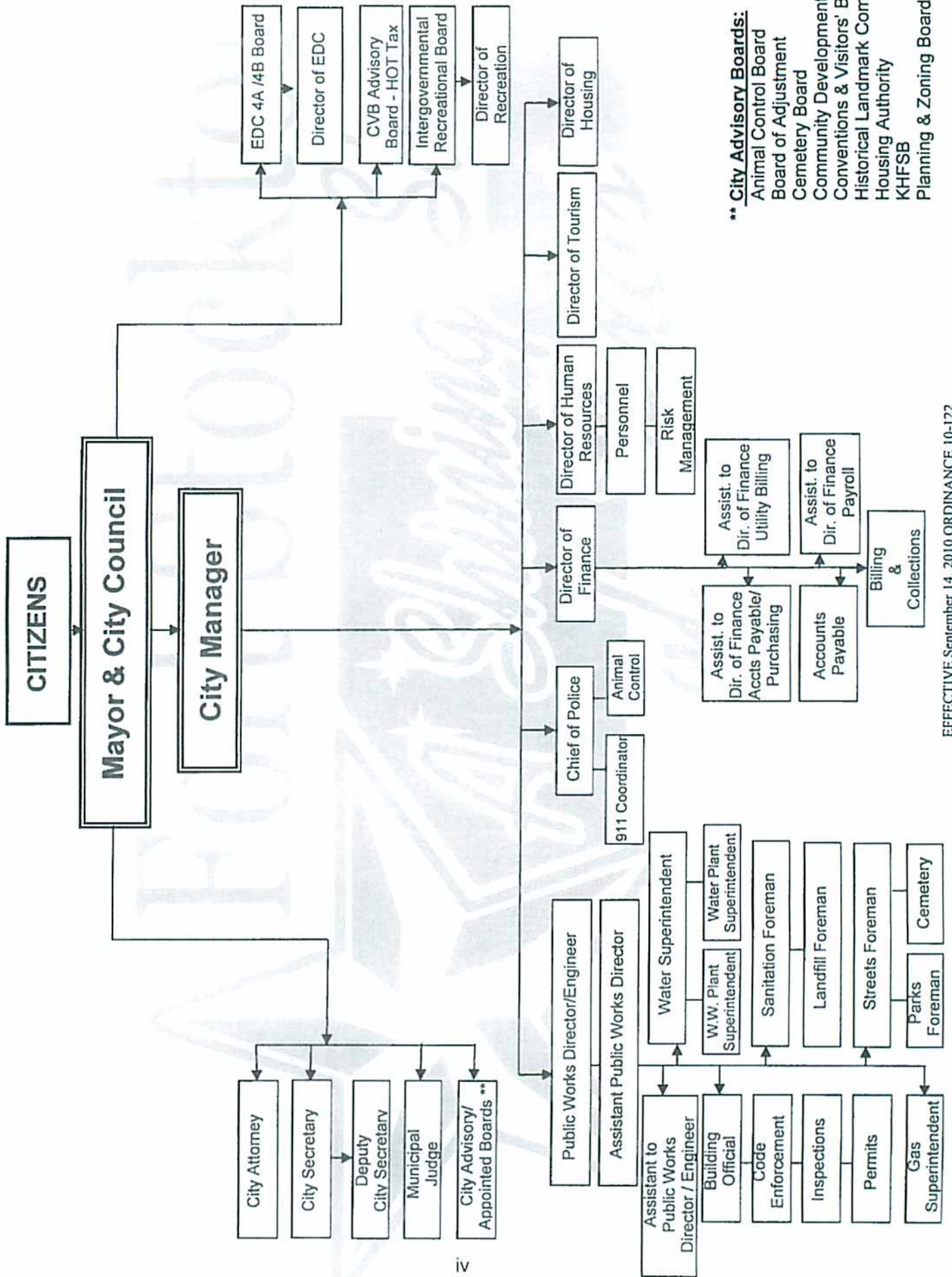
Raul RodriguezCity Manager
Martin AdamsCity Attorney
Delma A. GonzalezCity Secretary
Doug MayDirector of Economic Development
Paul CasiasDirector of Recreation

Officials Appointed/Confirmed by the City Manager

Penny SmithDirector of Finance
VacantDirector of Public Works/City Engineer
Arturo FuentesChief of Police
Greg BallardBuilding Official/Code Enforcement
Kelly BryantDirector of Human Resource
Doug MayCo-Director of Tourism
Crystal LopezCo-Director of Tourism
Luly MontoyaDirector of Housing

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ORGANIZATIONAL CHART FOR THE CITY OF FORT STOCKTON



**** City Advisory Boards:**
 Animal Control Board
 Board of Adjustment
 Cemetery Board
 Community Development
 Conventions & Visitors' Bureau
 Historical Landmark Comm
 Housing Authority
 KHFSB
 Planning & Zoning Board

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FINANCIAL SECTION

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Garza/Gonzalez & Associates

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
Of City Council
City of Fort Stockton, Texas

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

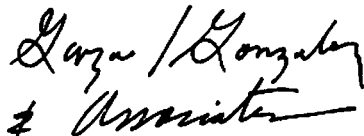
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fort Stockton, Texas as of September 30, 2012, and the respective changes in financial position and, cash flows, where applicable, thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress of the Retirement Plan and the Schedule of Funding Progress for the Other Post Employment Benefit Plan 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and the Fort Stockton Housing Authority (component unit) Financial Data Schedule, as presented on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and 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 combining nonmajor fund financial statements and the Financial Data Schedule have 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, and in our opinion, are fairly stated in all material respects in relation to the financial statements as a whole. The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



December 28, 2012

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CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

In this section of the Annual Financial Report, we, the managers of the City of Fort Stockton, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2012. Please read it in conjunction with the Compilation Report on page 1, and the City's Basic Financial Statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

The City's total net assets increased by \$655,039 as a result of this year's operations. This compares favorably to last year's increase of \$106,559. Net assets of the business-type activities increased by \$1,194,124 while the net assets of the governmental activities decreased by \$539,085. The primary reason for the large increase in the business-type activities is due to increased water sales and a decrease in transfers made to the Governmental Funds from the Enterprise Funds.

This year's governmental operations required less financing from the Enterprise Funds. Transfers from the Utility to the General fund decreased by approximately \$466,324 compared to last year.

In the City's business-type activities, revenues increased by approximately \$70,000 from last year. Expenses increased by approximately \$307,418 from last year.

The general fund ended the year with a fund balance of \$1,509,846, while last year's fund balance was \$1,133,674.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 9 and 10-11). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 12) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The notes to the financial statements (starting on page 26) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the City's overall financial condition and operations is presented in the Statement of Net Assets and the Statement of Activities. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting, which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who pay for the costs of programs (such as utility funds) and grants provided by outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base or the condition of the City's facilities.

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

Governmental Activities: Most of the City's basic services are reported here. Property, Sales & Use, and Franchise Taxes, along with State and Federal Grants finance most of these activities.

Business-type Activities: The City charges a fee to customers to help it cover all or most of the cost of services it provides in the Gas Fund and Water & Sewer Fund.

Component Unit: The City includes separate, legal entities in its report – the Fort Stockton Economic Development Corporation (4A and 4B) and the Fort Stockton Housing Authority. Although legally separate, these component units are important because the City is financially accountable for them.

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish some funds, such as grants received from a government agency. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds: Most of the City's basic services are reported in governmental funds. These use the modified accrual method of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

This year's major funds in addition to the General fund are the Convention and Visitor's Bureau, and Debt Service Fund.

Proprietary Funds: The City reports the activities for which it charges users (whether outside customers or units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the City's governmental and business-type activities.

Net assets of the City's governmental activities were \$ 947,321. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – has a balance of \$1,592,892 at September 30, 2012 compared to the \$113,607 in 2011.

Net assets of the City's business-type activities were \$13,846,339 compared to \$12,652,215, an increase of \$1,194,124.

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

The cost of all governmental activities this year was \$7,494,044. However, as shown in the Statement of Activities on pages 11 through 12, some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The remainder of the costs \$7,199,513 were paid for primarily with taxes and transfers from the business-type activities and with existing net assets.

The decrease in the governmental activities is due primarily to decreases in revenues and transfers from the Business-type activities. Compared to last year governmental revenues decreased primarily due to decreases in grant revenues, and charges for services.

Table I
City of Fort Stockton, Texas

NET ASSETS

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Current and other assets	\$ 3,599,041	\$ 4,083,359	\$ 1,175,987	\$ 419,604
Capital assets	<u>7,733,293</u>	<u>8,419,043</u>	<u>20,139,553</u>	<u>20,188,345</u>
Total assets	<u>\$ 11,332,334</u>	<u>\$ 12,502,402</u>	<u>\$ 21,315,540</u>	<u>\$ 20,607,949</u>
Long-term liabilities	\$ 10,024,624	\$ 10,670,797	\$ 627,020	\$ 7,301,211
Other liabilities	<u>360,389</u>	<u>345,199</u>	<u>6,842,181</u>	<u>654,307</u>
Total liabilities	<u>\$ 10,385,013</u>	<u>\$ 11,015,996</u>	<u>\$ 7,469,201</u>	<u>\$ 7,955,518</u>
Net Assets:				
Invested in capital assets, net of related debt	\$ (1,278,623)	\$ 8,118	\$ 15,494,017	\$ 15,083,779
Restricted	633,052	1,364,681	-	-
Unrestricted	<u>1,592,892</u>	<u>113,607</u>	<u>(1,647,678)</u>	<u>(2,431,564)</u>
Total Net Assets	<u>\$ 947,321</u>	<u>\$ 1,486,406</u>	<u>\$ 13,846,339</u>	<u>\$ 12,652,215</u>

