



# City of Borger

## Annual Financial Report

### Year Ended September 30, 2012

(with Auditors' Report Thereon)

#### City Council

Jeff Brain  
Mayor

Robert Vinyard  
Mayor Pro-Tem

Charles Gillingham  
Council Member

Bubba Dickson  
Council Member

Brandy Callahan  
Council Member



J.W. Anderson & Associates, PC  
P.O. Box 65257  
Lubbock, Texas 79414  
806-771-4000



# City of Borger

Borger, Texas

## Audited Financial Statements and Supplemental Information

September 30, 2012

(This page intentionally left blank)

CITY OF BORGER  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

TABLE OF CONTENTS

iii-v

	<b>Page</b>
Independent Auditors' Report	vi
Management's Discussion and Analysis	1
<b>Basic Financial Statements</b>	<b>17-30</b>
<b>Government Wide Statements:</b>	
Statement of Net Assets	19
Statement of Activities	20
<b>Governmental Fund Financial Statements:</b>	
Balance Sheet	22
Reconciliation of the Balance Sheet to Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes in Fund Balance	24
Reconciliation to the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	25
Budgetary Comparison Schedule-General Fund	26
Budgetary Comparison Schedule-Capital Equipment Fund	27
<b>Proprietary Fund Financial Statements:</b>	
Statement of Net Assets	28
Statement of Revenues, Expenditures, and Changes in Net Assets	29
Statement of Cash Flows	30
<b>Notes to the Financial Statements</b>	<b>31-50</b>
<b>Note A - Summary of Significant Accounting Policies</b>	
Reporting Entity	31
Discretely Presented Component Unit	31
Borger Economic Development Corporation	31
Government-wide Financial Statements & Fund Financial Statements	32
Measurement Focus, Basis of Accounting, and Financial Statement Presentation	33
Proprietary Funds	33
Budgetary Data	33
Use of Estimates	34
Equity in Pooled Cash and Investments	34
Cash Equivalent	34
Use of Restricted Cash	34
Property Taxes Receivable	34
Proprietary Fund Accounts Receivable	34
Capital Assets and Depreciation	34
Inventories	35

Customer Deposits	35
Long Term Debt	35
Fund Balance	35
Sales Tax Revenue	35
Accrued Vacation	35
Risk Management	35
Commitments and Contingencies	35
Subsequent Events	36
Note B - Cash Deposits and Investments	36
<hr/>	
Cash Deposits	36
Interest Rate Risk	36
Custodial Credit Risk	36
Borger Economic Development Corporation	36
Investments	37
Other Investments	38
Note C - Receivables	38
<hr/>	
Accounts Receivable - Net	38
Property Taxes Receivable	38
Other Receivables	39
Note D - Interfund Transfers and Balances	39
<hr/>	
Note E - Capital Assets	40
<hr/>	
Governmental Activities	40
Business-type Activities	41
Component Unit	41
Note F - Long Term Debt	42
<hr/>	
Governmental Activities	42
Business-type Activities	43
Component Unit	46
Note G - Operating Lease Commitments	46
<hr/>	
Note H - Transfer Station Compliance Statement	46
<hr/>	
Note I - Pension Plan and Other Post Employment Benefits	47
<hr/>	
Pension Trust Fund	47
Supplemental Death Benefits Fund	49
Note J - Discretely Presented Component Unit	49
<hr/>	

**Supplemental Information****51-71**

---

**Combining Fund Statements**

Combining Balance Sheets	54
Statements of Revenues, Expenditures, and Changes in Fund Balance	58

---

**Budgetary Comparisons**

Budgetary Comparison Schedule - Tourism Fund	61
Budgetary Comparison Schedule - Tub Grinder Fund	62
Budgetary Comparison Schedule - Park, Recreation, and Special Projects Fund	63
Budgetary Comparison Schedule - Police Club 100 Fund	64
Budgetary Comparison Schedule - Police Grants Fund	65
Budgetary Comparison Schedule - Emergency Operations Fund	66
Budgetary Comparison Schedule - Court Security Fund	67
Budgetary Comparison Schedule - Interest & Sinking Service Fund	68
Budgetary Comparison Schedule - Texas Plains Trail Fund	69
Budgetary Comparison Schedule - Court Technologies Fund	70
Budgetary Comparison Schedule - Occupancy Tax Fund	71

---

**Enterprise Fund Budget vs Actual**

72-73

---

Budgetary Comparison Schedule - Water & Sewer Fund	73
--	----

---

**Supplemental Schedules**

75-81

---

Schedule of Delinquent Taxes Receivable	76
Schedule of Asset Valuation, M&O / I&S Tax Rate, Levy, and Collections	77
Water & Sewer Customer Statistics	78
Schedule of Insurance Coverage	79

---

**Compliance Information****83-88**

---

Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements performed in accordance with Government Auditing Standards	85
Official Roster	86

**JW ANDERSON & ASSOCIATES, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of Borger, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparisons for the general fund and business-type funds and the aggregate remaining fund information of the City of Borger (City), 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the City's discretely presented component unit, Borger Economic Development Corporation. Those financial statements were audited by other auditors whose unqualified report dated February 7, 2013 thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Borger, Texas accompanying basic financial statements, is based on the report of the other auditors.

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

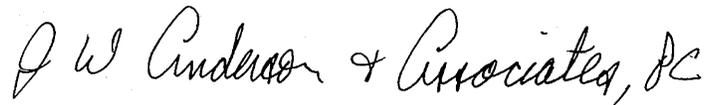
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Borger as of September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

In accordance with Government Auditing Standards, we have also issued our report dated March 5, 2013 on our consideration of City of Borger's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, schedules of funding progress related to pension plans and other postemployment benefits disclosed in Note I and the nonmajor funds budgetary comparison schedules listed in the table of contents are not a required part of the basic financial statements but are presented in compliance with requirements issued by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required information. However, we did not audit the information and we do not express an opinion or any other form of assurance on such information.

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

The accompanying information in the supplemental schedules as listed in the table of contents has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "J W Anderson & Associates, PC".

JW ANDERSON & ASSOCIATES, PC  
A Professional Corporation  
Lubbock, Texas  
March 5, 2013

(This page intentionally left blank)



**FY 2011 – 2012 Audit  
Management’s Discussion and Analysis**

City of Borger, Texas  
Form of Government - Council/Manager  
September 30, 2012



Robert Vinyard,  
Mayor Pro-Tem  
Council Member  
Place 3



Jeff Brain, Mayor  
Council Member  
Place 2



Brandy Callahan,  
Council Member  
Place 1



Marvin “Bubba” Dickson,  
Council Member  
Place 4



Charles Gillingham,  
Council Member  
Place 5

This section of the City of Borger’s annual financial report presents discussion and analysis from City management regarding the City’s financial performance, the independent auditor’s report, and the City’s basic financial statements during the fiscal year that ended on September 30, 2012 with comparative information for the fiscal year ended September 30, 2011.

## **FINANCIAL HIGHLIGHTS**

- Total Net Assets of the City of Borger equal \$23.3 million, up from \$20.5 million from FY 2010-2011. This is a result of \$53.3 million in assets less \$30.0 million in liabilities.
- The State of Texas does not provide for a statutory debt limit for cities. The truth-in-taxation criterion specifies that debt (Interest & Sinking) requirements must be met first, then operations. The property tax rate to meet these needs cannot exceed \$2.50 per \$100 valuation. As of September 30, 2012 the City has debt in the amount of \$6.6 million<sup>1</sup> secured by the levy and collection of a direct and continuing ad valorem tax on all taxable property within the City and revenues generated by the Water & Sewer Proprietary Fund. Based on a population of 13,251 (2010 Census) the per capita debt for the City is \$498.38 and the ratio of bonded debt to assessed value is 1.57%.
- The City of Borger is compliant with the GASB 34 reporting model, which requires accounting for depreciation of fixed assets within governmental activities<sup>2</sup>. Shown within Note E – Capital Assets, the FY 2011-2012 governmental fixed asset year-end balance is \$24.1 million less accumulated depreciation of \$11.4 million leaving \$12.7 million in Net Depreciable Assets for governmental activities.
- Financially, FY 2011-2012 was a good year for the General Fund. The City collected \$690,582<sup>3</sup> more in revenues than the budgeted amount. This was primarily attributed to higher than anticipated ad valorem tax collections, and fees for services rendered.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements.

- The Government Wide Statement of Net Assets and the Statement of Activities (sometimes referred to as government-wide financial statements) provide information about the activities of the City as a whole and represent a longer-term view of the City’s

<sup>1</sup> Notes to Financial Statements: Note F – Long Term Debt

<sup>2</sup> Notes to Financial Statements: Note E - Capital Assets

<sup>3</sup> Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual

finances. They reflect the flow of total economic resources in a manner similar to the financial reports of a business or corporation.

- Fund financial statements report the City’s operations in more detail than the governmental wide statements by providing information about the City’s most significant funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.
- The notes to the financial statements provide narrative explanations or additional data needed for full disclosure and are an integral part of the government-wide and fund financial statements.
- Finally, the combining statements for non-major funds contain even more information about the City’s individual funds.

### **Reporting the City as a Whole**

One of the most important questions asked about the City’s finances is “Is the City as a whole better off or worse off as a result of the year’s activities?” The *Statement of Net Assets* and the *Statement of Activities* report information about the City as a whole and about activities in a way that helps answer this question. The Statement of Net Assets includes *all* assets and liabilities at the end of the year; and, the Statement of Activities include all the revenues and expenses generated by the City’s operations during the year. These statements apply the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report changes in the City’s net assets. 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, strength of the local economy and the condition of the City’s facilities.

### **Reporting the City’s Most Significant Funds**

Some funds are required to be established by State laws and bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The City uses different accounting approaches for different types of funds:

*Governmental funds* – Most of the City’s basic services are included in governmental funds which use modified accrual accounting method, and focus on (1) how cash and other financial assets that can readily be converted to cash flow into and out of these funds, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliation schedules following each of the fund financial statements.

*Enterprise funds* – Services for which the City charges customers (whether outside customers or other units of the city) for the full cost of the services it provides are generally reported in enterprise funds. These business-type activities, like the government-wide statements, provide both long- and short-term financial information. Business type activities are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

*Fiduciary funds* – The City has fiduciary responsibility for other assets that – because of trust arrangements – can be used only for the trust beneficiaries. The City is responsible for ensuring the assets reported in those funds are used for their intended purposes. We exclude these activities from the City’s government-wide financial statements because the City cannot use these assets to finance its operations.

*Component Unit* – Component unit information for the Borger Economic Development Corporation (BEDC) is presented in the Statement of Net Assets and the Statement of Activities. The BEDC is a component unit of the City of Borger and is specifically governed by the Texas Development Corporation Act of 1979, as amended. The purpose of the BEDC is to promote and develop industrial and manufacturing enterprises in order to promote and encourage employment and the public welfare of the City.

In the supplemental information section, the City has provided detailed historical such as tax receivables, tax levies, property values, water/sewer statistical information and insurance coverage. The reports are intended to provide the user with information beyond the realm of the traditional auditing requirements.

**FINANCIAL ANALYSIS**

---

**The City as a Whole**

The following table provides a comparison between the activities for FY 2011-2012 and FY 2010-2011 under the GASB Statements 34, 37, & 38 since implementation by the City in 2003.

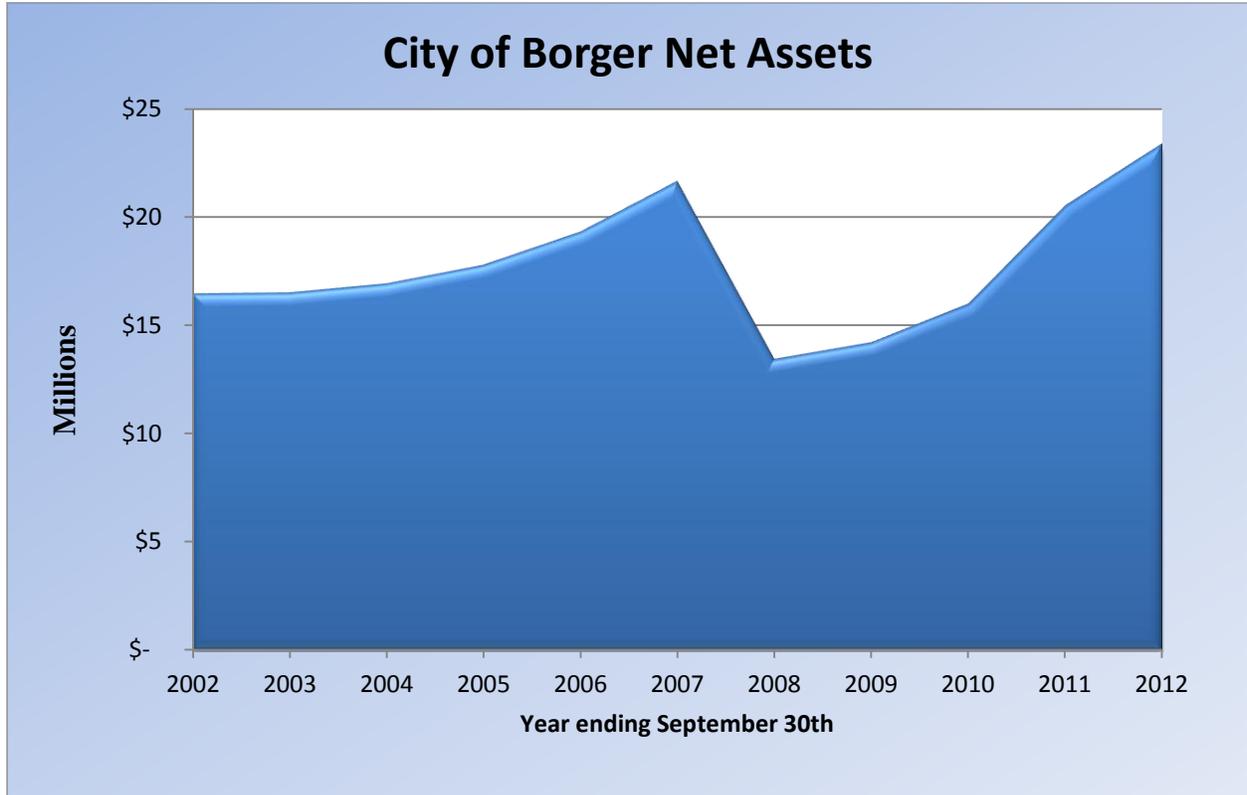
**Changes in the City of Borger's Net Assets**

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>Fiscal Year</b>		<b>Fiscal Year</b>		<b>Fiscal Year</b>	
	<b>2010-2011</b>	<b>2011-2012</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2010-2011</b>	<b>2011-2012</b>
<b>Assets:</b>						
Current Assets	\$ 2,430,884	\$ 4,108,629	\$ 6,000,907	\$ 6,419,221	\$ 8,431,791	\$ 10,527,850
Non-Current Assets	\$ 13,325,143	\$ 13,234,644	\$ 25,253,954	\$ 29,575,203	\$ 38,579,097	\$ 42,809,847
<b>Total Assets</b>	<b>\$ 15,756,027</b>	<b>\$ 17,343,273</b>	<b>\$ 31,254,861</b>	<b>\$ 35,994,424</b>	<b>\$ 47,010,888</b>	<b>\$ 53,337,697</b>
<b>Liabilities:</b>						
Current Liabilities	\$ 1,007,662	\$ 1,677,734	\$ 1,357,222	\$ 1,425,207	\$ 2,364,884	\$ 3,102,941
Non-Current Liabilities	\$ 12,857,554	\$ 12,489,021	\$ 11,293,202	\$ 14,393,650	\$ 24,150,756	\$ 26,882,671
<b>Total Liabilities</b>	<b>\$ 13,865,216</b>	<b>\$ 14,166,755</b>	<b>\$ 12,650,424</b>	<b>\$ 15,818,857</b>	<b>\$ 26,515,640</b>	<b>\$ 29,985,612</b>
<b>Net Assets:</b>						
Invested in Cap. Assets	\$ 7,373,275	\$ 7,496,084	\$ 14,025,062	\$ 14,942,826	\$ 21,398,337	\$ 22,438,910
Restricted	\$ 393,675	\$ 468,324	\$ -	\$ -	\$ 393,675	\$ 468,324
Unrestricted	\$ (5,876,139)	\$ (4,787,890)	\$ 4,579,375	\$ 5,232,741	\$ (1,296,764)	\$ 444,851
<b>Total Net Assets</b>	<b>\$ 1,890,811</b>	<b>\$ 3,176,518</b>	<b>\$ 18,604,437</b>	<b>\$ 20,175,567</b>	<b>\$ 20,495,248</b>	<b>\$ 23,352,085</b>

The City participates in the Texas Municipal Retirement System (TMRS). In December 2007, the TMRS Board of Trustees changed actuarial funding methods from the Unit Credit to the Projected Unit Credit method. The Unit Credit actuarial method did not project potential future liability, whereas the Projected Unit Credit actuarial method facilitates advanced funding for future updated service credits, cola’s, and annuity increases that are adopted on an annually repeating basis. This unfunded liability has previously existed and has been disclosed in the auditor’s notes since 2008; however, in the interest of full disclosure beginning in FY 2009-2010

the City recognized the unfunded pension liability in the Total Net Assets. For FY 2011-2012 the City’s unfunded pension liability was \$7,579,986<sup>4</sup>.