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

Table II
City of Fort Stockton, Texas
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities	
	2012	2011	2012	2011
Revenues:				
Program Revenues:				
Charges for Services	\$ 294,531	\$ 458,305	\$ 7,591,253	\$ 7,494,595
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	-	-	-	-
General Revenues:				
Maintenance and Operations Taxes	566,955	595,177	-	-
Debt Service Taxes	763,781	370,439	-	-
General Sales Taxes	1,892,665	1,952,330	-	-
Gross Receipts Business Tax	1,077,043	816,196	-	-
Franchise Taxes	262,418	253,831	-	-
Penalty & Interest	42,819	37,236	-	-
Grants & Contributions not restricted	165,916	142,056	-	-
Miscellaneous	181,221	205,581	29,757	56,418
Investment Earnings	44,547	58,471	-	-
Total Revenue	<u>5,291,896</u>	<u>4,889,622</u>	<u>7,621,010</u>	<u>7,551,013</u>
Expenses:				
General Government	1,867,264	1,797,128	-	-
Public Safety	2,576,993	2,459,019	-	-
Public Works	1,280,148	1,362,835	-	-
Culture & Recreation	557,364	626,037	-	-
Conservation & Development	610,838	746,249	-	-
Debt Service	613,740	573,338	-	-
Capital Outlay	-	-	-	-
Enterprise Fund	-	-	5,058,853	4,751,435
Total Expenses	<u>7,506,347</u>	<u>7,564,606</u>	<u>5,058,853</u>	<u>4,751,435</u>
Increase in Net Assets before transfers	(2,214,451)	(2,674,984)	2,562,157	2,799,578
Special Item - Resource	-	1,250,000		
Special Item - (Use)	-	(1,309,034)		
Transfers	<u>1,534,775</u>	<u>2,031,586</u>	<u>(1,524,263)</u>	<u>(1,990,587)</u>
Increase in Net Assets	(679,676)	(702,432)	1,037,894	808,991
Net Assets - October 1	1,486,406	2,147,623	12,652,215	11,843,224
Prior Period Adjustments	<u>140,591</u>	<u>41,215</u>	<u>156,230</u>	<u>-</u>
Net Assets - September 30	<u>\$ 947,321</u>	<u>\$ 1,486,406</u>	<u>\$ 13,846,339</u>	<u>\$ 12,652,215</u>

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 13 and 14) reported a combined fund balance of \$2,977,149, which is a decrease from last year's total of \$3,263,672.

Governmental funds total revenues increased this year, \$5,362,721, compared to last year of \$4,828,209. The primary reasons were additional ad valorem taxes and sales taxes.

The enterprise funds operating revenues increased slightly from \$7,551,013 to \$7,621,010. Operating expenses increased from \$4,456,734 to \$4,773,690 primarily due to a decrease in gas costs of approximately \$250,000.

Operating transfers in consist of transfers of capital assets recorded in Capital Project funds.

Over the course of the year, the City Council made revisions to the City's budget. These three budget amendments basically moved amounts from one line item to a different line item within the same function or department due to increased expenditures. A few amendments increased revenues and expenditures and or increased just expenditures. The overall budget slightly changed after its original adoption.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Eighty-five percent (85%) of the City's assets are capital assets consisting of land, buildings, infrastructure, and furniture and equipment. Capital assets includes the City's utility systems: water system, gas system, sewer system, and municipal landfill.

As noted in footnote F to the financial statements, this year's additions included improvements to the water/sewer system, municipal landfill, streets improvements and purchases of vehicles and equipment. Total additions were \$727,360 in the governmental activities and \$702,750 in the business-type funds.

Debt

The following table depicts the ending balances for the various types of debt held by the City as of year-end. The City met all of its debt payment obligations including debt payment of \$5,730,000 which includes the bond refunding for the 2005 and 2008 CO's of \$1,410,000 and \$3,305,000 respectively, plus approximately \$754,709 of interest for its bonded debt.

CITY OF FORT STOCKTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Certificates of Obligation	\$ 9,428	\$ 9,930	\$ 4,455	\$ 4,865	\$ 13,883	\$ 14,795
Capital Leases	95	170	243	298	338	468
Unamortized Bond Issue Costs	(12)	(14)	(53)	(58)	(65)	(72)
Compensated Absences	264	252	247	138	511	390
Net OPEB Obligation	376	333	-	-	376	333
Landfill Closure/Post Closure Costs	-	-	2,197	2,197	2,197	2,197
Total	\$ 10,151	\$ 10,671	\$ 7,089	\$ 7,440	\$ 17,240	\$ 18,111

Due to GASB 45 "Accounting and Financial Reporting Requirements by Employers for Post Employment Benefits Other Than Pensions" (OPEB) the City's liability for the retiree's medical plan had a net increase of \$43,167. Additionally, the City continues to disclose an Unfunded Actuarial Accrued OPEB Liability of \$2,631,006. Additional information is included in footnote L (amounts are in thousands) to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's General Fund budget projects a balanced budget of revenues vs. expenditures of \$5,851,299. The tax rate was set at \$0.4697 per \$100 valuation, which decrease total tax revenues from properties on the tax roll in the preceding tax year by 15.05 percent. According to the City, the average home inside the City limits is valued at \$61,134 and the average homeowner can expect to pay \$287.15 in property tax.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's finance office at the City of Fort Stockton, 121 W. 2nd, Fort Stockton, Texas, 79735.

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BASIC FINANCIAL STATEMENTS

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Government Wide Statements

CITY OF FORT STOCKTON
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Nonmajor Component Units
ASSETS				
Cash and Cash Equivalents	\$ 1,621,334	\$ 937,056	\$ 2,558,390	\$ 1,567,055
Receivables (net of allowance for uncollectibles)	619,140	1,341,862	1,961,002	497,686
Internal Balances	1,343,267	(1,343,267)	-	-
Due from Component Unit	10,283	-	10,283	37,799
Inventories	5,017	90,336	95,353	-
Prepaid Items	-	150,000	150,000	-
Capital Assets:				
Land	475,948	1,579,985	2,055,933	172,389
Infrastructure, net	1,602,902	-	1,602,902	-
Buildings, net	3,821,170	9,413	3,830,583	105,893
Machinery and Equipment, net	1,533,645	15,059,596	16,593,241	164,333
Construction in Progress	283,628	3,490,559	3,774,187	-
Other Assets	16,000	-	16,000	-
Total Assets	<u>11,332,334</u>	<u>21,315,540</u>	<u>32,647,874</u>	<u>2,545,155</u>
LIABILITIES				
Accounts Payable	193,460	357,496	550,956	547
Intergovernmental Payable	3,186	22,161	25,347	-
Due to Component Unit	37,583	216	37,799	10,283
Accrued Interest Payable	-	-	-	19,826
Noncurrent Liabilities				
Due Within One Year	470,854	739,261	1,210,115	25,007
Due in More Than One Year	9,679,930	6,350,067	16,029,997	-
Total Liabilities	<u>10,385,013</u>	<u>7,469,201</u>	<u>17,854,214</u>	<u>55,663</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	(1,278,623)	15,494,017	14,215,394	442,615
Restricted for:				
Restricted for Federal Programs	1,362	-	1,362	-
Restricted for Capital Acquisition	614,316	-	614,316	-
Restricted for Debt Service	17,374	-	17,374	-
Restricted for Housing Programs	-	-	-	52,171
Restricted for Economic Development	-	-	-	1,995,201
Unrestricted Net Assets	1,592,892	(1,647,678)	(54,786)	(495)
Total Net Assets	<u>\$ 947,321</u>	<u>\$ 13,846,339</u>	<u>\$ 14,793,660</u>	<u>\$ 2,489,492</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF FORT STOCKTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Expenses	Program Revenues <u>Charges for Services</u>
Primary Government:		
GOVERNMENTAL ACTIVITIES:		
General Government	\$ 1,867,264	\$ 39,045
Public Safety	2,576,993	122,251
Public Works	1,280,148	-
Culture and Recreation	557,364	88,235
Conservation and Development	610,838	45,000
Other Debt Interest	489,074	-
Fiscal Agent's Fees	110,589	-
Issuance Costs	1,774	-
Total Governmental Activities:	7,494,044	294,531
BUSINESS-TYPE ACTIVITIES:		
Enterprise Fund	5,058,853	7,591,253
Total Business-Type Activities:	5,058,853	7,591,253
TOTAL PRIMARY GOVERNMENT:	\$ 12,552,897	\$ 7,885,784
Component Unit:		
Nonmajor Component Unit	\$ 1,051,982	\$ -
TOTAL COMPONENT UNITS:	\$ 1,051,982	\$ -

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Selective Sales and Use Tax

Gross Receipts Business Tax

Franchise Taxes

Penalty and Interest

Grants and Contributions Not Restricted

Miscellaneous Revenue

Investment Earnings

Special Item (Use)

Transfers In (Out)

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets--Beginning

Prior Period Adjustment

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	Nonmajor Component Units
\$ (1,828,219)	\$ -	\$ (1,828,219)	\$ -
(2,454,742)	-	(2,454,742)	-
(1,280,148)	-	(1,280,148)	-
(469,129)	-	(469,129)	-
(565,838)	-	(565,838)	-
(489,074)	-	(489,074)	-
(110,589)	-	(110,589)	-
(1,774)	-	(1,774)	-
<u>(7,199,513)</u>	<u>-</u>	<u>(7,199,513)</u>	<u>-</u>
-	2,532,400	2,532,400	-
-	2,532,400	2,532,400	-
<u>(7,199,513)</u>	<u>2,532,400</u>	<u>(4,667,113)</u>	<u>-</u>
-	-	-	(1,051,982)
-	-	-	(1,051,982)
566,955	-	566,955	-
763,781	-	763,781	-
1,884,333	-	1,884,333	628,112
8,332	-	8,332	-
1,077,043	-	1,077,043	-
262,418	-	262,418	-
42,819	-	42,819	-
165,916	-	165,916	513,842
181,221	29,757	210,978	23,523
44,547	-	44,547	25,128
(12,303)	-	(12,303)	-
1,534,775	(1,524,263)	10,512	(10,512)
<u>6,519,837</u>	<u>(1,494,506)</u>	<u>5,025,331</u>	<u>1,180,093</u>
(679,676)	1,037,894	358,218	128,111
1,486,406	12,652,215	14,138,621	2,321,388
140,591	156,230	296,821	39,993
<u>\$ 947,321</u>	<u>\$ 13,846,339</u>	<u>\$ 14,793,660</u>	<u>\$ 2,489,492</u>

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Governmental Fund Financial Statements