The following chart represents graphically, how the City’s Total Net Assets have changed since the City’s implementation of GASB Statements in 2003 and the TMRS’s actuarial change in 2007.

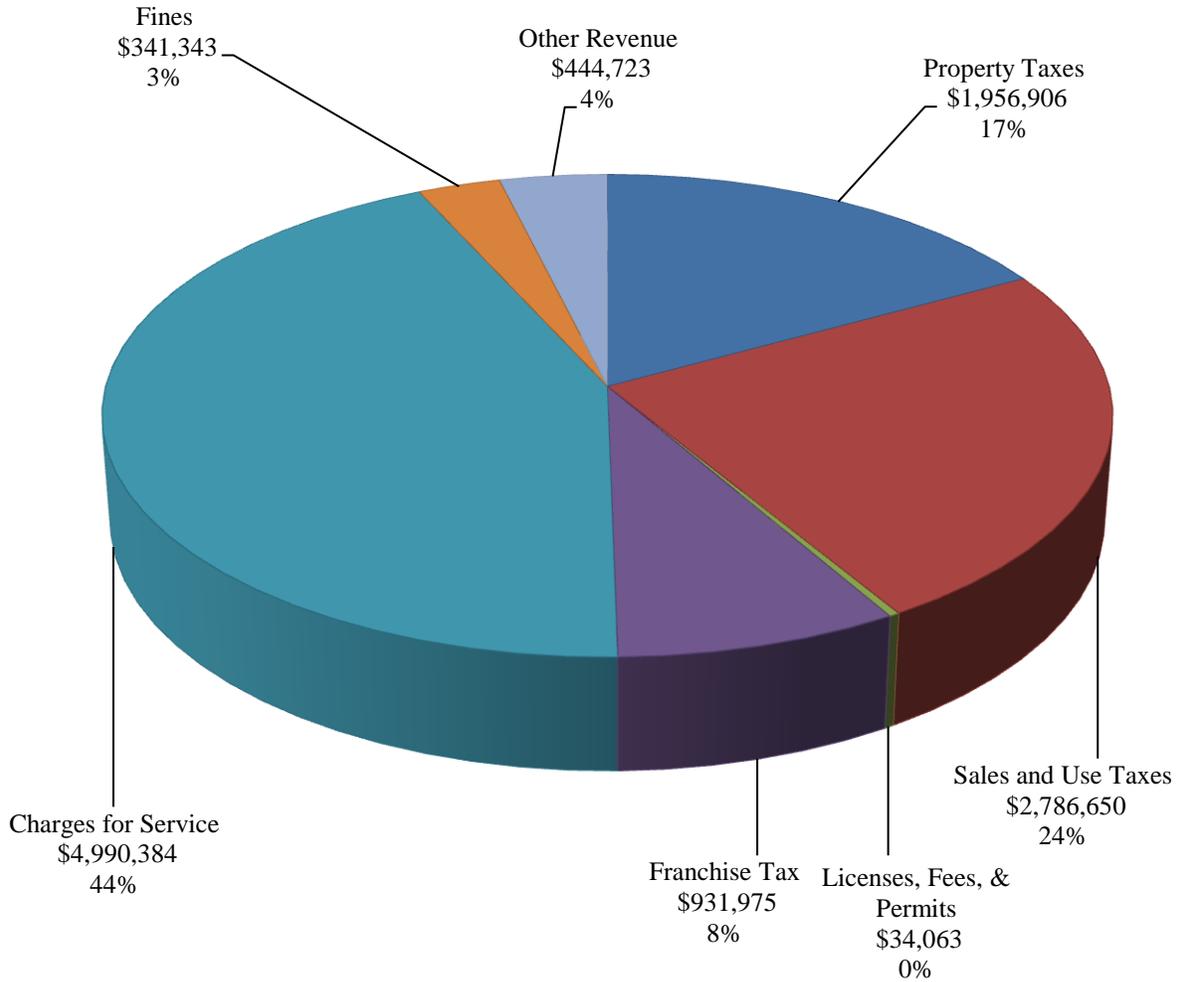


### The City’s Governmental Activities

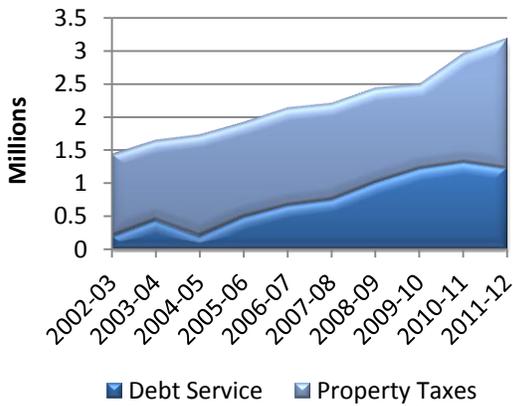
Governmental activities include all funds except business-type activities and the component unit of the BEDC. Examples include the General Fund (Administration, Animal Control, Fire, Code Enforcement, Legal, Parks/Recreation, Planning & Zoning, Police, Public Works, Refuse Collection Municipal Court, Emergency Management and various other departments), Tourism Fund, Special Projects Funds, Grant Funds, Debt Service Funds, Capital Improvement and Capital Equipment Funds and various other funds. The following charts graphically represent the City’s revenues for FY 2011-2012 as well as a historical view of the property, debt service, and sales taxes for the last several years.

<sup>4</sup> Notes to Financial Statements: Note I – Pension Plan and Other Post Employment Benefits

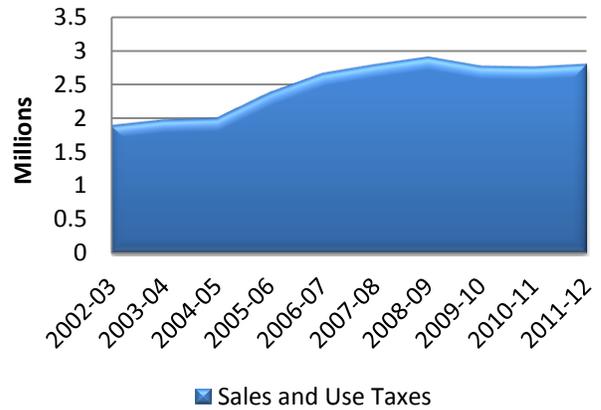
## FY 2011-2012 Revenue by Source - Governmental Activities



### Historical Property Taxes

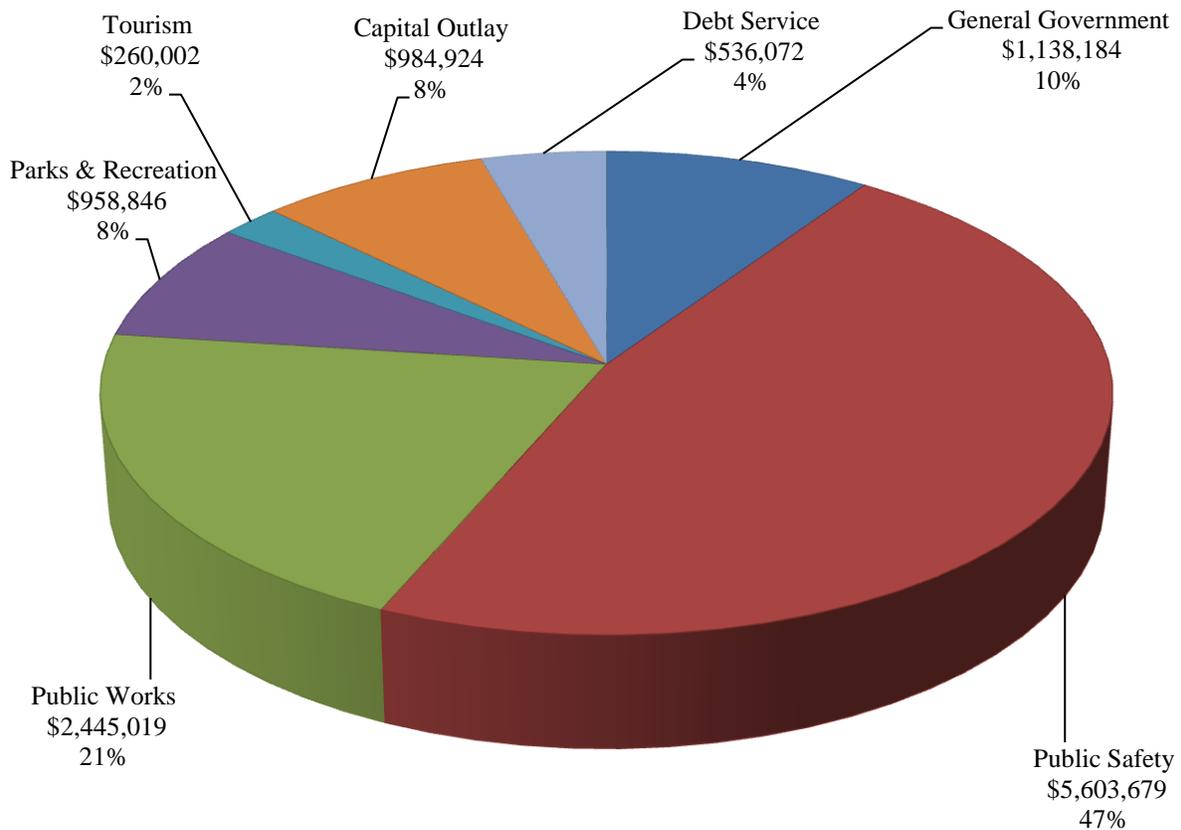


### Historical Sales Taxes



The cost of all governmental activities this year was \$11.7 million<sup>5</sup> compared to \$11.9 million for FY 2010-2011. However, as shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance, the amount that our taxpayers ultimately funded through property taxes was only \$2.9 million<sup>6</sup>. The balance of \$8.8 million was funded by those who directly benefited from the programs or services, sales tax, industrial district contracts, and other sources of revenue. Capital expenditures within governmental activities are depreciated over their useful life as a result of the GASB 34 model. The following chart graphically represents the City's expenditures on governmental activities for FY 2011-2012.

### FY 2011-2012 Expenditures - Governmental Activities

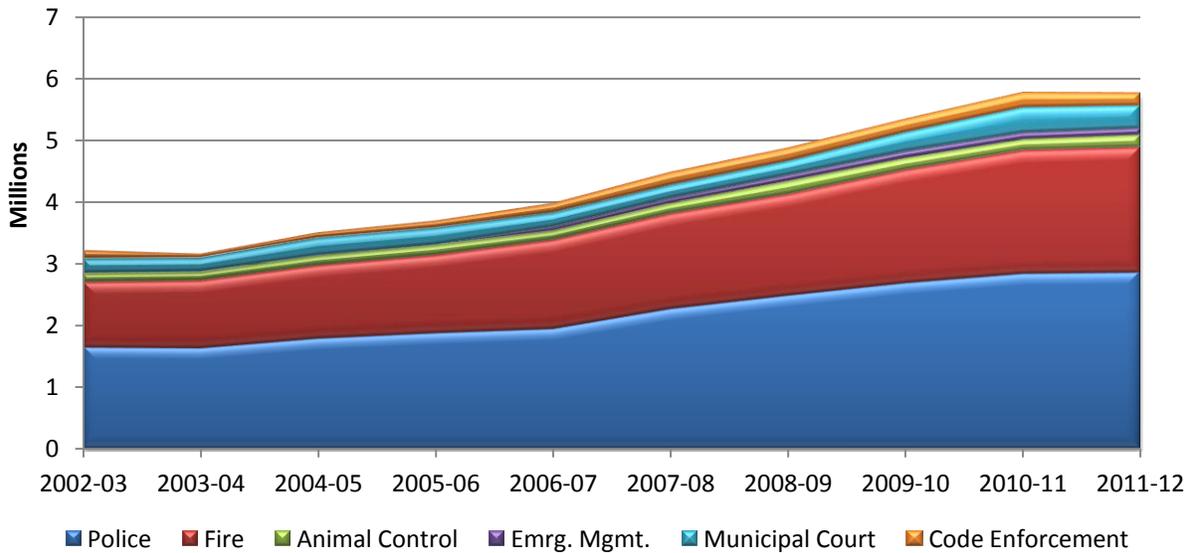


<sup>5</sup> Statement of Revenues, Expenditures, and Changes in Fund Balance

<sup>6</sup> Statement of Revenues, Expenditures, and Changes in Fund Balance

Public safety, which includes the Police, Fire, Animal Control, Emergency Management, Municipal Court, and Code Enforcement, continues to comprise close to half of all expenditures for governmental activities. The following chart represents a historical view of the cost to provide those basic services for the last several years.

### Historical Public Safety Expenditures



### Business-type Activities

The 2011 - 2012 Budget also included business-type activities (often referred to as Enterprise Funds) from the operation of our water, and sewer systems. During FY 2011-2012 the operating income from the City’s business-type activities was \$2,906,228<sup>7</sup>.

The City of Borger as well as the rest of the Texas Panhandle continues to suffer through the worst drought in half a century. During this fiscal year the Council approved a “Red” budget for the Enterprise Fund allocating \$1,922,166 more in expenditures than revenue. This decision was made in anticipation of the construction of three (3) additional water wells without the need to issue debt. While the project is underway, TECQ regulations and other issues have slowed its progress. As of fiscal year end two (2) of the three (3) wells have been drilled and are awaiting final completion. I would anticipate those two (2) wells to be in operation by the end of April, 2013. The location of the third well has delayed its bidding; however, it should be ready for bidding by May or June of 2013. As a result, the Enterprise Fund ended the year with an unrestricted surplus of \$5,232,741<sup>8</sup>.