CITY OF FORT STOCKTON
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Convention Visitors Bureau	Debt Service Fund
ASSETS			
Cash and Cash Equivalents	\$ 297,073	\$ 793,415	\$ 67,847
Taxes Receivable	88,691	-	105,065
Allowance for Uncollectible Taxes (credit)	(66,518)	-	(78,799)
Receivables (Net)	406,278	-	-
Intergovernmental Receivables	172,493	-	-
Due from Other Funds	1,288,508	-	-
Due from Component Unit	10,233	-	-
Inventories	5,017	-	-
Other Assets	-	-	-
Total Assets	\$ 2,201,775	\$ 793,415	\$ 94,113
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 104,853	\$ 863	\$ -
Wages and Salaries Payable	18,390	336	-
Intergovernmental Payable	3,186	-	-
Due to Other Funds	148,454	-	76,739
Due to Component Unit	36,370	1,213	-
Deferred Revenues	380,676	-	22,987
Total Liabilities	691,929	2,412	99,726
Fund Balances:			
Nonspendable Fund Balance:			
Prepaid Items	-	-	-
Restricted Fund Balance:			
Federal or State Funds Grant Restriction	-	-	-
Capital Acquisition and Contractual Obligation	-	-	-
Retirement of Long-Term Debt	-	-	(5,613)
Unassigned Fund Balance	1,509,846	791,003	-
Total Fund Balances	1,509,846	791,003	(5,613)
Total Liabilities and Fund Balances	\$ 2,201,775	\$ 793,415	\$ 94,113

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 454,794	\$ 1,613,129
-	193,756
-	(145,317)
135	406,413
-	172,493
279,952	1,568,460
50	10,283
-	5,017
16,000	16,000
<u>\$ 750,931</u>	<u>\$ 3,840,234</u>

\$ 68,217	\$ 173,933
801	19,527
-	3,186
-	225,193
-	37,583
-	403,663
<u>69,018</u>	<u>863,085</u>

16,000	16,000
1,362	1,362
614,316	614,316
-	(5,613)
50,235	2,351,084
<u>681,913</u>	<u>2,977,149</u>
<u>\$ 750,931</u>	<u>\$ 3,840,234</u>

CITY OF FORT STOCKTON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total Fund Balances - Governmental Funds	\$	2,977,149
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$83,503,750 and the accumulated depreciation was \$75,084,707. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) of \$8,419,043 and long-term debt of \$10,196,309 in the governmental activities is to (decrease) net assets.		(1,777,266)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2012 capital outlays and debt principal payments is to increase net assets.		678,591
The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(860,328)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net assets.		(70,825)
Net Assets of Governmental Activities	<u>\$</u>	<u>947,321</u>

The notes to the Financial Statements are an integral part of this statement.

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CITY OF FORT STOCKTON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Convention Visitors Bureau	Debt Service Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 608,165	\$ -	\$ 763,781
General Sales and Use Taxes	1,884,333	-	-
Selective Sales and Use Tax	8,332	-	-
Gross Receipts Business Tax	-	1,077,043	-
Franchise Tax	262,418	-	-
Penalty and Interest on Taxes	24,437	-	18,382
Licenses and Permits	62,834	-	-
Intergovernmental Revenue and Grants	31,560	-	-
Charges for Services	143,462	-	-
Investment Earnings	21,212	10,967	4,675
Rents and Royalties	12,715	-	-
Contributions & Donations from Private Sources	5,882	-	-
Other Revenue	192,726	5,395	-
Total Revenues	3,258,076	1,093,405	786,838
EXPENDITURES:			
Current:			
General Government	1,658,415	-	-
Public Safety	2,195,677	-	-
Public Works	1,059,609	-	-
Culture and Recreation	217,628	-	-
Conservation and Development	-	639,875	-
Debt Service:			
Other Debt Principal	75,269	-	605,000
Other Debt Interest	31,730	-	457,344
Fiscal Agent's Fees	-	-	110,589
Capital Outlay:			
Capital Outlay	-	-	-
Total Expenditures	5,238,328	639,875	1,172,933
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,980,252)	453,530	(386,095)
OTHER FINANCING SOURCES (USES):			
Capital-related Debt Issued (Regular Bonds)	-	-	4,818,000
Transfers In	2,318,158	-	955,256
Transfers Out (Use)	(130,488)	(344,256)	(676,943)
Other (Uses)	-	-	(4,727,303)
Total Other Financing Sources (Uses)	2,187,670	(344,256)	369,010
Net Change in Fund Balances	207,418	109,274	(17,085)
Fund Balance - October 1 (Beginning)	1,133,674	681,729	11,472
Prior Period Adjustment	168,754	-	-
Fund Balance - September 30 (Ending)	\$ 1,509,846	\$ 791,003	\$ (5,613)

The notes to the Financial Statements are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ -	\$ 1,371,946
-	1,884,333
-	8,332
-	1,077,043
-	262,418
-	42,819
-	62,834
128,000	159,560
88,235	231,697
7,693	44,547
-	12,715
474	6,356
-	198,121
224,402	5,362,721
-	1,658,415
-	2,195,677
-	1,059,609
287,690	505,318
-	639,875
-	680,269
-	489,074
-	110,589
76,481	76,481
364,171	7,415,307
(139,769)	(2,052,586)
-	4,818,000
100,000	3,373,414
(686,952)	(1,838,639)
-	(4,727,303)
(586,952)	1,625,472
(726,721)	(427,114)
1,436,797	3,263,672
(28,163)	140,591
\$ 681,913	\$ 2,977,149

CITY OF FORT STOCKTON
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Total Net Change in Fund Balances - Governmental Funds	\$	(427,114)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2012 capital outlays and debt principal payments is to increase (decrease) net assets.		678,591
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(860,328)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(70,825)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(679,676)</u>

The notes to the Financial Statements are an integral part of this statement.

CITY OF FORT STOCKTON
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 637,437	\$ 637,437	\$ 608,165	\$ (29,272)
General Sales and Use Taxes	1,500,000	1,500,000	1,884,333	384,333
Selective Sales and Use Tax	-	-	8,332	8,332
Franchise Tax	250,000	250,000	262,418	12,418
Penalty and Interest on Taxes	-	-	24,437	24,437
Licenses and Permits	93,600	93,600	62,834	(30,766)
Intergovernmental Revenue and Grants	132,000	132,000	31,560	(100,440)
Charges for Services	20,100	20,100	143,462	123,362
Investment Earnings	6,000	6,000	21,212	15,212
Rents and Royalties	-	-	12,715	12,715
Contributions & Donations from Private Sources	-	-	5,882	5,882
Other Revenue	244,000	244,000	192,726	(51,274)
Total Revenues	<u>2,883,137</u>	<u>2,883,137</u>	<u>3,258,076</u>	<u>374,939</u>
EXPENDITURES:				
Current:				
General Government	1,663,613	1,663,613	1,658,415	5,198
Public Safety	2,284,285	2,284,285	2,195,677	88,608
Public Works	1,088,344	1,088,344	1,059,609	28,735
Culture and Recreation	100,000	100,000	217,628	(117,628)
Debt Service:				
Other Debt Principal	107,000	107,000	75,269	31,731
Other Debt Interest	-	-	31,730	(31,730)
Total Expenditures	<u>5,243,242</u>	<u>5,243,242</u>	<u>5,238,328</u>	<u>4,914</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,360,105)</u>	<u>(2,360,105)</u>	<u>(1,980,252)</u>	<u>379,853</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	2,359,105	2,359,105	2,318,158	(40,947)
Transfers Out (Use)	(1,000)	(1,000)	(130,488)	(129,488)
Total Other Financing Sources (Uses)	<u>2,358,105</u>	<u>2,358,105</u>	<u>2,187,670</u>	<u>(170,435)</u>
Net Change in Fund Balances	(2,000)	(2,000)	207,418	209,418
Fund Balance - October 1 (Beginning)	1,133,674	1,133,674	1,133,674	-
Prior Period Adjustment	168,754	168,754	168,754	-
Fund Balance - September 30 (Ending)	<u>\$ 1,300,428</u>	<u>\$ 1,300,428</u>	<u>\$ 1,509,846</u>	<u>\$ 209,418</u>

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Proprietary Fund Financial Statements

CITY OF FORT STOCKTON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business Type Activities
	Enterprise Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 937,056
Accounts Receivable-Net of Uncollectible Allowance	1,341,862
Inventories	90,336
Prepaid Items	150,000
Total Current Assets	2,519,254
Noncurrent Assets:	
Capital Assets:	
Land Purchase and Improvements	1,579,985
Buildings	12,115
Accumulated Depreciation - Buildings	(2,702)
Machinery and Equipment	26,948,558
Accumulated Depreciation - Machinery & Equipment	(11,888,962)
Construction in Progress	3,490,559
Total Noncurrent Assets	20,139,553
Total Assets	22,658,807
LIABILITIES	
Current Liabilities:	
Accounts Payable	69,386
Wages and Salaries Payable	9,560
Compensated Absences Payable	247,147
Intergovernmental Payable	22,161
Due to Other Funds	1,343,267
Due to Others	278,550
Due to Component Units	216
Bonds Payable - Current:	
Bonds Payable - Current	435,000
Capital Leases Payable - Current	57,114
Total Current Liabilities	2,462,401
NonCurrent Liabilities:	
Bonds Payable - Noncurrent	4,020,000
Unamortized Charge - Refunding Bonds	(52,606)
Capital Leases Payable - Noncurrent	186,028
Other Noncurrent Liabilities	2,196,645
Total Noncurrent Liabilities	6,350,067
Total Liabilities	8,812,468
NET ASSETS	
Investments in Capital Assets, Net of Debt	15,494,017
Unrestricted Net Assets	(1,647,678)
Total Net Assets	\$ 13,846,339

The notes to the Financial Statements are an integral part of this statement.

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

	Business Type Activities
	Enterprise Fund
OPERATING REVENUES:	
Charges for Water Services	\$ 3,075,994
Charges for Gas Services	1,570,701
Charges for Sewerage Service	1,270,179
Charges for Sanitation Service	1,515,765
Prop.Fund Charges for Landfill	158,614
Rents and Royalties	22,929
Other Revenue	6,828
Total Operating Revenues	<u>7,621,010</u>
OPERATING EXPENSES:	
Proprietary Fund Function - Water	
Personnel Services - Salaries and Wages	324,263
Personnel Services - Employee Benefits	88,241
Purchased Professional & Technical Services	3,456
Purchased Property Services	28,129
Other Operating Expenses	190,596
Supplies	294,652
Total Proprietary Fund Function - Water	<u>929,337</u>
Proprietary Fund Function - Gas	
Personnel Services - Salaries and Wages	230,355
Personnel Services - Employee Benefits	91,271
Purchased Professional & Technical Services	9,744
Purchased Property Services	27,795
Other Operating Expenses	29,237
Supplies	709,505
Total Proprietary Fund Function - Gas	<u>1,097,907</u>
Proprietary Fund Function - Sanitation	
Personnel Services - Salaries and Wages	197,547
Personnel Services - Employee Benefits	77,867
Purchased Property Services	41,699
Other Operating Expenses	18,073
Supplies	38,835
Total Proprietary Fund Function - Sanitation	<u>374,021</u>
Proprietary Fund Function - Sewage	
Personnel Services - Salaries and Wages	129,942
Personnel Services - Employee Benefits	49,256
Purchased Property Services	39,168
Other Operating Expenses	2,360
Supplies	187,239
Total Proprietary Fund Function - Sewage	<u>407,965</u>
Proprietary Fund Function - R.O. Plant	
Personnel Services - Salaries and Wages	254,454
Personnel Services - Employee Benefits	93,949
Purchased Professional & Technical Services	1,650
Purchased Property Services	21,426
Other Operating Expenses	6,752

The notes to the Financial Statements are an integral part of this statement.