<sup>7</sup> Statement of Cash Flows – Proprietary Funds

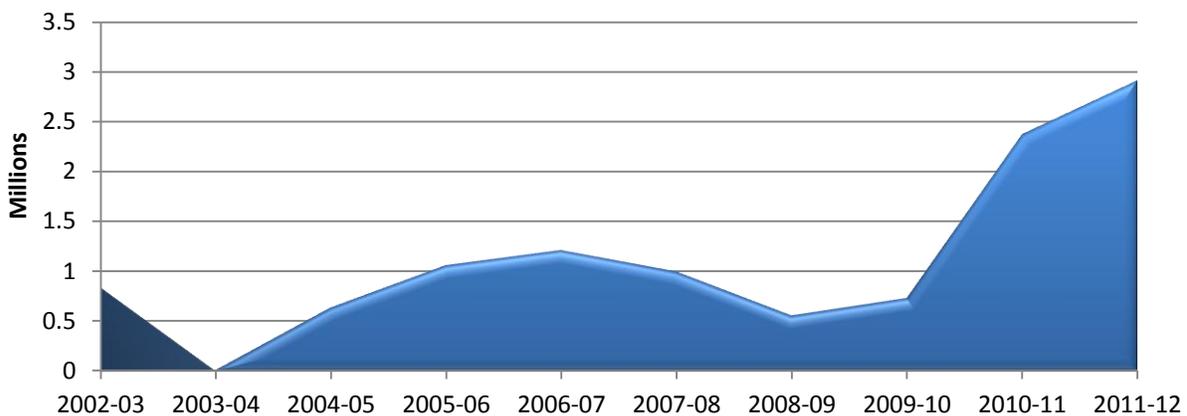
<sup>8</sup> Statement of Net Assets – Proprietary Funds

For over fifty years, the Canadian River Municipal Water Authority (CRMWA) has worked to serve its member cities and all citizens of the Texas Panhandle and South Plains by providing a dependable and safe source of municipal and industrial water. The City is an original member of the CRMWA. Since its beginning, CRMWA has incurred debt for projects to secure, develop, and deliver water to the eleven member cities. Most recently the City participated fully in the CRMWA’s “MESA Purchase” which consisted of the purchase of an additional 213,152 acres of water rights. Currently, the City is obligated to the CRMWA for bonded indebtedness of approximately \$13.2 million<sup>9</sup>. This obligation is paid on a monthly basis out of the Enterprise Fund operating revenues and will be retired in 2031.

With Lake Meredith (one of the City’s major sources of water) at historically low levels, the acquisition of additional long-term water supplies will continue to be one of our high priority goals. We will facilitate this goal through continued partnership with the CRMWA in the expansion of the John C. Williams Well Field and through development of our own water resources.

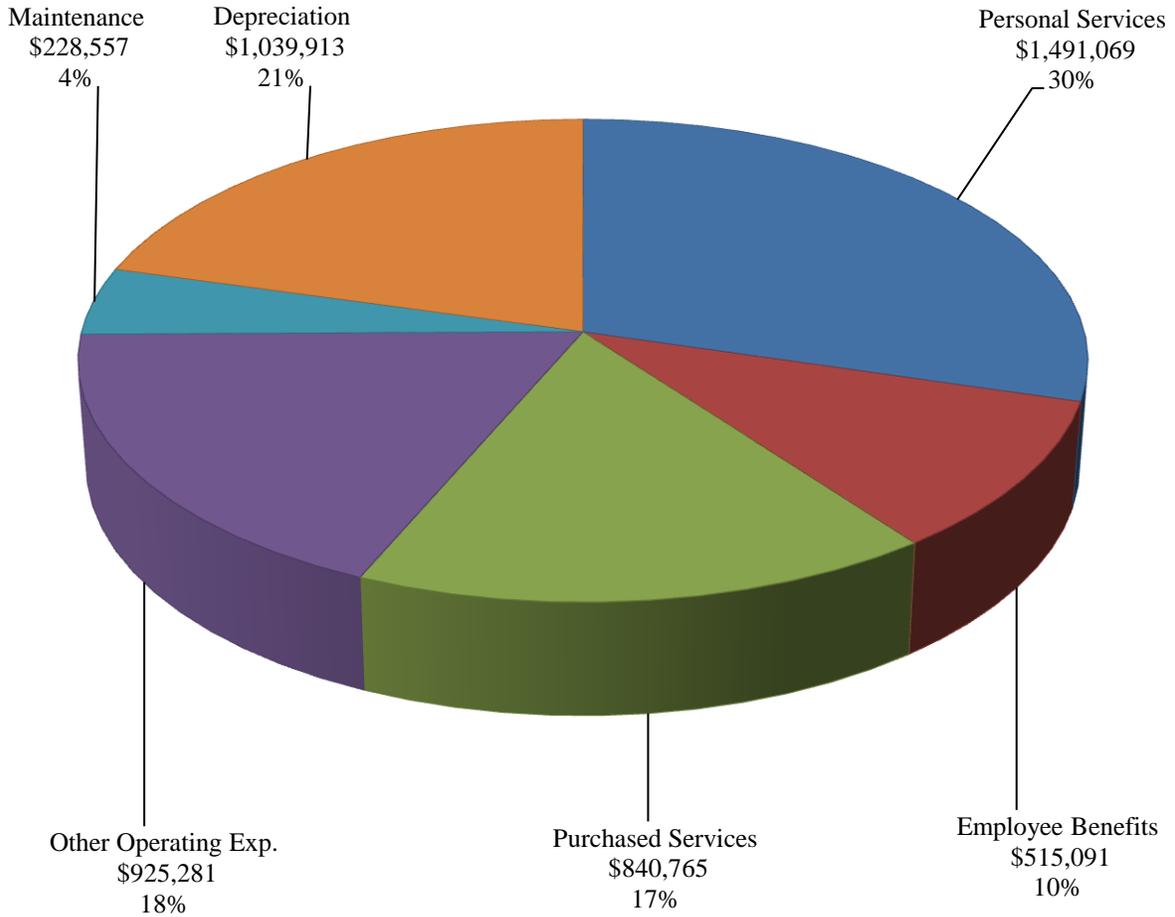
Historically, some excess revenue has been transferred from the Enterprise Fund to the General Fund for services rendered in order to supplement the City’s governmental activities. From 2005 through 2008 that need was reduced by a robust economy and greater than anticipated sales tax; however, with the decline in the national economy in 2008 – 2009 the transfer of excess revenue to support governmental activities has again increased. The following chart dramatically shows the effect of transfers out of the Enterprise Fund and increased sales of industrial water since FY 2003-2004.

### Enterprise Fund - Operating Income



<sup>9</sup> Notes to Financial Statements: Note F – Long Term Debt

### FY 2011-2012 Expenditures - Business-type Activities



---

### **LONG-TERM DEBT**

---

Currently, the City has \$6.6 million in outstanding long-term debt payable from the levy and collection of a direct and continuing ad valorem tax within the limit prescribed by law, on all taxable property within the city.

As described earlier, the City, under contractual agreements with the CRMWA, is obligated for long-term debt in the amount of \$13.2 million. By law, the debt service for these obligations cannot be funded from ad valorem taxes. The City funds this debt fully from operational revenues generated from business-type activities.

**City of Borger's Outstanding Debt**  
**FY 2011-2012**

City Outstanding Debt	Remaining Principal	*2012-2013 Debt Service	Maturity Year
General Obligation Refunding Bonds Series 2002	\$ 950,000	\$ 498,503	2014
Tax and Water/Sewer Surplus Revenue Certificates of Obligation Series 2002	\$ 445,000	\$ 116,306	2015
Notes Payable Obligations	\$ 609,097	\$ 124,776	2019
Certificates of Obligation Revenue Bonds Series 2006	\$ 4,600,000	\$ 405,475	2019
<b>Total I&amp;S Debt</b>	<b>\$ 6,604,097</b>	<b>\$ 1,145,060</b>	
<hr/>			
<b>CRMWA Outstanding Debt</b>			
USBR Series 1999 - Refunded 2010	\$ 611,539	\$ 101,857	2019
CUG Refunding Series 2005	\$ 1,812,139	\$ 343,636	2020
CUG Refunding Series 2010	\$ 369,757	\$ 62,339	2019
Conjunctive Use Ground Water Series 2005	\$ 2,659,346	\$ 137,206	2025
Conjunctive Use Ground Water Series 2006	\$ 2,246,133	\$ 222,786	2027
Conjunctive Use Ground Water Series 2009	\$ 1,056,738	\$ 88,511	2028
Conjunctive Use Ground Water Series 2011	\$ 4,467,433	\$ 370,147	2030
<b>Total CRMWA Obligated Debt</b>	<b>\$ 13,223,085</b>	<b>\$ 1,326,482</b>	
<b>Total City and CRMWA Long-term Debt</b>	<b>\$ 19,827,182</b>	<b>\$ 2,471,542</b>	

\* Current requirements are estimated

In 2012 Standard and Poor’s reviewed the City’s various Obligation Bonds and have re-affirmed the rating of “A+” **while also re-affirming a stable outlook**. The rationale states, in part, that “Borger is the principal commercial and industrial economic center for Hutchinson County; and specifically citing the City’s strong financial system.

**STATUS OF CITY RESERVES**

The following is a listing of the City’s Governmental and Business-type reserves with comparative information from last year. The City as a whole ended FY 2011-2012 with an unaudited balance of \$11.2 million compared to \$8.3 million for FY 2010-2011. Both the unrestricted General Fund and the unrestricted Water/Sewer Fund reserve balances increased significantly; however, there are still obligated payments remaining on two water wells that are under construction and one water well that has yet to be bid. Those projects may slightly decrease the Water/Sewer Fund unrestricted reserve balance during FY 2012-2013 once those

projects are fully completed and final payments have been made. The following table lists each of the City’s funds separately with comparative information from the previous year.

**City of Borger's Statement of Governmental Fund Balances  
 FY 2011-2012**

	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Variance Favorable (Unfavorable)
<b>Governmental Activities Group</b>			
General Fund	\$ 1,560,599	\$ 2,326,361	\$ 765,762
City Tourism Fund	\$ 218,565	\$ 257,244	\$ 38,679
Tub Grinder Operations Fund	\$ (292)	\$ 70,280	\$ 70,572
Park Recreation & Special Projects Fund	\$ 20,711	\$ 40,035	\$ 19,324
Police Club 100 Fund	\$ 12,065	\$ 12,363	\$ 298
Fire Equipment Fund	\$ 10,893	\$ 7,575	\$ (3,318)
Police Grants Fund	\$ (6,314)	\$ 14	\$ 6,328
Municipal Court Security Fund	\$ 40,279	\$ 43,932	\$ 3,653
Municipal Court Technology Fund	\$ (2,893)	\$ 1,725	\$ 4,618
Capital Equipment Fund	\$ (2,474)	\$ 149,299	\$ 151,773
Special Crime Fund	\$ (64)	\$ 4,873	\$ 4,937
Debt Service Fund	\$ 327,458	\$ 402,107	\$ 74,649
<b>Total Government Activities Group Fund Balance</b>	<b>\$ 2,178,533</b>	<b>\$ 3,315,808</b>	<b>\$ 1,137,275</b>
<b>Business-type Activities Group</b>			
Water/Sewer Fund	\$ 5,803,247	\$ 7,552,995	\$ 1,749,748
Meter Deposits	\$ 345,596	\$ 355,409	\$ 9,813
<b>Total Business-type Activities Group Fund Balance</b>	<b>\$ 6,148,843</b>	<b>\$ 7,908,404</b>	<b>\$ 1,759,561</b>
<b>City as a Whole Total Fund Balance</b>	<b>\$ 8,327,376</b>	<b>\$ 11,224,212</b>	<b>\$ 2,896,836</b>

\* All fund balances are unaudited

**CURRENT EVENTS, THE BUDGET, UPCOMING CHALLENGES**

**Current Events**

The City’s elected and appointed officials considered many factors when setting the FY 2011–2012 Budget and tax rates. One of those factors was the economy. Borger’s economy has been based on and intertwined with oil and the petro chemical industry since its inception; City

staff continually monitor national, state, and local economic indicators especially as those that pertain to the petro chemical industry.

The Borger Economic Development Corporation which shows up as a non-major component in many of the tables contained within this audit continues to be active and successful in the recruitment and retention of businesses and companies. Their primary focus is on the creation of primary jobs, however, efforts are continuing in four other areas identified as critical to Borger and the surrounding area. These areas include availability of housing, acute and long term healthcare, construction of an events/multi-purpose community center, and participating with Hutchinson County in the construction of a new terminal building at the Hutchinson County Airport. To that end, significant achievements have come to fruition. In October 2011 the Hutchinson County Hospital District opened a newly constructed hospital directly west of Frank Phillips College. As of now the Hospital has completed its first year of operation and has recently awarded a \$2,000,000 contract to build a new medical office building on the property. Through a joint effort with Hutchinson County and a grant from the State of Texas a new Airport Terminal opened in late 2011. Great service and competitive fuel pricing have markedly increased transient air traffic with a significant amount of that traffic utilizing overnight accommodations. A forty-eight unit housing project which had been under construction is now fully opened with about a 95% occupancy rate. The last critical area was the construction of a multi-purpose events center. During FY 2011-2012 the City funded a feasibility study to determine the financial conditions necessary for the operation of the center as well as the possible economic impact on the local economy. As a result of that study, the City of Borger agreed to own and operate the facility should adequate funding for the construction of the facility be raised. At present the City acting as a fiduciary, has setup a 501c3 account with the Amarillo Area Foundation and a Multi-Purpose Events Center Board of nine (9) members has been created to lead the fund raising activities.

## **Budget**

These factors were conservatively taken into account when adopting the FY 2012-2013 Budget. The City will use its revenues to finance programs we currently offer and expand spending in maintenance of streets and rights of ways. In order to protect and preserve vital road infrastructure this program was resurrected with minimal funding allocated in the FY 2007-2008 Budget; however, funding for this important program has increased in every fiscal year since. Other programs that an increased emphasis has been placed on include, clean up and maintenance of rights-of-ways and highly visible areas of the City, removal of junk and/or abandoned vehicles, and eliminating unsightly nuisances through compliance and/or enforcement of ordinances.

The ongoing drought has also increased the emphasis on protection from wild fires; the City included a new Hazardous Mitigation line item in the Fire Department’s budget. During the initial

year of this program this line item was funded at \$50,000. Expenditures are specifically restricted to mitigating excessive overgrowth of vegetation in the rural/urban interface. While the program is only in its infancy, it has been widely accepted and several potential problem areas around the City have been significantly cleaned up thus reducing the availability of excess fuel for a wild fire.

## **Upcoming Challenges**

In December 2012 one of our long time local industries announced the possibility of a major plant expansion. Agrium U.S. Inc is exploring the possibility of expanding their nitrogen production facility. While no final decision has been made, the proposed project would include a major ammonia plant upgrade and urea expansion, as well as a new state-of-the-art production facility for controlled release fertilizer. The project if approved would produce an additional 1,530 metric tons per day (MTPD) of urea, and additional 400 MTPD of ammonia, and 180,000 tones of controlled release fertilizer annually. The cost of the expansion project is estimated to be \$550-\$600 million. With large initial capital investment and substantial ongoing operating expenditures, this project would have significant positive economic impact on the City and its surrounding area.

Agrium has been a valued industrial partner and major water customer for over 40 years. Currently the City sells Agrium approximately 1.3 million gallons of treated effluent and 1.7 million gallons of well water per day. At this capacity Agrium is our largest industrial customer generating revenues of \$1.1 million in FY 2010-2011 and \$1.3 million in FY 2011-2012. Should this project move forward, Agrium’s projected well water requirements will increase by 3.3 million per day to a total of 6.3 million gallons per day. While the City owns a considerable amount of undeveloped water rights, the current infrastructure does not have the ability to produce and deliver that amount of water while maintaining the current level of deliveries to other industries. To address this challenge the City has begun preliminary exploration on a new well field and transmission pipeline. Early opinions of probable cost range from \$20 - \$30 million to construct wells, storage facilities, pumping stations, and a transmission pipeline of sufficient size to deliver Agrium’s projected capacity. Design will also take into account future capacity requirements of other industries as well.

Currently the City has contracted with various firms for a hydrological study of our existing water rights, preliminary design of wells, storage, and other pertinent infrastructure, and a cost of water/wastewater service rate study which would specifically address industrial rate design taking into account the associated debt required for the proposed project. In addition, by mid 2013 I would anticipate that we would begin to enter into option contracts for any needed right-of-way for the transmission pipeline.

## **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 Manager, at the City of Borger, 600 N. Main, PO Box 5250, Borger, Texas, 806-273-0900.



Eddie E. Edwards  
City Manager  
City of Borger, Texas  
[eedwards@ci.borger.tx.us](mailto:eedwards@ci.borger.tx.us)

## **FINANCIAL STATEMENTS**

(This page intentionally left blank)

CITY OF BORGER, TEXAS  
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
 September 30, 2012

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total 2012</b>	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Pooled Cash and Cash Equivalents	\$ 1,145,002	\$ 901,434	\$ 2,046,436	\$ 131,811
Investments	1,669,835	4,070,008	5,739,843	138,841
Accrued Interest	7,634	716	8,350	-
Inventories	-	-	-	-
Accounts Receivables, Net	252,014	862,336	1,114,350	165,022
Other Receivables	886,308	-	886,308	318,803
Due from Other Funds	128,846	584,727	713,573	-
Deposits	18,990	-	18,990	-
Other Current Assets	-	-	-	16,572
<b>Total Current Assets</b>	<b>4,108,629</b>	<b>6,419,221</b>	<b>10,527,850</b>	<b>771,049</b>
<b>NONCURRENT ASSETS</b>				
Restricted Assets				
Cash and Cash Equivalents	402,107	-	402,107	-
Investments	127,356	-	127,356	-
Bond Issuance Costs, Net	-	14,292	14,292	-
Other NonCurrent Assets	-	-	-	710,657
Capital Assets, Net	12,705,181	29,560,911	42,266,092	935,779
<b>Total Noncurrent Assets</b>	<b>13,234,644</b>	<b>29,575,203</b>	<b>42,809,847</b>	<b>1,646,436</b>
<b>Total Assets</b>	<b>\$ 17,343,273</b>	<b>\$ 35,994,424</b>	<b>\$ 53,337,697</b>	<b>\$ 2,417,485</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 278,745	\$ 81,776	\$ 360,521	\$ 31,923
Sales Tax Payable	27,378	-	27,378	-
Accrued Payroll	-	-	-	-
Accrued Payroll Expenses	55,092	13,564	68,656	-
Accrued Interest	33,413	8,301	41,714	-
Due to Other Funds	713,574	-	713,574	-
Accrued Vacation	267,065	68,852	335,917	-
Current Portion of Grants Payable	-	-	-	82,500
Current Portion of Long-Term Debt	302,467	1,252,714	1,555,181	-
<b>Total Current Liabilities</b>	<b>1,677,734</b>	<b>1,425,207</b>	<b>3,102,941</b>	<b>114,423</b>
<b>NONCURRENT LIABILITIES</b>				
Utility Customer Deposits	2,030	355,409	357,439	-
Deferred Revenue	375	672,870	673,245	-
Unfunded Retirement Obligation	7,579,986	-	7,579,986	-
Grants Payable Due After One Year	-	-	-	-
Long Term Debt Due After One Year	4,906,630	13,365,371	18,272,001	-
<b>Total NonCurrent Liabilities</b>	<b>12,489,021</b>	<b>14,393,650</b>	<b>26,882,671</b>	<b>-</b>
<b>Total Liabilities</b>	<b>14,166,755</b>	<b>15,818,857</b>	<b>29,985,612</b>	<b>114,423</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	7,496,084	14,942,826	22,438,910	950,779
Restricted for Debt Service	402,107	-	402,107	-
Restricted for Capital Outlay	66,217	-	66,217	-
Unrestricted (Deficit)	(4,787,890)	5,232,741	444,851	1,352,283
<b>Total Net Assets</b>	<b>3,176,518</b>	<b>20,175,567</b>	<b>23,352,085</b>	<b>2,303,062</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 17,343,273</b>	<b>\$ 35,994,424</b>	<b>\$ 53,337,697</b>	<b>\$ 2,417,485</b>

See accompanying notes and independent auditors' report.

CITY OF BORGER, TEXAS  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2012

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Administration	\$ (92,069)	\$ 30,094	\$ -	\$ -
Information Systems	65,395	-	-	-
Fleet Services	204,184	-	-	-
Engineering	85,708	13,398	-	-
Facilities Maintenance	101,580	-	-	-
Planning and Zoning	455,961	2,340	-	-
Animal Control	185,246	18,307	-	-
Code Enforcement	210,491	135,820	-	-
Central Dispatch	486,572	136,000	-	-
Police	2,207,592	175	6,009	-
Fire and Fire Prevention	1,958,531	-	221,996	-
Emergency Management	111,164	-	-	-
Municipal Court	379,901	352,274	-	-
Public Works General	295,876	-	-	-
Streets	787,885	-	-	-
Sanitation	606,259	2,102,801	-	-
Solid Waste Transfer Station	873,821	1,626,053	-	-
Recycling	40,930	79,500	-	-
Youth, Community and Recreation Centers	470,700	102,239	8,494	-
Parks	532,223	32,965	-	-
Economic Development and Tourism	302,614	-	18,750	-
Interest Expense	241,217	-	-	-
Unallocated Depreciation	886,057	-	-	-
<b>Total Governmental Activities</b>	<b>11,397,838</b>	<b>4,631,966</b>	<b>255,249</b>	<b>-</b>
<b>Business Type Activities</b>				
Water and Sewer	5,040,676	7,693,079	253,825	-
Interest Expense	571,224	-	-	-
	<u>5,611,900</u>	<u>7,693,079</u>	<u>253,825</u>	<u>-</u>
<b>Total Primary Government</b>	<b>\$ 17,009,738</b>	<b>\$ 12,325,045</b>	<b>\$ 509,074</b>	<b>\$ -</b>
<b>Component Unit:</b>				
Borger Economic Development Corporation	<u>\$ 840,557</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues:**

- Taxes:
  - Sales
  - Property - General
  - Property - Debt Service
  - Franchise
  - Occupancy
  - Other
- Investment Earnings
- Other Revenue
- Sale of Assets
- Transfers, Net

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year as Previously Reported

Prior Period Adjustment

Net Assets - Beginning of Year as Restated

**Net Assets - End of Year**

**Net (Expenses) Revenues and  
Changes in Net Assets**

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ 122,163	\$ -	\$ 122,163	\$ -
(65,395)	-	(65,395)	-
(204,184)	-	(204,184)	-
(72,310)	-	(72,310)	-
(101,580)	-	(101,580)	-
(453,621)	-	(453,621)	-
(166,939)	-	(166,939)	-
(74,671)	-	(74,671)	-
(350,572)	-	(350,572)	-
(2,201,408)	-	(2,201,408)	-
(1,736,535)	-	(1,736,535)	-
(111,164)	-	(111,164)	-
(27,627)	-	(27,627)	-
(295,876)	-	(295,876)	-
(787,885)	-	(787,885)	-
1,496,542	-	1,496,542	-
752,232	-	752,232	-
38,570	-	38,570	-
(359,967)	-	(359,967)	-
(499,258)	-	(499,258)	-
(283,864)	-	(283,864)	-
(241,217)	-	(241,217)	-
(886,057)	-	(886,057)	-
(6,510,623)	-	(6,510,623)	-
-	2,906,228	2,906,228	-
-	(571,224)	(571,224)	-
-	2,335,004	2,335,004	-
(6,510,623)	2,335,004	(4,175,619)	-
-	-	-	(799,671)
2,786,650	-	2,786,650	952,853
1,953,053	-	1,953,053	-
1,213,600	-	1,213,600	-
931,975	-	931,975	-
302,778	-	302,778	-
11,023	-	11,023	-
18,670	9,984	28,654	10,070
41,804	-	41,804	38,433
2	-	2	-
536,774	(536,774)	-	-
7,796,329	(526,790)	7,269,539	1,001,356
1,285,706	1,808,214	3,093,920	201,685
1,890,812	18,604,437	20,495,249	
	(237,084)	(237,084)	
1,890,812	18,367,353	20,258,165	2,101,377
\$ 3,176,518	\$ 20,175,567	\$ 23,589,169	\$ 2,303,062

See accompanying notes and independent auditors' report.

CITY OF BORGER, TEXAS  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
September 30, 2012

	<b>General Fund</b>	<b>Capital Equipment Fund</b>	<b>Other Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
<b>ASSETS</b>				
Restricted Pooled Cash and Cash Equivalents	\$ 1,330,254	\$ 57,523	\$ 517,509	\$ 1,905,286
Investments	-	-	5,867,199	5,867,199
Accrued Interest	94	22	7,430	7,546
Inventories	-	-	-	-
Utility Receivables, Net	138,277	-	-	138,277
Due from Other Funds	1,095,385	124,616	578,049	1,798,050
Other Receivables	865,251	-	21,127	886,378
Deposits	18,990	-	-	18,990
<b>Total Assets</b>	<u>\$ 3,448,251</u>	<u>\$ 182,161</u>	<u>\$ 6,991,314</u>	<u>\$ 10,621,726</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Cash and Cash Equivalents Overdraft				
Accounts Payable	\$ 525,764	\$ 32,862	\$ 80,896	\$ 639,522
Accrued Payroll Taxes and Benefits	26,304	-	-	26,304
Due to Other Funds	606,095	-	5,846,673	6,452,768
Sales Tax Payable	19,566	-	-	19,566
Other Payables	975	-	28,788	29,763
Utility Customer Deposits	1,430	-	-	1,430
<b>Total Liabilities</b>	<u>1,180,134</u>	<u>32,862</u>	<u>5,956,357</u>	<u>7,169,353</u>
<b>FUND BALANCES</b>				
Reserved for Debt Service	-	-	402,107	402,107
Reserved for Capital Outlay	-	66,217	-	66,217
Unreserved - Reported in Special	-	-	-	-
Revenue Funds	-	-	632,850	632,850
Unreserved	2,268,117	83,082	-	2,351,199
<b>Total Fund Balances</b>	<u>2,268,117</u>	<u>149,299</u>	<u>1,034,957</u>	<u>3,452,373</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,448,251</u>	<u>\$ 182,161</u>	<u>\$ 6,991,314</u>	<u>\$ 10,621,726</u>

CITY OF BORGER, TEXAS  
 RECONCILIATION OF THE BALANCE SHEET OF  
 GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 September 30, 2012

**Total Fund Balance - Governmental Funds** \$ 3,452,373

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

Net capital assets used in governmental activities are not financial  
 resources and therefore are not reported in the funds 12,707,781

Certain liabilities are not due and payable in the current period and therefore  
 are not reported in the funds. Those liabilities include:

Accrued Utility Billing	105,925
Accrued Interest	(33,413)
Accrued Vacation	(267,065)
Unfunded Defined-Benefit Retirement Obligation	(7,579,986)
Bond and Note Obligations	(5,209,097)

**Net Assets of Governmental Activities** \$ 3,176,518

CITY OF BORGER, TEXAS  
STATEMENTS OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
Year Ended September 30, 2012

	General Fund	Capital Equipment Fund	Other Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,956,906	\$ -	\$ 1,213,600	\$ 3,170,506
Sales	2,786,650	-	-	2,786,650
Franchise	931,975	-	-	931,975
Occupancy	-	-	302,778	302,778
Other	8,423	-	-	8,423
Charges for Service	4,990,384	-	89,327	5,079,711
Penalties, Fines and Forfeitures	341,343	-	10,931	352,274
Licenses, Fees, and Permits	34,063	-	-	34,063
Intergovernmental Grants and Subsidies	344,288	-	24,760	369,048
Investment Income	4,539	340	13,792	18,671
Other Grants and Contributions	8,494	-	46,673	55,167
Other	78,981	138,900	-	217,881
<b>Total Revenues</b>	<u>11,486,046</u>	<u>139,240</u>	<u>1,701,861</u>	<u>13,327,147</u>
<b>EXPENDITURES</b>				
<i>Current</i>				
General Government:				
Administration	249,728	-	-	249,728
Information Systems	65,395	-	-	65,395
Fleet Services	204,184	-	-	204,184
Engineering	85,708	-	-	85,708
Facilities Maintenance	101,580	-	-	101,580
Planning and Zoning	455,961	-	-	455,961
Public Safety				
Animal Control	194,931	-	-	194,931
Code Enforcement	210,491	-	-	210,491
Central Dispatch	486,572	-	-	486,572
Police	2,250,170	-	18,436	2,268,606
Fire and Fire Prevention	1,944,930	-	-	1,944,930
Emergency Management	111,164	-	-	111,164
Municipal Court	377,144	-	-	377,144
Public Works				
General	304,955	-	-	304,955
Streets	787,885	-	-	787,885
Sanitation	606,259	-	-	606,259
Solid Waste Transfer Station	873,821	-	-	873,821
Recycling	31,955	-	22,730	54,685
Culture and Recreation				
Youth, Community and Recreation Centers	470,700	-	-	470,700
Parks	518,467	-	-	518,467
Economic Development and Tourism	-	-	302,615	302,615
<i>Capital Outlay</i>				
Capital Purchases	104,189	205,153	(4,972)	304,370
Minor Capital Purchases	-	203,425	-	203,425
<i>Debt Service</i>				
Principal	-	-	314,259	314,259
Interest and Administrative Fees	-	-	213,313	213,313
<b>Total Operating Expenses</b>	<u>10,436,189</u>	<u>408,578</u>	<u>866,381</u>	<u>11,711,148</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	1,049,857	(269,338)	835,480	1,615,999
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(342,562)	-	(691,776)	(1,034,338)
Transfers In	-	421,111	-	421,111
<b>Total Other Financing Sources (Uses)</b>	<u>(342,562)</u>	<u>421,111</u>	<u>(691,776)</u>	<u>(613,227)</u>
<b>Net Change in Fund Balance</b>	707,295	151,773	143,704	1,002,772
<b>Fund Balance, Beginning of Year</b>	<u>1,560,822</u>	<u>(2,474)</u>	<u>891,253</u>	<u>2,449,601</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,268,117</u>	<u>\$ 149,299</u>	<u>\$ 1,034,957</u>	<u>\$ 3,452,373</u>

See accompanying notes and independent auditors' report.