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

	Business Type Activities
	Enterprise Fund
Supplies	209,255
Total Proprietary Fund Function - R.O. Plant	<u>587,486</u>
Proprietary Fund Function - Landfill	
Personnel Services - Salaries and Wages	169,119
Personnel Services - Employee Benefits	67,476
Purchased Professional & Technical Services	5,124
Purchased Property Services	22,351
Other Operating Expenses	18,709
Supplies	2,583
Total Proprietary Fund Function - Landfill	<u>285,362</u>
Proprietary Fund Function - Public Works	
Personnel Services - Salaries and Wages	232,490
Personnel Services - Employee Benefits	86,599
Purchased Professional & Technical Services	14,825
Purchased Property Services	587
Supplies	5,569
Total Proprietary Fund Function - Public Works	<u>340,070</u>
Depreciation	<u>751,542</u>
Total Operating Expenses	<u>4,773,690</u>
Operating Income	<u>2,847,320</u>
NON-OPERATING REVENUES (EXPENSES):	
Bond Issuance Cost	(5,798)
Interest Expense - Non-Operating	<u>(279,365)</u>
Total Non-operating Revenue (Expenses)	<u>(285,163)</u>
Income Before Transfers	2,562,157
Non-Operating Transfer In	1,362,713
Transfers Out	<u>(2,886,976)</u>
Change in Net Assets	1,037,894
Total Net Assets - October 1 (Beginning)	12,652,215
Prior Period Adjustment	156,230
Total Net Assets - September 30 (Ending)	<u><u>\$ 13,846,339</u></u>

The notes to the Financial Statements are an integral part of this statement.

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

Cash Flows from Operating Activities:	
Cash received from customers	\$ 7,722,742
Cash payments to suppliers for goods and services	(1,919,322)
Cash payments to employees for services	(1,984,160)
Net Cash Provided by Operating Activities	<u>3,819,260</u>
Cash Flows from Non-Capital Financing Activities:	
Other non operating revenues	
Transfers In	1,362,713
Transfers Out	(2,886,976)
Net Cash Used for Non-Capital Financing Activities	<u>(1,524,263)</u>
Cash Flows from Capital & Related Financing Activities:	
Acquisition of capital assets	(702,750)
Decrease in due to other funds	(76,160)
Principal paid on capital debt	(410,000)
Principal paid on capital Leases	(54,828)
Interest paid on capital debt	(279,365)
Net Cash Used for Capital & Related Financing Activities	<u>(1,523,103)</u>
Net Increase in Cash and Cash Equivalents	771,894
Cash and Cash Equivalents at Beginning of Year:	<u>165,162</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 937,056</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income:	\$ 2,847,320
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	751,542
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in receivables	91,671
Decrease (Increase) in inventories	
Increase (Decrease) in accounts payable	9,997
Increase (Decrease) in compensated absences	108,669
Increase (Decrease) in utility customer deposits	6,075
Increase (Decrease) in intergovernmental payable	3,986
Net Cash Provided by Operating Activities	<u>\$ 3,819,260</u>
Non-Cash Transactions:	
Value of water provided to Pecos County in exchange for capital contributions made in prior years	\$ 57,262
Capital Lease for Landfill Equipment	243,142
Amortization of bond costs	5,798

The notes to the Financial Statements are an integral part of this statement.

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Discretely Presented Component Units

CITY OF FORT STOCKTON, TEXAS
 COMBINING STATEMENT OF NET ASSETS
 DISCRETELY PRESENTED COMPONENT UNITS
 SEPTEMBER 30, 2012

Exhibit E-1

	Housing Authority	Economic Development 4A	Economic Development 4B	Total Discretely Presented Component Units
ASSETS				
Cash and Cash Equivalents	\$ 26,024	\$ 985,851	555,180	\$ 1,567,055
Receivables (net of allowance for uncollectibles)	5,723	437,529	-	443,252
Sales Taxes Receivable		27,217	27,217	54,434
Due From Component units	32,203	5,596	-	37,799
Capital Assets:				
Land	-	172,389	-	172,389
Buildings & Improvements	-	8,860	99,500	108,360
Vehicles & Equipment	17,800	166,743	26,000	210,543
Accumulated Depreciation	(17,800)	(26,990)	(3,887)	(48,677)
Total Assets	63,950	1,777,195	704,010	2,545,155
LIABILITIES				
Accounts Payable and other current liabilities	547	-	-	547
Accrued interest payable	-	19,826	-	19,826
Compensated Absences Payable	1,494	23,513	-	25,007
Due to Component units	10,233	50	-	10,283
Total Liabilities	12,274	43,389	-	55,663
NET ASSETS				
Invested in Capital Assets, Net of Related Debt		321,002	121,613	442,615
Restricted for:				
Restricted for Housing Program	52,171			52,171
Restricted for Economic Development		1,412,804	582,397	1,995,201
Unrestricted Net Assets	(495)			(495)
Total Net Assets	\$ 51,676	\$ 1,733,806	\$ 704,010	\$ 2,489,492

CITY OF FORT STOCKTON, TEXAS
 COMBINING STATEMENT OF ACTIVITIES
 DISCRETELY PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Exhibit E-2

	Housing Authority	Economic Development 4A	Economic Development 4B	Total Discretely Presented Component Units
REVENUES				
General Sales and Use Taxes	\$ -	\$ 314,056	\$ 314,056	\$ 628,112
Intergovernmental Revenue and Grants	378,425	135,417	-	513,842
Investment Earnings	2,109	14,272	8,747	25,128
Other Revenue	-	23,523	-	23,523
Total Revenues	<u>380,534</u>	<u>487,268</u>	<u>322,803</u>	<u>1,190,605</u>
EXPENSES				
Welfare	575,083	-	-	575,083
Economic Development and Assistance	-	360,101	116,798	476,899
Total Expenses	<u>575,083</u>	<u>360,101</u>	<u>116,798</u>	<u>1,051,982</u>
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>(194,549)</u>	<u>127,167</u>	<u>206,005</u>	<u>138,623</u>
OTHER FINANCING SOURCES (USES)				
Transfer In:				
General Fund	30,488	-	-	30,488
EDC 4B	-	50,000	-	50,000
Transfer Out:				
EDC 4A	-	-	(50,000)	(50,000)
Debt Service	-	-	(41,000)	(41,000)
Total Other Financing Sources (Uses)	<u>30,488</u>	<u>50,000</u>	<u>(91,000)</u>	<u>(10,512)</u>
Net Change in Net Assets	(164,061)	177,167	115,005	128,111
Net Assets - October 1 (Beginning)	215,744	1,516,639	589,005	2,321,388
Prior Period Adjustment	(7)	40,000		39,993
Net Assets - September 30 (Ending)	<u>\$ 51,676</u>	<u>\$ 1,733,806</u>	<u>\$ 704,010</u>	<u>\$ 2,489,492</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fort Stockton, Texas (the "City") is a municipal corporation under the applicable laws and regulations of the State of Texas. It has a Council – Manager form of government with the Council Members and Mayor being elected by registered voters of the City. The City Manager is appointed by the City Council and serves as to the Council needs. The Mayor presides over the council meetings but holds no voting power. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Council and other authoritative sources identified in GASB Statement 56 (GASB) of the American Institute of Certified Public Accountants.

A. Reporting Entity

The public elects the Mayor and Council. The Council has the authority to make decisions, appoint administrators and managers, and significantly influence operations. They also have the primary accountability for fiscal matters. As required by generally accepted accounting principles, the City's basic financial statements also present its Component Units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Units: The component units' columns in the government-wide statements of net assets and of activities include the financial data of the City's three component units. They are reported in a separate column to emphasize that they are legally separate from the City.

Fort Stockton Economic Development Corporations (4A and 4B) promotes, assists, and enhances economic development by encouraging employment and enhancing the public welfare through promotion of tourism; development of commercial, industrial, and manufacturing enterprises. The Corporation's operating budget is subject to the approval of the City Council. The Council is also required to approve all contracts executed and entered into by the Corporation.

Fort Stockton Housing Authority provides low cost housing assistance to the residents of the City. The Authority's operating budget is subject to the approval of the City Council. The Council is also required to approve all contracts executed and entered into by the Housing Authority.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Fort Stockton, Texas and its component unit non-fiduciary activities with most of the inter-fund activities removed. *Governmental Activities* include programs supported primarily by taxes, grants, and other inter-governmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" columns include amounts paid by organizations outside the City to help meet the operational and capital requirements of a given function. If revenue is not program revenue, it is general revenue used to support all of the City's functions. Taxes are always general revenue.

Inter-fund activities between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and the Proprietary Fund Statement of Net Assets and as other resources and other uses (transfers) on the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as inter-fund transfers.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. The City considers some governmental and proprietary funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials, labor, and direct overhead. Other expenses are non-operating.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing resources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes and sales taxes. Property tax, sales tax, and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If the balance has not been expended by the end of the project period, grantors sometimes require the city to refund all or part of the unused amount.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all Governmental Accounting Standards Board (GASB) pronouncements. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into (1) investments in capital assets, net of related debt and (2) unrestricted net assets.

All business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989; Accounting Principles Board Opinions; and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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

D. Fund Accounting

The City reports the following major governmental funds:

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

Convention Visitors Bureau – The Convention Visitors Bureau is a special revenue fund used to account for hotel/motel occupancy tax revenue and related expenditures to promote tourism.

Debt Service Fund – The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

The City reports the following major proprietary funds:

Enterprise Fund – The City consolidates its Enterprise funds into one fund. The Enterprise fund revenues and expenses are related to providing, gas, water, and sewer and sanitation services to the residents and businesses of the City. Revenues and expenses arising from capital and non-capital financing activities and from investing activities are presented as *non-operating* revenues or expenses.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Fund Balance/Net Assets

A detailed description of the classification of fund balance, the spending order and the use of restricted and unrestricted resources under GASB 54 as applied by the City is as follows:

Nonspendable

Amounts not available for appropriation or legally earmarked for a specific use. Examples include inventories, prepaid items, and deferred expenditures.

Restricted

Amounts that have been legally separated for a specific purpose; such as, grants, capital acquisition from bond proceeds and liquidation of long-term debt.

Committed

Amounts that require Council action to be used for a specific purpose; such as, construction improvements not funded by bond proceeds. Formal action to commit funds must occur prior to fiscal year end. If the amount of the commitment is not known at the time of the commitment the City Manager or his designee shall identify such amount prior to issuing the financial statements.

Assigned

Amounts that do not require Council approval but are intended to be used for a specific purpose, as determined by the Council which has retained the authority for Assigning fund balance.

Unassigned

Residual amount reported in the general fund which is available to finance operating expenditures. In other funds, this classification is used only to report a deficit balance related to previously restricted or assigned amounts.

Spending Order

Fund balance shall be considered released from restriction, commitment or assignment as expenditures are incurred for the purpose of the restrictions, commitment or assignment.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance and lastly unassigned fund balance.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Other Accounting Policies

Cash and Cash Equivalents

1. The City's cash and cash equivalents for purposes of the proprietary fund cash flow statements 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.

Long-Term Debt

2. 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 or business-type activities columns of the governmental-wide statement of net assets, and as appropriate in the proprietary fund type financial statement of net assets.

Compensated Absences

3. It is the City's policy to permit full-time employees to accumulate earned but unused vacation and sick pay benefits. These employees may accumulate from 160 to 320 hours of unused vacation benefits based on the years of service and up to 720 hours of unused sick leave benefits. Upon resignation; termination or retirement from the City in good standing or death of the employee, employees or heirs will be compensated for one-half (1/2) of the total hours to all hours of accumulated sick leave with a maximum varying from 360 to 720 hours at the then current base salary rate of said employee.

All vacation, sick leave, and comp time benefits for the governmental funds are reported as a long-term liability on the government-wide financial statements. In the Proprietary Fund, the accumulated vacation and sick leave benefits are reported as a liability on the proprietary fund statement of net assets.

Closure and Post Closure Costs

4. The City is required to report a landfill closure and post-closure cost as a liability to the City. This liability is based on the total cost it would take to close the landfill based on the percent of the landfill that is currently being used, and an inflation factor. This liability is not reported on the governmental fund financial statements, but it is reported as a long-term liability on the government-wide statement of net assets.

Inventories

5. Inventories consist of expendable supplies held for the City's use and are carried at cost using the weighted average method. Prepaid items are reported based on the consumption method.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

6. Capital assets, which include land, buildings, furniture and equipment, and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as items with an initial, individual cost of more than \$5,000 and an estimated useful life of two or more years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Estimates

7. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. For purposes of presentation the proprietary fund systems, machinery, and equipment are reported as one classification.

Buildings, furniture, and equipment of the City and its component unit are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	15
Infrastructure	20 to 50
Water & Sewer System	15 to 75
Office Equipment	5 to 10
Computer Equipment	5 to 10

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an "appropriated budget" for the General Fund and Debt Service Fund and a budget for all other funds. The City is required to present the adopted and final amended budgeted revenues and expenditures for each appropriated budget. The City compares the final amended budget to actual revenues and expenditures.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Expenditures in Excess of Appropriations

Functional expenditures exceeded appropriations as follows:

	Appropriations	Expenditures	Excess
Debt Interest	\$ -	\$ 31,730	\$ (31,730)
Culture and Recreation	100,000	217,628	(117,628)

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to September 20, the City prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the Council legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Council. Amendments are presented to the Council at its regular meetings. Each amendment must have Council approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Council, and are not made after fiscal year-end. The City had budget amendments during the fiscal year, and a few were significant due to higher than expected sales tax collections.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash deposits at September 30, 2012, were covered by FDIC insurance, or by pledged collateral held by the City's agent bank in Fort Stockton, Texas.

As of September 30, 2012, the cash and cash equivalents were as follows:

Cash on Hand	\$ 1,500
Deposits	2,556,890
Cash and Cash Equivalents	\$ 2,558,390

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

City Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent bank. Since the City complies with this law, there is no custodial credit risk for deposits. The City's cash deposit balance as of September 30, 2012 was \$2,571,785.

Foreign Currency Risk – The City has no investments or deposits of a foreign currency.

City Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety or principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have 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.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Component Units

Component unit cash balances were all held at the Depository Bank and were FDIC insured throughout the year. The balances as of September 30, 2012 were as follows:

<u>Component Unit</u>	<u>Balance</u>
City of Fort Stockton Housing Authority	\$ 25,680
City of Fort Stockton Housing Authority Administration	344
City of Fort Stockton Revolving Loan Fund – EDC	88,865
City of Fort Stockton 4A – EDC	896,986
City of Fort Stockton 4B – EDC	<u>555,180</u>
Total	<u>\$ 1,567,055</u>

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowance for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Transfers In and Out-Interfund Receivables and Payables (including Component Units)

Transfers for the year ended September 30, 2012, consist of the following:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Recreation Department Fund	\$ 100,000
	Component Unit - Housing	30,488
		<u>130,488</u>
Enterprise Fund	General Fund	2,256,976
	Debt Service	630,000
		<u>2,886,976</u>
Convention Visitors	Debt Service	284,256
	General Fund	60,000
		<u>344,256</u>
Debt Service Fund	Enterprise Fund	<u>676,943</u>
Non-Major Special Revenue	General Fund	1,182
	Enterprise Fund	685,770
		<u>686,952</u>
Component Unit: EDC 4B	EDC 4A	50,000
	Debt Service Fund	41,000
		<u>91,000</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Inter-fund balances at September 30, 2012, consist of the following:

Inter-Fund Balances	<u>Due From</u>	<u>Due To</u>
General Fund:		
HB445 Fund (General)	\$ 36,676	\$ 36,676
Debt Service Fund	76,739	-
Enterprise Fund	1,175,093	-
Non-Major Fund	-	111,778
Total - General Fund	<u>1,288,508</u>	<u>148,454</u>
Debt Service Fund:		
General Fund	-	76,739
Total - Debt Service Fund	<u>-</u>	<u>76,739</u>
Non-Major Funds		
General Fund	111,778	-
Enterprise Fund	168,174	-
Total - Non-Major Funds	<u>279,952</u>	<u>-</u>
Enterprise Funds:		
General Fund	-	1,175,093
Non-Major Fund	-	168,174
Total - Enterprise Funds	<u>-</u>	<u>1,343,267</u>
TOTALS	<u>\$ 1,568,460</u>	<u>\$ 1,568,460</u>
Due To and Due From Component Units		
General Fund:		
Housing	\$ 10,233	\$ 32,203
EDC 4A	-	4,167
Total - General Fund	<u>10,233</u>	<u>36,370</u>
Non-Major Fund:		
EDC 4A	50	1,213
Total - Non-Major Fund	<u>50</u>	<u>1,213</u>
Component Unit-Housing:		
General Fund	32,203	10,233
Total - Component Unit-Housing	<u>32,203</u>	<u>10,233</u>
Component Unit-Housing:		
General Fund	4,167	-
Convention Visitors Fund	1,213	-
Enterprise Fund	216	-
Non-Major Fund	-	50
Total - Component Unit-Housing	<u>5,596</u>	<u>50</u>
Enterprise Fund:		
EDC 4A	-	216
Total - Enterprise Fund	<u>-</u>	<u>216</u>
TOTALS	<u>\$ 48,082</u>	<u>\$ 48,082</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Disaggregation of Receivables

Receivables at September 30, 2012 were as follows:

	Governmental Funds				Proprietary Fund	Component Units	
	General	Debt Service	Other	Total	Enterprise	Housing	EDC 4A
			Governmental	Governmental			
Taxes	\$ 88,691	\$ 105,065	\$ -	\$ 193,756	\$ -	\$ -	\$ -
Courts	358,578	-	135	358,713	-	-	-
Accounts	-	-	-	-	1,326,732	-	-
Other	39,495	-	-	39,495	136,442	5,723	-
Notes	-	-	-	-	-	-	437,529
Total Receivables	486,764	105,065	135	591,964	1,463,174	5,723	437,529
Allowance for Doubtful Accounts	(66,518)	(78,799)	-	(145,317)	(121,311)	-	-
Receivables, Net	\$ 420,246	\$ 26,266	\$ 135	\$ 446,647	\$ 1,341,863	\$ 5,723	\$ 437,529

	Governmental Funds		Component Units		
	General	Total Governmental	Housing	EDC 4A	EDC 4B
Sales Tax	\$ 170,300	\$ 170,300	\$ -	\$ 27,217	\$ 27,217
Pecos County Receivable	2,193	2,193	-	-	-
Total Intergovernmental Receivables	\$ 172,493	\$ 172,493	\$ -	\$ 27,217	\$ 27,217

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

G. Capital Asset Activity

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

Governmental Activities

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, not being Depreciated:				
Land	\$ 475,948	\$ -	\$ -	\$ 475,948
Construction in Progress	790,961	61,449	568,782	283,628
Total Capital Assets, not being Depreciated	1,266,909	61,449	568,782	759,576
Capital Assets, being Depreciated:				
Buildings & Improvements	4,176,423	34,262	568,782	4,779,467
Machinery & Equipment	8,782,362	61,397	-	8,843,759
Infrastructure	69,278,056	1,470	-	69,279,526
Total Capital Assets being Depreciated	82,236,841	97,129	568,782	82,902,752
Less: Accumulated Depreciation				
Buildings & Improvements	(797,449)	(160,848)	-	(958,297)
Machinery & Equipment	(6,691,269)	(618,845)	-	(7,310,114)
Infrastructure	(67,595,989)	(80,635)	-	(67,676,624)
Total Accumulated Depreciation	(75,084,707)	(860,328)	-	(75,945,035)
Governmental Activities				
Total Capital Assets - Net	\$ 8,419,043	\$ (701,750)	\$ -	\$ 7,717,293