CITY OF BORGER, TEXAS  
RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended September 30, 2012

**Net Changes in Fund Balance - Governmental Funds** \$ 1,002,772

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of assets are allocated over their estimated useful lives in the form of depreciation. 697,205

Depreciation is recognized on the Statement of Activities as allocating the cost of the assets over their estimated useful lives but is not a Governmental Fund Expense (886,057)

The change in accrued utility accounts receivable is reported on the Statement of Activities but is not reflected in the Governmental funds 105,925

Debt service is an expenditure for governmental funds consisting of both interest expense and principal for the Notes Payable. The principal portion reduces Notes Payable on the Governmental Activities Balance Sheet and is not an expense on the Statement of Activities 314,259

The change in accrued vacation benefit obligation liability is reported on the Statement of Activities but is not reflected in the Governmental funds (11,227)

The change in accrued interest liability is reported on the Statement of Activities but is not reflected in the Governmental funds 1,417

The change in retirement benefit obligation liability is reported on the Statement of Activities but is not reflected in the Governmental funds 61,412

**Change in Net Assets of Governmental Activities** \$ 1,285,706

CITY OF BORGER, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended September 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,671,939	\$ 1,671,939	\$ 1,956,906	\$ 284,967
Sales	2,737,768	2,737,768	2,786,650	48,882
Franchise	972,500	972,500	931,975	(40,525)
Other	15,000	15,000	8,423	(6,577)
Charges for Service	4,509,705	4,509,705	4,990,384	480,679
Penalties, Fines and Forfeitures	387,000	387,000	341,343	(45,657)
Licenses, Fees, and Permits	37,050	37,050	34,063	(2,987)
Intergovernmental Grants and Subsidies	355,000	355,000	344,288	(10,712)
Investment Income	6,000	6,000	4,539	(1,461)
Other Grants and Contributions	7,500	7,500	8,494	994
Other	96,000	96,000	78,979	(17,021)
<b>Total Revenues</b>	<b>10,795,462</b>	<b>10,795,462</b>	<b>11,486,044</b>	<b>690,582</b>
<b>EXPENDITURES</b>				
<i>Current</i>				
General Government:				
Administration	252,163	252,088	249,728	2,360
Information Systems	49,413	49,413	65,395	(15,982)
Fleet Services	204,223	210,311	204,184	6,127
Engineering	94,144	98,744	85,708	13,036
Facilities Maintenance	107,565	157,000	101,580	55,420
Planning and Zoning	450,887	447,382	455,961	(8,579)
Public Safety				
Animal Control	196,543	195,943	194,931	1,012
Code Enforcement	238,131	262,181	210,491	51,690
Central Dispatch	497,251	502,748	486,572	16,176
Police	2,226,308	2,219,760	2,250,170	(30,410)
Fire and Fire Prevention	1,882,884	1,847,679	1,944,930	(97,251)
Emergency Management	112,961	119,331	111,164	8,167
Municipal Court	393,860	456,147	377,144	79,003
Public Works				
General	308,970	291,985	304,955	(12,970)
Streets	797,392	766,092	787,885	(21,793)
Sanitation	544,412	523,520	606,259	(82,739)
Solid Waste Transfer Station	832,670	842,640	873,821	(31,181)
Recycling	15,000	15,000	31,955	(16,955)
Culture and Recreation				
Youth, Community and Recreation Centers	448,542	386,780	470,700	(83,920)
Parks	531,470	531,470	518,467	13,003
<i>Capital Outlay</i>				
Capital Purchases	49,400	49,400	104,189	(54,789)
<b>Total Operating Expenses</b>	<b>10,234,189</b>	<b>10,225,614</b>	<b>10,436,189</b>	<b>(210,575)</b>
<b>Operating Gain (Loss)</b>	<b>561,273</b>	<b>569,848</b>	<b>1,049,855</b>	<b>480,007</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(455,573)	(462,423)	(342,562)	119,861
Transfers In	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(455,573)</b>	<b>(462,423)</b>	<b>(342,562)</b>	<b>119,861</b>
<b>Net Change in Fund Balance</b>	<b>105,700</b>	<b>107,425</b>	<b>707,293</b>	<b>599,868</b>
<b>Fund Balance, Beginning of Year - As Adjusted</b>	<b>1,560,822</b>	<b>1,560,822</b>	<b>1,560,822</b>	<b>-</b>
<b>Fund Balance, End of Year</b>	<b>\$ 1,666,522</b>	<b>\$ 1,668,247</b>	<b>\$ 2,268,115</b>	<b>\$ 599,868</b>

See accompanying notes and independent auditors' report.

CITY OF BORGER, TEXAS  
 CAPITAL EQUIPMENT FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Other Grants and Contributions	\$ 153,494	\$ 146,644	\$ 138,900	\$ (7,744)
Interest Income	500	500	340	(160)
<b>Total Revenues</b>	<u>153,994</u>	<u>147,144</u>	<u>139,240</u>	<u>(7,904)</u>
<b>EXPENDITURES</b>				
<i>Capital Outlay</i>				
Capital Purchases	536,000	518,000	408,578	109,422
Minor Capital Purchases	-	-	-	-
<b>Total Operating Expenses</b>	<u>536,000</u>	<u>518,000</u>	<u>408,578</u>	<u>109,422</u>
<b>Operating Income (Loss)</b>	(382,006)	(370,856)	(269,338)	101,518
<b>OTHER FINANCING SOURCES</b>				
Transfers In	455,473	462,323	421,111	(41,212)
<b>Total Other Financing Sources</b>	<u>455,473</u>	<u>462,323</u>	<u>421,111</u>	<u>(41,212)</u>
<b>Net Change in Fund Balance</b>	73,467	91,467	151,773	60,306
<b>Fund Balance, Beginning of Year</b>	<u>(2,474)</u>	<u>(2,474)</u>	<u>(2,474)</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 70,993</u>	<u>\$ 88,993</u>	<u>\$ 149,299</u>	<u>\$ 60,306</u>

CITY OF BORGER, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
September 30, 2012

		<b>Water and Sewer Utility Fund</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Pooled Cash and Cash Equivalents	\$	901,434
Investments		4,070,008
Accounts Receivables, Net:		862,336
Accrued Interest Receivable		716
Due from Other Funds		<u>584,727</u>
<b>Total Current Assets</b>		6,419,221
<b>NONCURRENT ASSETS</b>		
Bond Issuance Costs, Net		14,292
Capital Assets, Net		<u>29,560,911</u>
<b>Total NonCurrent Assets</b>		<u>29,575,203</u>
<b>Total Assets</b>		<u><u>\$ 35,994,424</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$	81,776
Accrued Payroll Expenses		13,564
Accrued Interest		8,301
Accrued Vacation		68,852
Current Portion of Long-Term Debt		<u>1,252,714</u>
<b>Total Current Liabilities</b>		1,425,207
<b>NONCURRENT LIABILITIES</b>		
Utility Customer Deposits		355,409
Deferred Revenue		672,870
Long Term Debt Due After One Year		<u>13,365,371</u>
<b>Total Noncurrent Liabilities</b>		<u>14,393,650</u>
<b>Total Liabilities</b>		15,818,857
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt		14,942,826
Unrestricted		<u>5,232,741</u>
<b>Total Net Assets</b>		<u>20,175,567</u>
<b>Total Liabilities and Net Assets</b>		<u><u>\$ 35,994,424</u></u>

See accompanying notes and independent auditors' report.

CITY OF BORGER, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended September 30, 2012

	<b>Water and Sewer Utility Fund</b>
<b>OPERATING REVENUES</b>	
Charges for Service	\$ 4,510,429
Industrial Water Sales	2,967,034
Late Charges	100,317
Tapping and Surcharge Fees	55,988
Other and Miscellaneous	<u>313,136</u>
Total Operating Revenues	7,946,904
<b>OPERATING EXPENSES</b>	
<i>Current</i>	
Salaries and Wages	1,491,069
Employee Benefits	515,091
Utilities	506,381
Departmental Operating Costs	902,615
Professional and Technical Services	57,519
Repairs and Maintenance	228,557
Other Purchased Services	106,488
Property and Facility	22,666
General and Administrative Supplies	164,877
Rental and Lease Agreements	5,500
Depreciation and Amortization	<u>1,039,913</u>
Total Operating Expenses	<u>5,040,676</u>
<b>Operating Income</b>	2,906,228
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment Income	9,984
Loss on Disposal of Assets	-
Interest Expense	<u>(571,224)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(561,240)</u>
<b>Income Before Transfers</b>	2,344,988
<b>TRANSFERS</b>	
Transfers In	613,226
Transfers Out	<u>(1,150,000)</u>
<b>Total Operating Transfers</b>	<u>(536,774)</u>
<b>Net Income</b>	1,808,214
Net Assets - Beginning of Year as Previously Reported	18,604,437
Prior Period Adjustment	<u>(237,084)</u>
Net Assets - Beginning of Year as Restated	<u>18,367,353</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 20,175,567</u></u>

See accompanying notes and independent auditors' report.

CITY OF BORGER, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended September 30, 2012

	<b>Water and Sewer Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 7,186,261
Payments to and On Behalf of Employees	(1,997,920)
Payments to Suppliers and Contractors	<u>(2,126,242)</u>
<b>Net Cash Provided By Operating Activities</b>	3,062,099
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers, Net	<u>(536,774)</u>
<b>Net Cash Provided By Noncapital Financing Activities</b>	(536,774)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Interest Expense	(580,051)
Prinicpal Payments on Debt	<u>(1,175,087)</u>
<b>Net Cash Provided By Capital Financing Activities</b>	(1,755,138)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Capital Assets	(1,017,170)
Purchase of Investments	(1,119,922)
Investment Income	<u>11,658</u>
<b>Net Cash Used By Investing Activities</b>	<u>(2,125,434)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	(1,355,247)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>2,256,681</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 901,434</u></u>
<b>Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities</b>	
Operating Income	\$ 2,906,228
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>	
Depreciation and Amortization	1,039,913
<b>Changes in</b>	
Accounts Receivable	(82,805)
Other Receivables	(572,508)
Accounts Payable	(131,639)
Accrued Payroll Expenses	(464)
Accrued Vacation	8,704
Deferred Revenue	(115,145)
Utility Customer Deposits	<u>9,815</u>
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 3,062,099</u></u>
<b>Supplemental Cash Flow Disclosures</b>	
Additional debt issued for water rights through CRMWA	\$ 4,343,992
Prior period adjustment to net capital asset balance	237,084

See accompanying notes and independent auditors' report.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the City of Borger, Hutchinson County, Texas (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Government." In June 2001, the GASB approved Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" and Statement No. 38 "Certain Financial Statement Note Disclosures." Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies establishes and rescinds certain financial statement disclosure requirements. The City of Borger implemented the provisions of the above statements effective July 1, 2003.

GASB Statement Number 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. Governments are given the option whether or not to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The City has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

The more significant accounting policies are described below.

**Reporting Entity** - The City is a municipal corporation governed by a Council-Manager form of government. The City, incorporated in October, 1926, is located in the Panhandle part of the State, occupies a land area of approximately 8.7 square miles and serves a population exceeding 13,250. The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It also is empowered by State statute to extend its corporate limits by annexation, which occurs when deemed appropriate by the City Council.

The City provides a range of services, including police and fire protection, maintenance of streets and other infrastructure, sanitation services and recreational activities. The City also provides utilities for water and sewer.

The City Council (the Council) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity."

As required by GAAP, the BFS present the reporting entity which consists of the City (the primary government), organizations for which the City is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion could cause the City's BFS to be misleading or incomplete were noted for inclusion in the BFS.

**Discretely Presented Component Unit** - The Component Unit Columns in the Government-Wide Financial Statements include financial data from the City's component unit. They are reported in a separate column to emphasize that they are legally separate from the City. The Component Unit is included in the reporting entity because the primary government is financially accountable and is able to impose its will (significantly influence operations and/or activities) on the organization.

**The Borger Economic Development Corporation (BEDC)**, is a legally separate entity formed to create, manage, operate and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the board members and its operations and budget are approved by the Council. Copies of the Borger Economic Development Corporation's separately issued financial statements may be obtained from the City Secretary or from the Borger Economic Development Corporation, 1111 Penn Avenue, Borger, Texas, 79008. GASB Statement 14 requires portions of the BEDC component unit financial information to be presented along with the City information.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Government-wide Financial Statements and Fund Financial Statements** - The City implemented GASB Statement No.34 - *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, GASB Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments* - Omnibus and GASB Statement No. 38 - *Certain Financial Statement Note Disclosure*. Statement No. 34 represents changes in the financial reporting model. Under Statement No. 34 requirements, the BFS include both Government-wide and Fund Financial Statements.

Statement 34 requires the following components to the basic financial statements:

- Reporting operating revenues net of the provision of uncollectible accounts.
- Use the direct method of preparing the cash flow statement.
- Preparation by management of the required "*Management's Discussion and Analysis*" which is to be included with the audited financial statements as required supplemental information.

The Government-Wide Financial Statements (GWFS), such as the Statement of Net Assets and the Statement of Activities, report information on all of the non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business type, are reported in the GWFS using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The GWFS focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The Government-Wide Statement of Net Assets reports all financial and capital resources of the City. It is displayed in a format of assets less liabilities equal net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as net assets net of related debt or restricted, are shown as unrestricted. Generally when both restricted and unrestricted resources are available for use, the City will use restricted resources before using unrestricted resources, as they are needed.

Reservations or designations of net assets imposed by the City, whether by administrative policy or legislative actions of the City Council that do not otherwise meet the definition of restricted net assets, are not segregated from unrestricted net assets in the GWFS.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who use the segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the BFS are Fund Financial Statements (FFS) for governmental, proprietary and fiduciary funds, even though fiduciary funds are excluded from the GWFS. The focus of the FFS is on major funds as defined by GASB Statement No. 34. Although GASB Statement No. 34 sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenue or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. The City

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

can elect to add some funds as major funds because of outstanding debt or community focus. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the FFS. Other non-major funds are combined in a single column in the appropriate FFS.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The GWFS are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary FFS. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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 have been met. Property taxes and interest associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

**Governmental Funds** are those through which most of the governmental functions of the City are financed. The City reports the following major governmental funds:

**The General Fund** - The general fund is the City of Borger's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund presented in the financial statements consists of several individual funds: General, Government Gross Receipts Tax, Municipal Court Bonds, Payroll, Revenue Clearing, and Disbursement funds.

**Capital Equipment Fund** - This fund accounts for the City's capital projects and capital asset purchases for the City's Governmental and Proprietary funds.

Additionally, the City reports the following non-major governmental funds:

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources (other than special assessments or major capital outlays) that are restricted to expenditures for specified purposes.

**Debt Service Fund** is used to account for the accumulated resources and related payments of principal and interest on long term general obligation debts of the City.

**Proprietary funds** are those through which most of the costs of providing the services are funded through charges for services. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Water and Sewer Utility Fund** - The Water Utility Fund is used to account for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including administration, operations billing and collections and maintenance of the water and sewer infrastructure.

**Budgetary Data** - Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for the proprietary funds, with the exceptions of capital outlays being considered a budgeted line item and

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

depreciation is not. Governmental funds are budgeted on a basis appropriate for the specific funds. All annual appropriations lapse at the end of the fiscal year.

The finance director annually submits to the City Council a proposed operating budget for the upcoming fiscal year. Public hearings are conducted to obtain taxpayer comments, and the budget is legally enacted through passage by the City Council. Council action is required for the approval of a supplemental appropriation.

All budget amounts presented in the budget comparison statement reflect the final budget after legally authorized adjustments to the original budget during the year. Budgetary control is maintained by department with all budget supplements to be approved by the City Council. Management may make administrative transfers and increases or decreases in accounts within categories, as long as expenditures do not exceed budgeted appropriations at the fund level. No significant budget adjustments were made during the fiscal year.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Equity in Pooled Cash and Investments** - The City pools the resources of various funds in order to facilitate the management of cash and enhance investment earnings. Records are maintained which reflect each fund's equity in the pooled account. The City's investments are stated at fair value.

**Cash Equivalents** - Cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less when purchased which present and insignificant risk of changes in value because of changes in interest rates.

**Use of Restricted Cash** - When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

**Property Taxes Receivable** - The value of all real and business property located in the City is assessed annually on January 1 in conformity with Subtitle E of the Texas Property Code. Property taxes are levied on October 1 on those assessed values and the taxes are due upon receipt of the tax bill. The taxes are considered delinquent if not paid by the end of January. At the City's fiscal year end, all property taxes receivable are considered delinquent and an account for an allowance for uncollectible taxes is adjusted to counter the receivable. The property taxes are recorded in the General Fund and Debt Service Fund as appropriate.

**Proprietary Fund Accounts Receivable** - Within the Water and Sewer Utility Fund, services rendered and billed but not collected as of the close of the fiscal year are accrued and this amount is reflected in the accounts receivable balance. Amounts billed are reflected as accounts receivable net of an allowance for uncollectible accounts.

**Capital Assets and Depreciation** - Capital assets, including public domain infrastructure (e.g. streets, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost and an estimated useful life in excess of one year. These capital assets are reported in the GWFS and in the proprietary FFS. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated assets are recorded at the estimated fair value on the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation is based on the estimated useful lives, and has been calculated by use of the straight-line method applied to cost. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

and amortization in the proprietary FFS. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The City uses the following schedule to determine the useful lives of capital assets:

Infrastructure/Improvements	10-50 Years
Buildings	15-50 Years
Equipment	3-15 Years

**Inventories** - The City reports inventories of supplies at cost including consumable utility maintenance and office items. Supplies are recorded as expenditures when they are consumed, except for certain utility and other supplies.