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Business-type Activities

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, not being Depreciated:				
Land	\$ 1,579,985	\$ -	\$ -	\$ 1,579,985
Construction In Progress	2,879,111	611,448	-	3,490,559
Total Capital Assets, not being Depreciated	4,459,096	611,448	-	5,070,544
Capital Assets, being Depreciated:				
Buildings & Improvements	12,115	-	-	12,115
Systems, Machinery & Equipment	26,857,256	91,302	-	26,948,558
Total Capital Assets, not being Depreciated	26,869,371	91,302	-	26,960,673
Less: Accumulated Depreciation				
Buildings & Improvements	(1,893)	(808)	-	(2,701)
Systems, Machinery & Equipment	(11,138,229)	(750,734)	-	(11,888,963)
Total Accumulated Depreciation	(11,140,122)	(751,542)	-	(11,891,664)
Governmental Activities				
Total Capital Assets, Net	\$ 20,188,345	\$ (48,792)	\$ -	\$ 20,139,553

Depreciation expense includes amortization of assets purchased with a capital lease for governmental and business type activities was charged to governmental activity functions as follows:

Function	Governmental Activities
General Government	\$ 231,661
Public Safety	367,047
Public Works	193,281
Culture & Recreation	50,018
Conservation & Development	18,321
Total Depreciation	\$ 860,328

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Component Units

Capital Assets

Housing Authority

	Beginning Balance	Additions	Retirements	Ending Balance
Machinery & Equipment	\$ 17,800	\$ -	\$ -	\$ 17,800
Accumulated Depreciation	(17,800)	-	-	(17,800)
Total Capital Assets - Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

4A – Economic Development Corporation

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, not being Depreciated:				
Land	\$ 204,189	\$ -	\$ 31,800	\$ 172,389
Total Capital Assets, not being Depreciated	<u>204,189</u>	<u>-</u>	<u>31,800</u>	<u>172,389</u>
Capital Assets, being Depreciated:				
Buildings & Improvements	8,860	-	-	8,860
Machinery & Equipment	166,743	-	-	166,743
Total Capital Assets being Depreciated	<u>175,603</u>	<u>-</u>	<u>-</u>	<u>175,603</u>
Less: Accumulated Depreciation				
Buildings & Improvements	(1,822)	(591)	-	(2,413)
Machinery & Equipment	(13,461)	(11,116)	-	(24,577)
Total Accumulated Depreciation	<u>(15,283)</u>	<u>(11,707)</u>	<u>-</u>	<u>(26,990)</u>
Net Capital Assets - Subject to Depreciation	<u>160,320</u>	<u>(11,707)</u>	<u>-</u>	<u>148,613</u>
Capital Assets - Net	<u>\$ 364,509</u>	<u>\$ (11,707)</u>	<u>\$ 31,800</u>	<u>\$ 321,002</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

4B – Economic Development Corporation

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets Being Depreciated:				
Machinery & Equipment	\$ 26,000	\$ -	\$ -	\$ 26,000
Buildings & Improvements	-	99,500	-	99,500
	<u>26,000</u>	<u>99,500</u>	<u>-</u>	<u>125,500</u>
Less: Accumulated Depreciation				
Buildings & Improvements	-	(55)	-	(55)
Machinery & Equipment	(2,099)	(1,733)	-	(3,832)
	<u>(2,099)</u>	<u>(1,788)</u>	<u>-</u>	<u>(3,887)</u>
Total Capital Assets - Net	<u>\$ 23,901</u>	<u>\$ 97,712</u>	<u>\$ -</u>	<u>\$ 121,613</u>

G. Long-Term Debt

Changes in long-term debt during the year ended September 30, 2012 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Certificates of Obligation - 2005	\$ 1,570,000	\$ -	\$ 1,570,000	\$ -	\$ -
Certificates of Obligation - 2008	6,465,000	-	3,555,000	2,910,000	-
Certificates of Obligation - 2009	1,895,000	-	195,000	1,700,000	200,000
Refunding Bond - 2012	-	4,818,000	-	4,818,000	50,000
Total Bonds Payable	<u>9,930,000</u>	<u>4,818,000</u>	<u>5,320,000</u>	<u>9,428,000</u>	<u>250,000</u>
Capital Leases	169,963	-	75,269	94,694	94,695
Amortization of Debt Issuance Costs	(14,193)	-	(1,774)	(12,419)	-
Vacation Payable	134,704	53,540	62,084	126,160	126,160
Accumulated Unused Sick Leave	117,307	136,800	116,431	137,676	-
Net OPEB Obligation	<u>333,016</u>	<u>43,657</u>	<u>-</u>	<u>376,673</u>	<u>-</u>
Governmental Activity Long Term Debt	<u>10,670,797</u>	<u>5,051,997</u>	<u>5,572,010</u>	<u>10,150,784</u>	<u>470,855</u>
Business-type Activities					
Certificates of Obligation - 2009	4,865,000	-	410,000	4,455,000	435,000
Amortization of Debt Issuance Costs	(58,404)	-	(5,798)	(64,202)	-
Capital Leases	297,970	-	54,828	243,142	57,114
Vacation and Sick Leave	138,478	325,236	216,567	247,147	247,147
Landfill Closure/Post-Closure Costs	<u>2,196,645</u>	<u>-</u>	<u>-</u>	<u>2,196,645</u>	<u>-</u>
Business-type Activity Long Term Debt	<u>\$ 7,439,689</u>	<u>\$ 325,236</u>	<u>\$ 675,597</u>	<u>\$ 7,089,328</u>	<u>\$ 739,261</u>

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Bonds

In 2005, the City issued Series 2005 Certificates of Obligation with an original face value of \$2,000,000 at an annual interest rate of 5.00%. Interest is due semi-annually on February 15 and August 15, and the principal is due each year on February 15. In 2009, the City issued Series 2008 Certificates of Obligation with an original face value of \$6,945,000 at an annual interest rate of 4.85%. Interest is due semiannually on March 15 and September 15, and the principal is due each year on March 15. In 2010, the City issued Series 2009 Certificates of Obligation with an original face value of \$7,900,000 at an annual interest rate of 5.49% to 6.15%. Interest is due semiannually on March 15, and September 15, and the principal is due each year on March 15. \$3,955,000 of the Series 2009 Certificates of Obligation is supported by water revenue and \$1,690,000 is supported by sanitation/landfill revenue accordingly, that portion of the bonds are reported as business-type activity over the length of the bond issuance. The cost of issuance will be amortized over the life of the governmental activity portion \$17,741 (10 years) approximately \$1,774 annually. The business-type activity portion \$70,000 will be amortized over 17 years (water) and 7 years (sanitation/landfill) in the amounts of \$2,941 and \$2,857, respectively.

The unamortized bond issuance costs as of September 30, 2012 were as follows:

Governmental Activities	\$	12,419
Business-type Activities		<u>52,606</u>
	\$	<u>65,025</u>

The ordinances authorizing the issuance of both series each require that a minimum balance of 2.00% of the original issue be maintained in the sinking funds at all times. The minimum balance required is \$336,900. At September 30, 2012, the balance maintained in the sinking funds was \$67,847. Bond principal and interest payments are paid through the Debt Service Fund and in the current year were paid by Convention and Visitors Bureau Fund for certain Government Activity debt and the Utility fund for Business-Type Activity debt.

The City issued \$4,818,000 of 2012 refunding bonds with an interest rate of 2.84%. The proceeds were used to refund \$4,727,303.01 of outstanding 2005 and 2008 bonds which had interest rates ranging from 4.85% to 5.0%. Although the refunding resulted in the recognition of an accounting loss of \$12,303 for the year ended September 30, 2012; the City's total net present value savings was \$349,814.31.

The amount of defeased bonds outstanding at September 30, 2012 is \$4,715,000.

(Continued)

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Debt service requirements on long-term debt at September 30, 2012, are as follows:

Governmental Activities

<u>Year-End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 250,000	\$ 381,962	\$ 631,962
2014	270,000	354,950	624,950
2015	480,000	341,188	821,188
2016	495,000	321,039	816,039
2017	731,000	299,882	1,030,882
2018-2022	4,292,000	1,093,812	5,385,812
2023-2027	2,365,000	429,831	2,794,831
2028	545,000	13,216	558,216
Totals	<u>\$ 9,428,000</u>	<u>\$ 3,235,881</u>	<u>\$ 12,663,881</u>

Business-type Activities

<u>Fiscal Year-End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 435,000	\$ 243,748	\$ 678,748
2014	460,000	219,180	679,180
2015	485,000	193,240	678,240
2016	510,000	165,927	675,927
2017	245,000	144,884	389,884
2018-2022	1,210,000	506,513	1,716,513
2023-2026	1,110,000	142,065	1,252,065
Totals	<u>\$ 4,455,000</u>	<u>\$ 1,615,556</u>	<u>\$ 6,070,556</u>

I. Capital Leases

The City leases various pieces of equipment for use in its' Governmental operations. During the year the City entered into a lease agreement for the purchase of roller packer for use in the landfill operations. Capital lease and interest payments are made through the respective fund where the asset is assigned, which are the General fund for Governmental activities and the Enterprise fund for Business-Type activities.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Principal and interest requirements for future periods are as follows:

Governmental Activities

Fiscal Year-End	Principal	Interest	Total
2013	\$ 94,694	\$ 12,306	\$ 107,000
Totals	\$ 94,694	\$ 12,306	\$ 107,000

Business Type Activities

Fiscal Year-End	Principal	Interest	Total
2013	\$ 57,114	\$ 10,136	\$ 67,250
2014	59,495	7,755	67,250
2015	61,975	5,275	67,250
2016	64,558	2,692	67,250
Totals	\$ 243,142	\$ 25,858	\$ 269,000

J. Accumulated Unpaid Vacation and Sick Leave Benefits

Upon termination of employment, the City pays employees for any unused vacation leave that has been earned through the last day of work. Each regular full-time employee may accumulate a maximum of 160 to 320 hours of unused vacation leave, of which 40 to 120 hours may be carried over at the end of the calendar year. The maximum accumulated amount and the maximum amount that can be carried over are based on employee's length of service. The liability due within one year of accumulated unused vacation leave and compensatory time at September 30, 2012, is \$126,160 in the governmental funds, and \$94,513 in the proprietary funds.

Upon retirement from the City or death of the employee, employees or heirs will be compensated for the total hours of accumulated sick leave up to a maximum of 720 hours at the then current base salary rate of said employee. The amount of accumulated unused sick leave at September 30, 2012, is \$137,676 in the Governmental Activities and \$152,634 in the proprietary funds.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

A Net OPEB obligation of \$376,673 is reported as of September 30, 2012. For additional information see the Other Post Employment Benefits footnote.

K. Defined Benefit Pension Plan

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	Plan Year 2011	Plan Year 2012
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (age / years of service)	60/5,0/20	60/5,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

During the year the City adopted a policy for the payment of sick leave for employees that terminate in good standing other than through retirement or death for the payment of sick leave as follows:

Employee terminates	
Years 1 – 9	All sick leave is forfeited
Years 10 – 19	Accrued sick leave paid up to ½ of 360 hours
Years 20 on	Accrued sick leave paid up to 360 hours

The City estimated the accrued compensated absences in a manner consistent with prior years at ½ of the accrued sick leave up 50 720 hours per employee.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Contributions: Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28 years; closed period	27 years; closed period	26 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.50%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.10%	2.10%	2.10%

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 9,218,250
Actuarial Accrued Liability	11,781,827
Percentage Funded	78.24%
Unfunded (Over-Funded) Actuarial Accrued Liability (UAAL)	2,563,577
Annual Covered Payroll	4,041,775
UAAL as a Percentage of Covered Payroll	63.43%
Net Pension Obligations (NPO) at the Beginning of the Period	-
Contribution by the City	<u>432,734</u>
Employee Contributions	<u>201,053</u>
Retirement Payments	<u><u>640,886</u></u>

Trend Information for the Retirement Plan for the Employees of the City of Fort Stockton, Texas.

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2012	\$ 432,734	100%	\$ -
9/30/2011	\$ 490,717	100%	\$ -
9/30/2010	\$ 563,881	100%	\$ -

L. Post Employment Benefits

The City has established a retiree health insurance plan and has prospectively implemented GASB 45 Accounting and Reporting by Employers for Postemployment Benefits other and pensions.

1. Plan Description

The City of Fort Stockton purchases retiree and employee health insurance. The City administers a single employer defined benefit post employment healthcare plan that covers 37 qualified retired City employees and their dependents and 100 active employees. Participation in the Plan is elective by each retiree. Healthcare benefits include, but are not limited to, prescription drugs, hospitalization, and preventive care. To be eligible, the retiree must meet the requirements for retirement.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

For a retiree to qualify for the City-paid health plan, a retiree must meet the following criteria:

- a. City contributes 100% of the employee costs for a retiree's coverage beginning at age 60. Benefits prior to age 60 are reduced based on the adopted plan.
- b. The City has amended the OPEB eligibility requirements. Employees are eligible to participate in the plan starting at age 60 with 10 consecutive years of service or if the employee meets the "Rule of 80" (age at retirement plus continuous years of service must be at least 80).
- c. At age 65 the City will pay the cost of a Medicare supplement policy up to a maximum premium of \$125 per month. As of October 1, 2011, the medical supplement premium was \$109 per month.

The benefit provisions are subject to change at any time and to annual appropriation of funds by the City Council. Currently, the City is accounting for OPEB using the general fund. A separate financial report for the healthcare plan is not issued.

2. Summary of Significant Accounting Policies

The Plan's transactions are recorded using the accrual basis of accounting. Plan members' and employer's contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable. Investments, if any, are reported at fair value which is the amount the Plan could reasonably expect to receive in a current sale between a willing buyer and a willing seller. Fair value, for financial reporting purposes, is measured by the market price unless such prices are not available, in which case, fair value is estimated.

3. Funding Policy

City Council has the authority to establish and amend contribution requirements of the plan members and the City. The plan is funded on a pay-as-you-go basis and incurred \$179,938 in total costs for the fiscal year ended September 30, 2012. The funds to pay these costs are derived from employer contributions and retiree premiums. The following table presents the monthly premium amounts paid by retirees based on their classification.

Non-Medicare and Medicare – Eligible provision retirees are required to enroll in Medicare, if they are eligible at age 65.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Premiums:		Age 60 & Above		Ages 55 – 59		Ages 54 & Below	
Plan Coverage	Total Premium	100% Subsidy Retiree Share	City Share	75% Subsidy Retiree Share	City Share	50% Subsidy Retiree Share	City Share
Retiree Only	\$ 496	\$ -	\$ 496	\$ 124	\$ 372	\$ 248	\$ 372
Retiree & Spouse	1,063	566.95	496	691	372	815	372

As of September 30, 2012, there were 7 active employees qualified for grand fathered benefits and will receive the maximum benefit at retirement regardless of retirement age.

4. Annual OPEB Cost

The City's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ending September 30, 2012, is as follows:

Annual Required Contribution	\$ 228,607
Interest on OPEB Obligation	14,896
Adjustment to ARC	<u>(19,998)</u>
Annual OPEB Cost (Expense) End of Year	223,595
Contributions Made	<u>(179,938)</u>
Increase in Net OPEB Obligation	43,657
Net OPEB Obligation – Beginning of Year	<u>333,016</u>
Net OPEB Obligation – End of Year	<u>\$ 376,673</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2012 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation Ending
September 30, 2010	\$ 272,350	\$ 107,487	39.50%	\$ 164,863
September 30, 2011	\$ 281,067	\$ 112,914	40.20%	\$ 333,016
September 30, 2012	\$ 223,595	\$ 179,938	80.50%	\$ 376,673

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

5. Funded Status and Funding Progress

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of September 30, 2012 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b- a)/c)
December 31, 2011	\$ -	\$ 2,631,006	\$ 2,631,006	0%	\$ -	\$ -

Under the reporting parameters, the City's retiree health care plan is unfunded with an estimated actuarial accrued liability exceeding actuarial assets by \$2,631,006 at September 30, 2012.

6. Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits provided under the substantive plan at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

Actuarial Methods and Assumptions

Inflation rate	3.00% per annum
Investment rate of return	4.50%, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level dollar
Amortization period	30-year open amortization
Payroll Growth	3.00% per annum
Healthcare cost trend rate	Initial rate of 8.0% in 2013 declining to an ultimate rate of 4.50% after 8 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

M. Deferred Revenue

Deferred revenue at September 30, 2012 consisted of the following:

	General Fund	Debt Service Funds	Total
Net Tax Revenue	\$ 22,173	\$ 22,987	\$ 45,160
Municipal Court Fines	358,503	-	358,503
Total	\$ 380,676	\$ 22,987	\$ 403,663

N. Litigation

Management is not aware of any significant pending or threatened litigation at September 30, 2012.

O. Other Commitments and Contingencies

Management of the City was not aware of any significant contingencies at September 30, 2012.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

1. Construction Commitments

The total contractual commitment for construction in progress by project at September 30, 2012, is as follows:

Project Description	Commitments
Business Type Activity	
Alternate Water Source (2008 COs)	\$ (211,987)
Alternate Water Source Project (2009 COs)	708,068
Total Commitments	<u>\$ 496,081</u>

2. Contingent Liabilities

The City and the Housing Authority have received significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a material adverse effect on the City's financial position at September 30, 2012.

P. Municipal Solid Waste Landfill

State and federal laws and regulations require the City to place a final cover on its landfill upon closure and perform certain maintenance and monitoring functions at the site for 30 years after final closure. The closure and post-closure costs at September 30, 2011 is \$2,196,645 and is reported as landfill closure and post-closure care liability in the utility fund based on the estimated landfill capacity in use through September 30, 2012. The landfill is estimated to be used at 84.70% of capacity and is estimated to be closed in 12 years.

These amounts are based on what it is estimated by professional engineers to be the cost to perform all closure and post-closure care in the fiscal year ending September 30, 2012. The City expects to close the landfill around the year 2023. Actual costs may be more due to inflation, changes in technology, or changes in regulations. The estimated total current cost of closure and postclosure care remaining to be recognized as adjusted for inflation is \$496,921 over the expected remaining life of the landfill.

On April 9, 1997, the Financial Responsibility Requirements found in Environmental Protection Agency Subtitle D regulations as they relate to publicly owned or operated municipal solid waste landfill facilities became effective. The regulations require that financial assurance to perform closure, post-closure, and corrective activities for landfill operations be provided.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

The City has chosen to provide this assurance through use of the Local Government Financial Test and Government Guarantee. This guarantee consists of three basic components, which are a financial component, public notice component, and a record keeping and reporting component.

The public notice component of the Local Government Financial Test and Government Guarantee demonstrating financial assurance for closure, post-closure, or corrective action required by Environmental Protection Agency Subtitle D regulations for landfills operated by local government requires the following disclosures to be made.

1. The specific facility covered is the City of Fort Stockton Municipal Solid Waste Facility Texas Natural Resource Conservation Commission permit #976.
2. Financial assurance costs are anticipated in the following categories of expenditures and in the amount of the corresponding cost estimates. The original estimates will be adjusted for inflation.

Closure Costs	\$ 2,109,881
Post-Closure Costs	429,000
Corrective Action	-
Total	<u>\$ 2,538,881</u>

3. The anticipated year of closure is 2023 with closure costs having been fully incurred within that time. It is anticipated that post-closure costs will be incurred evenly across the 30-year post-closure monitoring period at \$14,300 per year.

Q. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance coverage to manage the risk of loss for general liability and property damage. The City has not had any significant reductions in insurance coverage from insurance coverage held in prior years for general liability and property damage.

The City purchases commercial worker's compensation coverage under a retrospectively rated policy, premiums are accrued based on the ultimate cost of the experience to date.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

For fiscal year 2012, the City utilized its general fund to account for and finance its uninsured risks of loss for employee health insurance. Under this program, the Fund provided coverage of up to \$25,000 annually per employee for medical health insurance claims. The City purchases stop loss coverage to manage the costs above the \$25,000 level.

All funds and departments of the City participate in the program and make payments to the general fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for catastrophe losses. The reserve at September 30, 2012 was initiated at \$0. The estimated claims liability as of September 30, 2012 is \$0. The estimate is based on the requirements of Governmental Accounting Standards Board Statement No. 10, as amended, which requires that a liability for claims to be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The provisions of the stop-loss coverage allows for recovering of costs paid by the City in excess of the minimum aggregate deductible amount. As a result the estimate for the remaining claims liability is equivalent to the amount expected to be recovered and therefore no claim liability is expected.

Changes in the claims liability amount in fiscal 2012 were as follows:

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2011 - 2012	\$ -	\$ 805,899	\$ (805,699)	\$ -

R. Deficit Net Assets and Deficit Fund Balances

The following funds have deficit net assets or fund balances:

Debt Service Fund	\$	(5,613)
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Subsidies from the General Fund and or the Enterprise Fund in future years will be used to reduce deficits for the Debt Service Fund.

The City's Housing Authority has a deficit unrestricted net assets of \$495. The City plans to transfer funds from the General Fund in subsequent years to offset this deficit.