**Customer Deposits** - Cash held in the Proprietary fund for customer deposits is reserved.

**Long Term Debt** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

**Sales Tax Revenue** - The tax is collected by the vendor from consumers and is required to be submitted to the State of Texas by the 20<sup>th</sup> of the month following collection. The State then remits the allocated amount of sales tax to the City by the 10<sup>th</sup> of the month following vendor submission. These amounts are included in the gross receipts tax revenue and are recorded as revenue when the underlying exchange has taken place, regardless if the City has actually received the funds. The City collects and remits the appropriate portion designated for the Borger Economic Development Corporation.

**Accrued Vacations** - It is the City's policy to permit full-time employees to accumulate earned but unused vacation and sick pay benefits. Employees are generally allowed up to 25 days of vacation depending on the length of service and can carry over up to 40 hours from year to year and is payable to the employee upon resignation or termination. Sick leave accumulates at the rate of 12 days a year and is not payable at resignation or termination. All sick pay and vacation pay is accrued when incurred in the government-wide or proprietary fund financial statements.

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

**Commitments and Contingencies** - The City participates in some State and/or Federally assisted programs. In connection with grants under these programs, the City is required to comply with specific terms and agreements, as

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

well as applicable Federal and State laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives. In the opinion of management the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

**Subsequent Events** - Management has evaluated subsequent events through March 5, 2013, the date the financial statements were issued.

**NOTE B - CASH DEPOSITS AND INVESTMENTS**

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

**Interest Rate Risk** - The City and BEDC minimizes interest rate risk by limiting investments to having a maturity date of one year or less.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City manages its custodial credit risk by depositing its funds with institutions participating in the FDIC insurance programs and is able to collateralize the deposits in accordance to State statutes, or depositing into investment pools overseen by the Texas State Comptroller of Public Accounts, such as TexPool.

In accordance with FDIC, public unit deposits are funds owned by the City. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution through December 2012, when the coverage will revert back to the original \$100,000 limit.

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

As of September 30, 2012, the City's funds on deposit were adequately covered by either FDIC insurance or collateralized securities held by the financial institutions pledged to cover the City's deposits. The City had no bank deposits subject to custodial credit risk during the 2012 fiscal year.

**Borger Economic Development Corporation** - The BEDC maintains separate financial institution and TexPool accounts. Although the organization is a component unit of the City, its FDIC and collateralization of its deposits are covered separately because the Corporation is a separate non-profit entity. BEDC also does not participate in the City's internal pooling of cash and investments as disclosed below.

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE B - CASH DEPOSITS AND INVESTMENTS - Continued**

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

	<b>City of Borger Amarillo National Bank</b>	<b>Borger Economic Development Corporation</b>
Carrying Amounts		
Demand Accounts	1,779,206	\$ 113,390
Time Deposits	750,000	10,841
Net Reconciling Items	<u>27,645</u>	<u>-</u>
Total Public Funds on Deposit	2,556,851	124,231
Less FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>
Amount to be Collateralized	2,306,851	-
Collateralized by Institution	<u>(2,940,000)</u>	<u>-</u>
Under (Over) Collateralized	<u>\$ (633,149)</u>	<u>\$ -</u>

The City utilizes a pooled cash method of disbursements, whereby one bank account is used by both types of activities to pay expenditures, and the bank account is reimbursed by each fund for the proportionate amount spent by each fund. Below is the amounts allocated to the specific activity:

Total carrying value of the cash and cash equivalents by activities as of September 30, 2012:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>City of Borger Total</b>	<b>Borger Economic Development Corporation</b>
Pooled Cash	\$ 136,368	\$ 900,634	\$ 1,037,002	\$ -
Bank Deposits	<u>312,079</u>	<u>-</u>	<u>312,079</u>	<u>113,390</u>
Total Demand Accounts	448,447	900,634	1,349,081	113,390
Cash on Hand	<u>455</u>	<u>800</u>	<u>1,255</u>	<u>285</u>
Total Cash and Cash Equivalents	<u>\$ 448,902</u>	<u>\$ 901,434</u>	<u>\$ 1,350,336</u>	<u>\$ 113,675</u>
<b>Statement of Net Asset Reconciliation</b>				
Restricted Cash	\$ 312,079			
Unrestricted Cash Overdrafts	<u>136,823</u>			
Total Cash and Cash Equivalents	<u>\$ 448,902</u>			

**Investments**

The City and BEDC maintain accounts with TexPool which is a public funds investment pool established under the authority of the Interlocal Cooperation Act and subject to the provisions of the Act. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires the pools to: 1) Have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) Maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by Standard and Poor's or other nationally recognized rating services; and 3) Maintain the market

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE B - CASH DEPOSITS AND INVESTMENTS - Continued**

value of its underlying investment portfolio within one half of one percent of the value of its shares. The Weighted Average Maturity (WAM) of TexPool is 27 days. Participation in the pools is allowed under the guidelines of the PFIA, is voluntary, and may be terminated and the funds withdrawn at the discretion of the City Council and/or the BEDC board of directors.

The City utilizes a pooled cash method for its investments, whereby one investment custodian is used by both types of activities and each fund is credited for the proportionate amount of investment income received by the investments. Below is the amounts allocated to the specific activity:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>City of Borger Total</b>	<b>Borger Economic Development Corporation</b>
Certificates of Deposits	\$ 750,587	\$ -	\$ 750,587	\$ 138,841
TexPool Investments	1,109,303	2,950,086	4,059,389	7,295
Total Investments	<u>\$ 1,859,890</u>	<u>\$ 2,950,086</u>	<u>\$ 4,809,976</u>	<u>\$ 146,136</u>

**Other Investments** - The City is a participant in the Amarillo Area Foundation, which is an area foundation serving the Texas Panhandle by providing grants and other services funded by donations and investment earnings. Agencies invest funds with the Foundation and related earnings are distributed yearly. The City has invested approximately \$127,356 with the Foundation as of September 30, 2012 and is considered restricted for financial statement purposes.

**NOTE C - RECEIVABLES**

**Accounts Receivable - Net** - Accounts receivable shown in the Governmental Activities and Business-type Activities at year end represents net balances due from customers of solid waste and utility services provided by the City. The City uses the reserve method to account for the allowance for bad debts and has reserved the following amounts of accounts receivable as of September 30, 2012:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Refuse Collection Receivable	\$ 293,470	\$ -	\$ 293,470
Utilities Receivable	-	942,421	942,421
Allowance for Uncollectibles	(41,456)	(80,085)	(121,541)
	<u>\$ 252,014</u>	<u>\$ 862,336</u>	<u>\$ 1,114,350</u>

**Property Taxes Receivable** - Taxes receivable for the General and Other Governmental Funds as of September 30, 2012 are considered delinquent property taxes. State statutes prohibit governments to write off delinquent property taxes without prior legislative authorization. Property taxes of \$270,848 are outstanding and have been fully offset by an allowances.

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE C - RECEIVABLES - Continued**

**Other Receivables** - Accounts receivable shown in the Governmental Activities as Other Receivables at year end represents various receivables to the City in addition to providing services to its residents. Below details the type and amount of receivables as of September 30, 2012:

	<b>Amount</b>
Industrial District Contract	\$ 762,728
Accounts Receivable - Sundry	59,633
Miscellaneous Reimbursements	42,891
Accounts Receivable - Outside Sales	17,860
Park Donations	3,196
<b>Total Other Receivables</b>	<u><u>\$ 886,308</u></u>

**NOTE D - INTERFUND TRANSFERS AND BALANCES**

Interfund transfers are made for various purposes throughout the year. The following interfund balances as of September 30, 2012 are detailed below:

<b>Due To</b>	<b>Due From</b>	<b>Amount</b>	<b>Purpose</b>
Water and Sewer Fund	General Fund	584,727	Reimbursement of Expenses
General Fund	Various Funds	<u>128,846</u>	Reimbursement of Expenses
		<u><u>\$ 713,573</u></u>	

The amounts due to the General Fund from the Central Supply fund is reported in the respective funds in the Fund Financial Statements, but are eliminated in the Government-wide Statement of Net Assets because both funds are considered Governmental Activities.

Because the City pools its TexPool investments into one fund, the Fund Financial Statements reports the investments designated and allocated to the other funds as Due to Other Funds and Due from Other Funds, respectively. For reporting in the Government-wide Statement of Net Assets, these Due to and Due from Other Funds are eliminated and the investments reported in aggregate according the type of funds. A more detailed disclosure of investments may be found in Note C above.

Transfers made by the City during the fiscal year ended September 30, 2012 are listed below:

<b>Transfer To</b>	<b>Transfer From</b>	<b>Amount</b>	<b>Purpose</b>
General Fund	Water and Sewer Fund	\$ 1,150,000	Subsidize Operations
Hotel/Motel Fund	City Tourism Fund	150,135	Designated funds transfer
General Fund	Central Supply Fund	78,550	Subsidize Operations
Water and Sewer Fund	Debt Service I & S Fund	<u>615,496</u>	Debt service payments
	<b>Total Transfers</b>	<u><u>\$ 1,994,181</u></u>	

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the City for the fiscal year ended September 30, 2012 is detailed below:

	<b>Balance 9/30/11</b>	<b>Additions</b>	<b>Deletions and Disposals</b>	<b>Ending Balance 9/30/12</b>
<b>Governmental Activities:</b>				
Assets Not Depreciated:				
Land	\$ 1,149,283	\$ 33,000	\$ -	1,182,283
Depreciable Assets:				
Buildings and Improvements	9,799,194	27,245	1,448,185	7,988,386
Furniture and Equipment	9,333,574	421,513	(1,838,053)	9,945,366
Infrastructure	3,317,102	219,737	190,279	4,985,024
Construction In Progress	59,116	14,885	(59,116)	14,885
Total Depreciable Assets	<u>22,508,986</u>	<u>683,380</u>	<u>(258,705)</u>	<u>22,933,661</u>
Total Accumulated Depreciation	<u>(10,761,637)</u>	<u>(886,057)</u>	<u>236,932</u>	<u>(11,410,762)</u>
Net Depreciable Assets	<u>11,747,349</u>	<u>(202,677)</u>	<u>(21,773)</u>	<u>11,522,899</u>
<b>Net Governmental Activities Capital Assets</b>	<u>\$ 12,896,632</u>	<u>\$ (169,677)</u>	<u>\$ (21,773)</u>	<u>\$ 12,705,182</u>

The City reported \$886,057 of depreciation in general fixed assets in use by governmental funds on the Government-Wide Statement of Activities. The City did not allocate the depreciation to the various governmental functions, instead presenting the amount separately from the departmental functions on the statement.

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE E - CAPITAL ASSETS – Continued**

	<b>Restated Balance 9/30/11</b>	<b>Additions</b>	<b>Deletions and Disposals</b>	<b>Balance 9/30/12</b>
<b>Business-Type Activities:</b>				
Assets Not Depreciated:				
Land	\$ 260,754	\$ -	\$ -	\$ 260,754
Depreciable Assets:				
Buildings and Improvements	314,162	-	(17,109)	297,053
Furniture and Equipment	1,404,496	204,767	(9,507)	1,599,756
Infrastructure	45,655,498	4,942,870	(52,419)	50,545,949
Construction in Progress	46,751	375,634	-	422,385
Total Depreciable Assets	47,420,907	5,523,271	(79,035)	52,865,143
Accumulated Depreciation:				
Buildings and Furniture and Equipment	(16,751,641)	(695,730)	79,035	(17,368,336)
Infrastructure	(5,856,845)	(339,805)	-	(6,196,650)
Total Accumulated Depreciation	(22,608,486)	(1,035,535)	79,035	(23,564,986)
Net Depreciable Assets	24,812,421	4,487,736	-	29,300,157
<b>Net Business-type Activities Capital Assets</b>	<b>25,073,175</b>	<b>4,487,736</b>	<b>-</b>	<b>29,560,911</b>

Capital asset activity for Borger Economic Development Corporation is disclosed below.

	<b>Beginning Balance 9/30/11</b>	<b>Additions</b>	<b>Deletions and Disposals</b>	<b>Ending Balance 9/30/12</b>
<b>Component Unit</b>				
Assets Not Depreciated:				
Land	\$ 82,040	\$ 131,148	\$ -	\$ 213,188
Depreciable Assets:				
Buildings and Improvements	714,681	48,148	-	762,829
Furniture and Equipment	19,628	8,574	-	28,202
Total Depreciable Assets	734,309	56,722	-	791,031
Accumulated Depreciation:				
Buildings and Improvements	(24,171)	(27,996)	-	(52,167)
Furniture and Equipment	(13,944)	(2,329)	-	(16,273)
Total Accumulated Depreciation	(38,115)	(30,325)	-	(68,440)
Net Depreciable Assets	696,194	26,397	-	722,591
<b>Net Component Unit Capital Assets</b>	<b>\$ 778,234</b>	<b>\$ 157,545</b>	<b>\$ -</b>	<b>\$ 935,779</b>

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE F - LONG-TERM DEBT**

In recent years, the City has shifted the debt service of both Governmental Activities and Business-type Activities to the Interest and Sinking Fund. This fund collects and remits debt service payments from the General Fund, other non-major governmental funds and the Water and Sewer Fund and remits the debt service payments to the proper lenders or agencies. The following detail the outstanding bonds, notes and capital lease obligations for the City as of September 30, 2012:

**Governmental Activities:**

**2006 Certificates of Obligation** - The City entered issued Certificates of Obligation in 2006 to fund the renovation to the Johnson Park Youth Center, public safety radio system, additions to various park facilities and improvements to the water and wastewater systems, including infrastructure improvements, establishing new wells, and purchasing related water rights. Since the Certificates of Obligations were issued in August, 2006, debt service has been to service interest expense on the obligations. The first principal retirement payment of \$200,000 is scheduled for the 2011 fiscal year with principal payments ranging from \$200,000 to \$935,000 due annually thereafter, with interest paid on a semi-annual basis. The debt service is being funded by the revenues generated by the Water and Sewer Proprietary Fund.

**Happy State Bank** - The City entered into a Note Payable with Happy State Bank in May, 2009 to fund the purchase of a fire engine. Annual principal and interest payments of \$56,531 are to be made starting in May, 2010. Funds from the City's general revenue are used for the debt service of this note payable.

**Government Capital Corporation** - The City entered into a Capital Lease Obligation with Government Capital Corporation in November 2006 for the purchase of a ladder truck for the Fire Department. Annual principal and interest payments of \$61,166 are to be made, starting November 2007. Funds from the City's general revenue are used for the debt service of this Capital Lease Obligation.

The audit for the period ended September 30, 2009 reported the ending balance of the Capital Lease Obligation to Government Capital Corporation as \$431,176. The City noted the debt service payment made in the 2008 fiscal year was not applied to the liability, thereby overstating the liability. A prior period correction of \$38,863 was made to the Capital Lease Obligation, adjusting the beginning liability balance for the current fiscal year to \$392,312.

**Amarillo National Bank** - The City entered into a note payable with Amarillo National Bank in November, 2007 to fund upgrade, enhance and replace of the police department's computer software and related hardware. Monthly principal and interest payments of \$2,443 are to be made, starting in January, 2008. Funds from the City's general revenue are used for the debt service of this note payable.

	<b>Balance 9/30/11</b>	<b>Additions</b>	<b>Payments</b>	<b>Adjustments</b>	<b>Balance 9/30/12</b>
2006 Certificates of Obligation	\$ 4,800,000	\$ -	\$ (200,000)	\$ -	\$ 4,600,000
Happy State Bank	379,594	-	(41,091)	-	338,503
Government Capital Corporation	308,560	-	(45,145)	-	263,415
Amarillo National Bank	35,202	-	(28,023)	-	7,179
	<u>\$ 5,523,356</u>	<u>\$ -</u>	<u>\$ (314,259)</u>	<u>\$ -</u>	<u>\$ 5,209,097</u>

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE F - LONG-TERM DEBT - Continued**

The following schedule details the interest rate and current portion of the liabilities of the Governmental Activities as of September 30, 2012:

	<b>Interest Rate</b>	<b>Original Amount</b>	<b>Maturity</b>	<b>Principal Due Within One Year</b>
2006 Certificates of Obligation	4.25%	\$ 5,000,000	Sep, 2019	\$ 205,000
Happy State Bank	4.00%	457,200	May, 2019	42,799
Government Capital Corporation	5.00%	470,000	Nov, 2016	47,489
Amarillo National Bank	5.75%	126,853	Dec, 2012	7,179
				<u>\$ 302,467</u>

The following schedule details the future maturities of the liabilities of the Governmental Activities as of September 30, 2012:

Year Ended December 31,	<b>Principal</b>	<b>Interest</b>	<b>Debt Service</b>
2013	\$ 302,467	\$ 228,026	\$ 530,493
2014	304,490	214,457	518,947
2015	683,890	200,607	884,497
2016	958,475	166,772	1,125,247
2017	998,323	119,175	1,117,498
2018-2019	<u>1,961,452</u>	<u>118,124</u>	<u>2,079,576</u>
	<u>\$ 5,209,097</u>	<u>\$ 1,047,161</u>	<u>\$ 6,256,258</u>

**Business-type Activities:**

**Certificates of Obligation Series 2002** - The City entered issued Certificates of Obligation in 2002 to fund improvements to the water and wastewater systems, including infrastructure improvements, establishing new wells, and purchasing related water rights. The first principal retirement payment of \$80,000 was made in August, 2007 with principal payments ranging from \$80,000 to \$240,000 due annually thereafter, with interest paid on a semi-annual basis. The debt service is being funded by the revenues generated by the Water and Sewer Proprietary Fund.

**General Obligation Bonds Series 2002** - The City entered issued General Obligation Bonds in 2002 to fund improvements to the water and wastewater systems, including infrastructure improvements, establishing new wells, and purchasing related water rights. The first principal retirement payment of \$390,000 was made in August, 2007 with principal payments ranging from \$400,000 to \$485,000 due annually thereafter, with interest paid on a semi-annual basis. The debt service is being funded by the revenues generated by the Water and Sewer Proprietary Fund.

**Canadian River Municipal Water Authority Bond Obligations** - The City is a member of the Canadian River Municipal Water Authority (CRMWA), which is a governmental entity created by the Texas legislature with the purpose of providing a municipal and industrial water source for the eleven (11) member cities of the Authority. Being a member, the City is obligated to proportionately share in the financing of the construction and maintenance of the dam and aqueduct, as well as the purchase of additional water rights and the development of the Roberts County well fields.

The CRMWA related liabilities disclosed below are the obligations of the City as prorated and passed through by CRMWA. The bonds are payable and secured by an irrevocable first lien and pledge of the City's water and sewer revenues in accordance with the City's agreements with CRMWA.

CITY OF BORGER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2012

**NOTE F - LONG-TERM DEBT - Continued**

The following disclosures are not intended to represent the full amount of notes and bond liabilities of CRMWA. CRMWA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Authority; the report also provides detailed explanations of the contributions, liabilities and other information and assumptions concerning the member cities and the Authority. The financial report may be obtained by writing to CRMWA, PO Box 9, Sanford, TX 79078.

The descriptions of the Authority's bond obligations following bonds are detailed below, as well as the City's proportionate share and debt service activity. Respective principal payments are made annually in February and interest payments are made semiannually in February and August of the fiscal year. Funding for these obligations comes from the operations of the Water and Sewer Fund.

**Salinity Control Series 1999** - In the fiscal year ended September 30, 2000 the Authority issued the 1999 Salinity Control Series to fund a project designed to mitigate the effect of sodium chloride brine water leaking into the upper Canadian River watershed and improve the quality of water flowing into Lake Meredith. The bonds matured in 2010 with the balance of \$14,867 being paid by reserves and earnings by the Authority.

**USBR Series 1999 Refunding Series 2010** - In the fiscal year ended September 30, 2000, the Authority issued the 1999 Series Contract Revenue Refunding bonds for refinancing the U.S. Bureau of Reclamation's Prepayment Project. The bond proceeds were used to retire the Bureau of Reclamation debt for the construction of Sanford Dam, Lake Meredith and the original aqueduct system. In the fiscal year ended September 30, 2010, the Authority issued Contract Revenue Refunding Bonds, Series 2010 for refunding of the Series 1999 Bureau of Reclamation Prepayment Project.

As a result of the 1999 series USBR refinancing, the City realized a profit of \$2,164,133 from the debt restructuring and recorded the amount as deferred revenue. During the fiscal year ending September 30, 2012, the City recognized approximately \$102,798 of the gain as a reduction of interest expense with a remaining amount of \$672,870 to be amortized over the life of the original 1999 series prior to the refunding.

**Contract Revenue Refunding Bonds Series 2005** - In the fiscal year ended September 30, 2000, the Authority issued Contract Revenue Bonds, Series 1999 for financing the construction of the Conjunctive Use Groundwater Supply project and for the advance refunding of the Contract Revenue Bonds, Series 1996. In the year ended September 30, 2005 the Authority issued Contract Revenue Refunding Bonds, Series 2005 for the advance refunding of a portion of the Series 1999 bonds.

**Contract Revenue Refunding Bonds Series 2010** - In the fiscal year ended September 30, 2000, the Authority issued Contract Revenue Bonds, Series 1999 for financing the construction of the Conjunctive Use Groundwater Supply project and for the advance refunding of the Contract Revenue Bonds, Series 1996. In the year ended September 30, 2010 the Authority issued Contract Revenue Refunding Bonds, Series 2010 for the advance refunding of the remaining portion of the Series 1999 bonds that the Series 2005 refunding did not cover.

The Authority considers the refunding Series 2005 and Series 2010 as separate issues although both issues proportionately refinanced the 1999 series.

**Conjunctive Use Groundwater Series 2005** - In the fiscal year ended September 30, 2005 the Authority issued Contract Revenue Bonds, Series 2005 for financing the purchases of various water rights.

**Conjunctive Use Groundwater Series 2006** - In the fiscal year ended September 30, 2006 the Authority issued Contract Revenue Bonds, Series 2006 for financing the purchases of various water rights.

**Conjunctive Use Groundwater Series 2009** - In the fiscal year ended September 30, 2005 the Authority issued Contract Revenue Bonds, Series 2009 to finance the continuation and expansion of the Conjunctive Use Groundwater Supply Project.

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE F - LONG-TERM DEBT - Continued**

**Conjunctive Use Groundwater Series 2011** - In the fiscal year ended September 30, 2012 the Authority issued Contract Revenue Bonds, Series 2011 to finance the continuation and expansion of the Conjunctive Use Groundwater Supply Project

The debt service activity for the Business-type Activities of the City for the fiscal year ended September 30, 2012 is disclosed below:

	Balance 9/30/11	Additions	Payments	CRMWA Adjustments	Balance 9/30/12
Certificates of Obligation Series 2002	\$ 540,000	\$ -	\$ (95,000)	\$ -	\$ 445,000
General Obligation Bonds Series 2002	1,400,000	-	(450,000)	-	950,000
CRMWA Related Debt					
USBR Series 1999 Refunding Series 2010	690,462	-	(78,923)	-	611,539
Contract Revenue Refunding CUG Series 2005	2,057,541	-	(245,402)	-	1,812,139
Contract Revenue Refunding CUG Series 2010	418,079	-	(48,322)	-	369,757
Conjunctive Use Groundwater Series 2005	2,659,346	-	-	-	2,659,346
Conjunctive Use Groundwater Series 2006	2,347,272	-	(101,139)	-	2,246,133
Conjunctive Use Groundwater Series 2009	1,099,396	-	(42,658)	-	1,056,738
Conjunctive Use Groundwater Series 2011	-	4,581,076	(113,643)	-	4,467,433
	<u>\$ 11,212,096</u>	<u>\$ 4,581,076</u>	<u>\$ (1,175,087)</u>	<u>\$ -</u>	<u>\$ 14,618,085</u>

The following schedule details the interest rate and current portion of the liabilities of the Governmental Activities as of September 30, 2012:

	Interest Rate	Original Amount	Maturity	Due Within One Year
Certificates of Obligation Series 2002	3.0-3.75%	\$ 965,000	Feb, 2015	\$ 465,000
General Obligation Bonds Series 2002	3.0-3.6%	3,465,000	Feb, 2014	100,000
CRMWA Related Debt				
USBR Series 1999 Refunding Series 2010	3.00%	866,743	Oct, 2018	81,566
Contract Revenue Refunding CUG Series 2005	5.00%	2,677,635	Feb, 2020	249,193
Contract Revenue Refunding CUG Series 2010	3.00%	496,016	Feb, 2020	48,796
Conjunctive Use Groundwater Series 2005	4.00%	2,659,346	Feb, 2025	-
Conjunctive Use Groundwater Series 2006	5.00%	2,781,080	Feb, 2027	107,106
Conjunctive Use Groundwater Series 2009	3.00%	1,171,146	Feb, 2029	43,005
Conjunctive Use Groundwater Series 2011	5.00%	496,016	Feb, 2031	158,048
				<u>\$ 1,252,714</u>

CITY OF BORGER, TEXAS  
 NOTES TO FINANCIAL STATEMENTS - CONTINUED  
 SEPTEMBER 30, 2012

**NOTE F - LONG-TERM DEBT - Continued**

The following schedule details the future maturities of the liabilities of the Governmental Activities as of September 30, 2012:

Year Ended December 31,	Principal	Interest	Total Debt Service
2013	1,252,714	\$ 680,142	\$ 1,932,856
2014	1,308,160	630,066	1,938,226
2015	992,830	575,199	1,568,029
2016	775,569	530,660	1,306,229
2017	811,114	494,185	1,305,299
2018-2022	4,129,093	1,826,461	5,955,554
2023-2027	4,048,755	785,662	4,834,417
2028-2032	1,299,850	124,925	1,424,775
	<u>\$ 14,618,085</u>	<u>\$ 5,647,300</u>	<u>\$ 20,265,385</u>

**Component Unit:**

Borger Economic Development Corporation financed the purchase of land and property from Frank Phillips College. The original \$234,000 note was secured by the real estate and buildings located in the park with an estimated market value of \$378,000. The non-interest bearing note was financed in September 2010, consisting of two annual payments of \$117,000, with maturity in August 2012. The expected cash flows from the dedicated sales tax are to be used to service the debt. The final payment was made in August 2012.

**NOTE G - OPERATING LEASE COMMITMENTS**

The City leases equipment under operating leases expiring on various dates. Total operating leases rental expense for 2012 fiscal year was \$17,774.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2012 that have initial or remaining terms in excess of one year:

Year Ended December 31,	Amount
2013	9,730
2014	8,142
2015	1,975
	<u>\$ 19,847</u>

**NOTE H - TRANSFER STATION COMPLIANCE STATEMENT**

The City meets the Local Government Financial Test and Government Guarantee as specified in the Texas Administrative Code (TAC), Chapter 37. The City is the owner of Transfer Station, MSW #40015, for which financial assurance for closure and post-closure care is achieved through the financial tests specified in Paragraph 37.271 of the TAC.

**NOTE I - PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS**

**Pension Trust Fund:**

*Plan Description* - The City provides pension benefits for all of its eligible full-time 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. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. The report may be obtained from the TMRS website at [www.tmrs.org](http://www.tmrs.org) or by writing to TMRS, PO Box 149153, Austin, TX 78714-9153.

Employees can retire at age 60 or later with 10 or more years of service or with 20 years of service regardless of age. Employees are vested after 10 years. The plan provisions are adopted by the governing body of the City, within the options available in the State statutes governing TMRS and within the actuarial constraints also in the statutes.

*Contributions* - Under State law governing TMRS, the contribution rate for the City is determined annually by the actuary, using the Protected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which are 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 the 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 employee contribution rate is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. The City's required full contribution rate for calendar year 2012 is 17.34% as compared to 19.83% and 20.73% for calendar years 2011 and 2010, respectively. 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 for when the rate goes into effect (i.e. December 31, 2010 valuation is effective for rates beginning January 1, 2012).

City employee contributions for the fiscal years ending September 30, 2012 were approximately \$455,057. Contributions made by the City totaled approximately \$1,170,847. Total contributions to TMRS were approximately \$1,625,904, which includes approximate contributions of \$12,581 to the Supplemental Death Benefit Fund.

*Funded Status and Funding Progress* - In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

*Actuarial Changes* - In December, 2007, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of the actuarial assumptions and definitions may be found in the TMRS Comprehensive Annual Financial Report for the year ended December 31, 2007. Previously, TMRS had used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but did not project the potential future liability of provisions adopted by the City. For the December 31, 2007 valuation, the TMRS board determine that the Projected Unit Credit funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis.

**NOTE I - PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued**

In addition, the board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. TMRS rules provide that, whenever a change in actuarial assumptions or methods result in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result in initially higher required contributions and lower funded ratios; however the funded ratio should show steady improvement over time. To assist in the transition to higher rates, the TMRS board also approved an eight-year phase in period, which would allow cities the opportunity to increase their contributions gradually to the full or required contribution rate.

**City of Borger Pension Plan Trend Information  
 (Unaudited)**

Fiscal Year Ending	Annual Pension Cost (APC)	Supplemental Death Benefit	Percentage of APC Contributed	Net Pension Obligation
2011	1,170,847	12,352	100.00%	7,579,986
2010	1,063,047	9,743	100.00%	7,641,398
2009	1,093,913	13,720	100.00%	9,781,990

**City of Borger Pension Plan Schedule of Funding Progress  
 (Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	GASB 27 Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	\$ 25,989,500	\$ 33,569,486	\$ 7,579,986	77.4%	\$ 6,381,402	118.8%
12/31/10	\$ 24,452,350	\$ 32,093,748	\$ 7,641,398	76.2%	\$ 6,001,735	127.3%
12/31/09	10,534,156	20,316,146	9,781,990	51.9%	5,631,623	173.7%

**City of Borger  
 Actuarial Valuation Information  
 Pension Plan and Supplemental Death Benefit Fund**

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
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
Amortization Period	28 years; closed period	27 years; closed period	26
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*	7.5%	7.0%	7.1%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost of Living Adjustments	2.1%	2.1%	2.1%

**NOTE I - PENSION PLAN AND OTHER POSTEMPLOYMENT BENEFITS - Continued**

**Supplemental Death Benefits Fund:**

**Plan Description** - The City participates in the Supplemental Death Benefits Fund (SDBF), which is a cost-sharing multiple-employer defined benefit group term life insurance plan operated by TMRS. This is a separate trust administered by the TMRS Board of Trustees. TMRS issued a publicly available Comprehensive Annual Financial Report that included financial and supplementary information for the SDBF. The report may be obtained from the TMRS website at [www.tmrs.org](http://www.tmrs.org) or by writing to TMRS, PO Box 149153, Austin, TX 78714-9153.

**Contributions** - The City contributes monthly to the SDBF at a contractually required rate as determined by an annual actuarial valuation. Such rates were 0.19% and 0.19% in 2012 and 2011, respectively, as a percentage of covered payrolls. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City and is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during the employees' entire careers. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust fund to allocate the investment income to the SDBF on an annual basis. There is a one year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect (i.e. December 31, 2010 valuation is effective for rates beginning January, 2012).

**Benefits** - The City elected to provide group-term life insurance coverage for both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculation based on the employee's actual earnings for a 12 month period preceding the month of death). Retired employees are insured for \$7,500.

The City's contributions to the SDBF for the current and previous fiscal years are scheduled above, which equaled the required contributions for each fiscal year. The actuarial valuation information for the City of Borger Supplemental Death Benefit Fund is also scheduled above.