S. Economic Dependency

The Texas Department of Criminal Justice Facility Lynaugh Unit is a major customer of the Water & Sewer Fund comprising sales of Water & Sewer services in the amount of \$976,208, which is in excess of 10% of total sales for the fund.

CITY OF FORT STOCKTON
Fort Stockton, Texas

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2012

III. DETAILED NOTES ON ALL FUNDS (Continued)

T. Prior Period Adjustments

Prior period adjustments for the year ended September 30, 2012 are as follows:

	Governmental Activities	General Fund	Enterprise Fund	Major Fund CVB	Component Units	
					Housing Fund	EDC 4A
Reverse prior year accounts payable	\$ 130,967	\$ 82,925	\$ 156,230	\$ 48,042	\$ (7)	\$ -
Funds closed	9,624	86,829	-	(76,205)	-	-
Note Receivable issued in the prior year	-	-	-	-	-	40,000
Total	<u>\$ 140,591</u>	<u>\$ 169,754</u>	<u>\$ 156,230</u>	<u>\$ (28,163)</u>	<u>\$ (7)</u>	<u>\$ 40,000</u>

IV. SPECIAL ITEM – RESOURCE (USE)

In 2012 the City issued refunding bonds which resulted in the recognition of a loss on refunding of \$12,303 which was reported as a special item use.

REQUIRED SUPPLEMENTARY INFORMATION

City of Fort Stockton
Schedule of Funding Progress
Texas Municipal Retirement System
September 30, 2012

Historical trend information about the Texas Municipal Retirement System (TMRS), an agent multiple-employer defined benefit pension plan, is presented as supplementary information. It is intended to help users assess the plan's funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other comparable retirement systems.

Analysis of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (b)	Funded Ratio (a/b)	AAL (UAAL) (b-a)	Covered Payroll (c)	Percentage of Payroll ((b-a)/c)
12/31/2009	\$ 4,471,869	\$ 7,990,355	56.0%	\$ 3,518,486	\$ 4,054,468	86.8%
12/31/2010	\$ 8,579,030	\$ 11,326,353	75.7%	\$ 2,747,323	\$ 4,619,854	59.5%
12/31/2011	\$ 9,218,250	\$ 11,781,827	78.2%	\$ 2,563,577	\$ 4,041,775	63.4%

The actuarial evaluation as of December 31, 2011 and 2010 was performed using a restructure of TMRS funds as enacted in SB 350 of the Texas Legislature. The change in the fund structure resulted in the marked change in the value of plan assets and the accrued liability as reported for the resulting valuations reported.

City of Fort Stockton
 Schedule of Funding Progress
 Other Postemployment Benefit Plan
 September 30, 2012

Analysis of Funding Progress

Actuarial Valuation Date	Value of Assets (a)	Accrued Liability (b)	Funded Ratio (a/b)	AAL (UAAL) (b-a)	Covered Payroll (c)	Percentage of Payroll ((b-a)/c)
9/30/2009	N/A	N/A	N/A	N/A	N/A	N/A
9/30/2010	\$ -	\$ 2,966,235	0.0%	\$ 2,966,235	\$ 4,054,468	73.2%
12/31/2011	\$ -	\$ 2,631,006	0.0%	\$ 2,631,006	\$ -	0.0%

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COMBINING STATEMENTS AND OTHER SCHEDULES

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Nonmajor Governmental Funds

CITY OF FORT STOCKTON
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2012

	Recreation Department Fund	Rehab Fund	LEOSE Fund	TDH Recreation Grant
ASSETS				
Cash and Cash Equivalents	\$ 50,851	\$ -	\$ -	\$ 1,362
Receivables (Net)	135	-	-	-
Due from Other Funds	-	-	-	-
Due from Component Unit	50	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ 51,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,362</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Wages and Salaries Payable	801	-	-	-
Total Liabilities	<u>801</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable Fund Balance:				
Prepaid Items	-	-	-	-
Restricted Fund Balance:				
Federal or State Funds Grant Restriction	-	-	-	1,362
Capital Acquisition and Contractual Obligation	-	-	-	-
Unassigned Fund Balance	50,235	-	-	-
Total Fund Balances	<u>50,235</u>	<u>-</u>	<u>-</u>	<u>1,362</u>
Total Liabilities and Fund Balances	<u>\$ 51,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,362</u>

The notes to the Financial Statements are an integral part of this statement.

Recycling Grant	RTC Sales Fund	Border Security Fund	Total Nonmajor Special Revenue Funds	2008 Series Capital Projects	2009 Series Capital Projects	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 52,213	\$ 349,448	\$ 53,133	\$ 402,581	\$ 454,794
-	-	-	135	-	-	-	135
-	-	-	-	109,475	170,477	279,952	279,952
-	-	-	50	-	-	-	50
-	16,000	-	16,000	-	-	-	16,000
<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$ -</u>	<u>\$ 68,398</u>	<u>\$ 458,923</u>	<u>\$ 223,610</u>	<u>\$ 682,533</u>	<u>\$ 750,931</u>
\$ -	\$ -	\$ -	\$ -	\$ 68,217	\$ -	\$ 68,217	\$ 68,217
-	-	-	801	-	-	-	801
-	-	-	801	68,217	-	68,217	69,018
-	16,000	-	16,000	-	-	-	16,000
-	-	-	1,362	-	-	-	1,362
-	-	-	-	390,706	223,610	614,316	614,316
-	-	-	50,235	-	-	-	50,235
-	16,000	-	67,597	390,706	223,610	614,316	681,913
<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$ -</u>	<u>\$ 68,398</u>	<u>\$ 458,923</u>	<u>\$ 223,610</u>	<u>\$ 682,533</u>	<u>\$ 750,931</u>

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

	Recreation Department Fund	Rehab Fund	LEOSE Fund	TDH Recreation Grant
REVENUES:				
Intergovernmental Revenue and Grants	\$ 128,000	\$ -	\$ -	\$ -
Charges for Services	88,235	-	-	-
Investment Earnings	-	5	-	-
Contributions & Donations from Private Sources	474	-	-	-
Total Revenues	<u>216,709</u>	<u>5</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
Culture and Recreation	287,690	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>287,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(70,981)</u>	<u>5</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	100,000	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	29,019	5	-	-
Fund Balance - October 1 (Beginning)	22,362	4,200	376	1,362
Prior Period Adjustment	(1,146)	(4,205)	(376)	-
Fund Balance - September 30 (Ending)	<u>\$ 50,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,362</u>

The notes to the Financial Statements are an integral part of this statement.

Recycling Grant	RTC Sales Fund	Border Security Fund	Total Nonmajor Special Revenue Funds	2008 Series Capital Projects	2009 Series Capital Projects	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 128,000	\$ -	\$ -	\$ -	\$ 128,000
-	-	-	88,235	-	-	-	88,235
-	-	-	5	6,941	747	7,688	7,693
-	-	-	474	-	-	-	474
-	-	-	216,714	6,941	747	7,688	224,402
-	-	-	287,690	-	-	-	287,690
-	-	-	-	61,449	15,032	76,481	76,481
-	-	-	287,690	61,449	15,032	76,481	364,171
-	-	-	(70,976)	(54,508)	(14,285)	(68,793)	(139,769)
-	-	-	100,000	-	-	-	100,000
-	-	-	-	(651,599)	(35,353)	(686,952)	(686,952)
-	-	-	100,000	(651,599)	(35,353)	(686,952)	(586,952)
-	-	-	29,024	(706,107)	(49,638)	(755,745)	(726,721)
(10,000)	97,624	-	115,924	1,096,813	224,060	1,320,873	1,436,797
10,000	(81,624)	-	(77,351)	-	49,188	49,188	(28,163)
\$ -	\$ 16,000	\$ -	\$ 67,597	\$ 390,706	\$ 223,610	\$ 614,316	\$ 681,913

CITY OF FORT STOCKTON, TEXAS
HOUSING AUTHORITY - FINANCIAL DATA SCHEDULE
September 30, 2012

<u>REAC LINE #</u>	<u>BALANCE SHEET</u>	<u>14.871 Housing Choice Vouchers</u>
113	Cash-Restricted	\$ 26,024
125	Accounts Receivable-Miscellaneous	5,723
144	Interprogram Due From	32,203
150	Total Current Assets	<u>63,950</u>
164	Furniture, Equipment & Machinery-Administration	17,800
166	Accumulated Depreciation	<u>(17,800)</u>
160	Total Capital Assets, Net of Accumulated Depreciation	<u>-</u>
190	Total Assets	<u>\$ 63,950</u>
312	Accounts Payable <= 90 days	\$ 547
322	Accrued Compensated Absences-Current Portion	1,494
347	Interprogram Due To	10,233
310	Total Current Liabilities	<u>12,274</u>
300	Total Liabilities	<u>12,274</u>
511.1	Restricted Net Assets	52,171
512.1	Unrestricted Net Assets	<u>(495)</u>
513	Total Equity/Net Assets	<u>51,676</u>
600	Total Liabilities and Net Assets	<u>\$ 63,950</u>
	<u>REVENUE AND EXPENSES</u>	
70600	HUD PHA Operating Grants	\$ 378,425
72000	Investment Income-Restricted	2,109
70000	Total Revenue	<u>380,534</u>
91100	Administrative Salaries	33,572
91500	Employee Benefit Contributions-Administrative	13,695
91600	Office Expenses	7,103
91900	Other	1,109
91000	Total Operating-Administrative	<u>55,479</u>
96130	Workmen's Compensation	109
96140	All Other Insurance	292
96100	Total Insurance Premiums	<u>401</u>
96200	Other General Expenses	3,210
96000	Total Other General Expenses	<u>3,210</u>
96900	Total Operating Expenses	<u>59,090</u>
97000	Excess of Operating Revenue over Operating Expenses	321,444
97300	Housing Assistance Payments	515,993
90000	Total Expenses	<u>575,083</u>
10030	Operating Transfer from Primary Government	30,488
10000	Excess (Deficiency) of Total Revenue over Total Expenses	(164,061)
11030	Beginning Equity	215,744
11040	Prior Period Adjustments, Equity Transfers and Corrections	<u>(7)</u>
	Total Ending Equity	<u>51,676</u>
	<u>Comprised of:</u>	
11170	Administrative Fee Equity	(495)
11180	Housing Assistance Payments Equity	52,171
	Total Ending Equity	<u>\$ 51,676</u>
11190	Unit Months Available	1944
11210	Number of Unit Months Leased	1360