**NOTE J - DISCRETELY PRESENTED COMPONENT UNIT**

Component unit information for the City's major component unit, Borger Economic Development Corporation, is provided in the following condensed financial statements for the fiscal year ended September 30, 2012:

<b>CONDENSED STATEMENT OF NET ASSETS</b>			
<b><i>Current Assets</i></b>		<b><i>Current Liabilities</i></b>	
Cash and Cash Equivalents	\$ 131,811	Accrued Payables and Expenses	\$ 19,056
Investments	138,841	Grants Payable	82,500
Sales Tax Receivables	165,022	Deferred Income	12,867
Notes and Loans Receivable - Current	318,803	Total Current Liabilities	114,423
Assets Held for Sale	15,000		
Prepays	<u>16,572</u>		
Total Current Assets	786,049		
<b><i>NonCurrent Assets</i></b>		<b><i>Net Assets</i></b>	
Notes and Loans Receivable - Long Term	695,657	Invested in Capital Assets	950,779
Capital Assets, Net	<u>935,779</u>	Unrestricted	1,352,283
Total NonCurrent Assets	<u>1,631,436</u>	Total Net Assets	<u>2,303,062</u>
Total Assets	<u>\$ 2,417,485</u>	Total Assets and Liabilities	<u>\$ 2,417,485</u>

CITY OF BORGER, TEXAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
SEPTEMBER 30, 2012

**NOTE J - DISCRETELY PRESENTED COMPONENT UNIT - Continued**

**CONDENSED STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS**

<b><i>Revenues</i></b>	
Sales Taxes	\$ 952,853
Economic Loan Interest	6,500
Other Income	<u>42,003</u>
Total Revenue	1,001,356
<b><i>Expenses</i></b>	
Salaries and Employee Benefits	\$ 157,361
Projects, Grants and Other Expenses	<u>642,310</u>
Total Expenses	<u>799,671</u>
Change in Net Assets	201,685
Net Assets at Beginning of Period	<u>2,101,377</u>
Net Assets at End of Period	<u><u>\$ 2,303,062</u></u>

**COMBINING FUND STATEMENTS AND SCHEDULES**

## **SPECIAL REVENUE FUNDS**

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

**Tourism Fund** – Accounts for the operations and expenses of attracting visitors and other events to the city.

**Tub Grinder Fund** – Accounts for the operations and activities of the composting program.

**Park and Recreation Project Fund** - Accounts for the improvements and maintenance of the municipal parks and special projects.

**Police/100 Fund** - Accounts for the donations supporting various police department projects.

**Fire Equipment Fund** – Accounts for the expenditures, grants, appropriations and other revenues designated for the purchase of equipment for the fire department.

**Police Grants Fund** – Accounts for the expenditures, grants, appropriations and other revenues designated for specific programs or the purchase of equipment for the police department.

**Emergency Operations Fund** – Accounts for the expenditures, grants, appropriations and other revenues designated for the operations of the Emergency Management department.

**Municipal Court Security Fund** - Accounts for state-mandated fees designated to maintain and upgrade the court's security system.

**Texas Plains Trails Fund** – Accounts for the expenditures, grants, appropriations and other revenues designated for the Texas Plains Trails program.

**Police Benevolent Fund** - Accounts for the donations designated for supporting families of officers injured or killed in the line of duty.

**Municipal Court Technology Fund** - Accounts for state-mandated fees designated for the court's technology upgrades and improvements.

**Hotel/Motel Tax Fund** - Accounts for the special assessment tax on motel room rentals used for the promotion of the City.

**Borger Community Designated Fund** – Accounts for the expenditures, grants, appropriations and other revenues for specific community maintenance or improvements as designated by the donors.

**Cofield Community Center Fund** – Accounts for the expenditures, grants, appropriations and other revenues for the operations, maintenance or improvements of the Community Center

**Special Crime Fund** - Accounts for the expenditures, grants, appropriations and other revenues seized or forfeited and designated for specific crime prevention or detection program of the police department.

## **OTHER GOVERNMENTAL FUNDS**

**Central Supply Fund** – Accounts for the purchase of office, maintenance and other supplies and the distribution to the various departments of the City.

**Investment Fund** – Accounts and is custodian for the City’s investments that are allocated to the other Special Revenue funds and the General Fund.

**Group Hospitalization Fund** - Accounts for the premiums paid and expenses for the employees’ insurance coverage.

**Interest and Sinking Fund** - Accounts for the designated tax funds and the associated principal and interest expenditures related to the City’s current bond issuances.

CITY OF BORGER, TEXAS  
 COMBINING BALANCE SHEETS  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2012

	<b>Tourism Fund</b>	<b>Central Supply Fund</b>	<b>Tub Grinder Fund</b>	<b>Park and Recreation Project Fund</b>	<b>Investment Fund</b>
<b>ASSETS</b>					
<b>ASSETS</b>					
Pooled Cash and Cash Equivalents	\$ 13,185	\$ (18,092)	\$ 53,277	\$ 1,494	(8,079)
Restricted Pooled Cash and Cash Equivalents	-	-	-	-	-
Investments	-	-	-	-	5,739,843
Accrued Interest	-	-	-	-	-
Inventories	-	-	-	-	-
Other Receivables	43	17,860	3	3,204	-
Due from Other Funds	<u>245,202</u>	<u>120,000</u>	<u>17,000</u>	<u>42,500</u>	<u>-</u>
<b>Total Assets</b>	<b><u>\$ 258,430</u></b>	<b><u>\$ 119,768</u></b>	<b><u>\$ 70,280</u></b>	<b><u>\$ 47,198</u></b>	<b><u>\$ 5,731,764</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 1,186	\$ 3,280	\$ -	\$ 7,162	\$ -
Other Payables	-	-	-	-	-
Due to Other Funds	-	10,442	-	-	5,731,764
<b>Total Liabilities</b>	<b>1,186</b>	<b>13,722</b>	<b>-</b>	<b>7,162</b>	<b>5,731,764</b>
 <b>FUND BALANCES</b>					
Reserved for Debt Service	-	-	-	-	-
Unreserved	<u>257,244</u>	<u>106,046</u>	<u>70,280</u>	<u>40,036</u>	<u>-</u>
<b>Total Fund Balances</b>	<b><u>257,244</u></b>	<b><u>106,046</u></b>	<b><u>70,280</u></b>	<b><u>40,036</u></b>	<b><u>-</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 258,430</u></b>	<b><u>\$ 119,768</u></b>	<b><u>\$ 70,280</u></b>	<b><u>\$ 47,198</u></b>	<b><u>\$ 5,731,764</u></b>

Group Hospitalization Fund	Police/100 Fund	Fire Equipment Fund	Police Grants Fund	Emergency Operations Fund	Municipal Court Security Fund	Debt Service I & S Fund	Texas Plains Trails Fund
\$ 28,788	\$ 3,762	\$ 6,944	\$ (98,003)	\$ 3,131	\$ 13,224	\$ -	\$ -
-	-	-	-	-	-	402,107	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,430	-
-	3	3	-	-	9	-	-
-	8,598	2,608	98,017	-	30,699	-	-
<u>\$ 28,788</u>	<u>\$ 12,363</u>	<u>\$ 9,555</u>	<u>\$ 14</u>	<u>\$ 3,131</u>	<u>\$ 43,932</u>	<u>\$ 409,537</u>	<u>\$ -</u>
\$ -	\$ -	\$ 900	\$ -	\$ -	\$ -	\$ -	\$ -
28,788	-	-	-	-	-	-	-
-	-	-	-	-	-	7,430	-
28,788	-	900	-	-	-	7,430	-
-	-	-	-	-	-	402,107	-
-	12,363	8,655	14	3,131	43,932	-	-
-	12,363	8,655	14	3,131	43,932	402,107	-
<u>\$ 28,788</u>	<u>\$ 12,363</u>	<u>\$ 9,555</u>	<u>\$ 14</u>	<u>\$ 3,131</u>	<u>\$ 43,932</u>	<u>\$ 409,537</u>	<u>\$ -</u>

CITY OF BORGER, TEXAS  
 COMBINING BALANCE SHEETS - Continued  
 NONMAJOR GOVERNMENTAL FUNDS  
 September 30, 2012

<b>Police Benevolent Fund</b>	<b>Municipal Court Technology Fund</b>	<b>Hotel/ Motel Fund</b>	<b>Borger Community Designated Fund</b>	<b>Cofield Community Center Fund</b>	<b>Special Crime Fund</b>	<b>Total Non Major Governmental Funds</b>
\$ 897	\$ (2,776)	\$ 165,405	\$ (50,000)	\$ 147	\$ 2,098	\$ 115,402
-	-	-	-	-	-	402,107
-	-	-	127,356	-	-	5,867,199
-	-	-	-	-	-	7,430
-	-	-	-	-	-	-
1	1	-	-	-	-	21,127
<u>5,150</u>	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>2,775</u>	<u>578,049</u>
<u>\$ 6,048</u>	<u>\$ 1,725</u>	<u>\$ 165,405</u>	<u>\$ 77,356</u>	<u>\$ 1,147</u>	<u>\$ 4,873</u>	<u>\$ 6,991,314</u>
\$ -	\$ -	\$ 68,368	\$ -	\$ -	\$ -	\$ 80,896
-	-	-	-	-	-	28,788
-	-	97,037	-	-	-	5,846,673
-	-	165,405	-	-	-	5,956,357
-	-	-	-	-	-	402,107
<u>6,048</u>	<u>1,725</u>	<u>-</u>	<u>77,356</u>	<u>1,147</u>	<u>4,873</u>	<u>632,850</u>
<u>6,048</u>	<u>1,725</u>	<u>-</u>	<u>77,356</u>	<u>1,147</u>	<u>4,873</u>	<u>1,034,957</u>
<u>\$ 6,048</u>	<u>\$ 1,725</u>	<u>\$ 165,405</u>	<u>\$ 77,356</u>	<u>\$ 1,147</u>	<u>\$ 4,873</u>	<u>\$ 6,991,314</u>

(This page intentionally left blank)

CITY OF BORGER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended September 30, 2012

	<b>Tourism Fund</b>	<b>Central Supply Fund</b>	<b>Tub Grinder Fund</b>	<b>Park and Recreation Project Fund</b>
<b>REVENUES</b>				
Taxes				
Property	\$ -	\$ -	\$ -	\$ -
Occupancy	-	-	-	-
Charges for Service	-	9,827	79,500	-
Penalties, Fines and Forfeitures	-	-	-	-
Intergovernmental Grants and Subsidies	-	-	-	-
Other Grants and Contributions	-	-	-	32,965
Investment Income	408	-	47	117
	<u>408</u>	<u>-</u>	<u>47</u>	<u>117</u>
<b>Total Revenues</b>	408	9,827	79,547	33,082
<b>EXPENDITURES</b>				
<i>Current:</i>				
Public Safety	-	-	-	-
Public Works	-	-	8,974	13,756
Economic Development and Tourism	111,864	-	-	-
<i>Capital Outlay</i>	-	-	-	-
<i>Debt Service</i>				
Principal and Interest	-	-	-	-
Administrative Fees	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	111,864	-	8,974	13,756
<b>Excess (Deficit) of Revenues over Expenditures</b>	(111,456)	9,827	70,573	19,326
<b>OTHER FINANCING SOURCES</b>				
Transfers In (Out)	<u>150,135</u>	<u>(78,550)</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources</b>	150,135	(78,550)	-	-
<b>Net Change in Fund Balance</b>	38,679	(68,723)	70,573	19,326
<b>Fund Balance (Deficit) - Beginning of Year</b>	<u>218,565</u>	<u>174,769</u>	<u>(293)</u>	<u>20,710</u>
<b>Fund Balance, End of Year</b>	<u>\$ 257,244</u>	<u>\$ 106,046</u>	<u>\$ 70,280</u>	<u>\$ 40,036</u>

Police/ 100 Fund	Fire Equipment Fund	Police Grants Fund	Emergency Operations Fund	Municipal Court Security Fund	Debt Service I & S Fund	Texas Plains Trails Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,213,600	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	4,685	-	-
-	-	1,089	-	-	-	18,750
690	13,018	-	-	-	-	-
24	8	267	-	84	1,847	22
<u>714</u>	<u>13,026</u>	<u>1,356</u>	<u>-</u>	<u>4,769</u>	<u>1,215,447</u>	<u>18,772</u>
416	15,264	-	-	1,116	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	38,108
-	-	(4,972)	-	-	-	-
-	-	-	-	-	526,672	-
-	-	-	-	-	900	-
<u>416</u>	<u>15,264</u>	<u>(4,972)</u>	<u>-</u>	<u>1,116</u>	<u>527,572</u>	<u>38,108</u>
298	(2,238)	6,328	-	3,653	687,875	(19,336)
-	-	-	-	-	(613,226)	-
-	-	-	-	-	(613,226)	-
298	(2,238)	6,328	-	3,653	74,649	(19,336)
12,065	10,893	(6,314)	3,131	40,279	327,458	19,336
<u>\$ 12,363</u>	<u>\$ 8,655</u>	<u>\$ 14</u>	<u>\$ 3,131</u>	<u>\$ 43,932</u>	<u>\$ 402,107</u>	<u>\$ -</u>

CITY OF BORGER, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE - Continued  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended September 30, 2012

Police Benevolent Fund	Municipal Court Technology Fund	Hotel/Motel Fund	Borger Community Designated Fund	Cofield Community Center Fund	Special Crime Fund	Total Non Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,213,600
-	-	302,778	-	-	-	302,778
-	-	-	-	-	-	89,327
-	6,246	-	-	-	-	10,931
-	-	-	-	-	4,921	24,760
-	-	-	-	-	-	46,673
<u>14</u>	<u>12</u>	<u>-</u>	<u>10,923</u>	<u>3</u>	<u>16</u>	<u>13,792</u>
14	6,258	302,778	10,923	3	4,937	1,701,861
-	1,640	-	-	-	-	18,436
-	-	-	-	-	-	22,730
-	-	152,643	-	-	-	302,615
-	-	-	-	-	-	(4,972)
-	-	-	-	-	-	526,672
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>
-	1,640	152,643	-	-	-	866,381
<u>14</u>	<u>4,618</u>	<u>150,135</u>	<u>10,923</u>	<u>3</u>	<u>4,937</u>	<u>835,480</u>
-	-	(150,135)	-	-	-	(691,776)
-	-	(150,135)	-	-	-	(691,776)
<u>14</u>	<u>4,618</u>	<u>-</u>	<u>10,923</u>	<u>3</u>	<u>4,937</u>	<u>143,704</u>
<u>6,034</u>	<u>(2,893)</u>	<u>-</u>	<u>66,433</u>	<u>1,144</u>	<u>(64)</u>	<u>891,253</u>
<u>\$ 6,048</u>	<u>\$ 1,725</u>	<u>\$ -</u>	<u>\$ 77,356</u>	<u>\$ 1,147</u>	<u>\$ 4,873</u>	<u>\$ 1,034,957</u>

CITY OF BORGER, TEXAS  
 TOURISM FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended September 30, 2012

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Contributions	\$ -	\$ -	\$ -	\$ -
Interest Income	300	300	408	108
	<u>300</u>	<u>300</u>	<u>408</u>	<u>108</u>
<b>Total Revenues</b>	300	300	408	108
<b>EXPENDITURES</b>				
Economic Development and Tourism	201,000	201,000	111,864	89,136
	<u>201,000</u>	<u>201,000</u>	<u>111,864</u>	<u>89,136</u>
<b>Total Operating Expenses</b>	201,000	201,000	111,864	89,136
<b>Operating Income (Loss)</b>	(200,700)	(200,700)	(111,456)	89,244
<b>OTHER FINANCING SOURCES</b>				
Transfers In	86,900	86,900	150,135	63,235
	<u>86,900</u>	<u>86,900</u>	<u>150,135</u>	<u>63,235</u>
<b>Total Other Financing Sources</b>	86,900	86,900	150,135	63,235
<b>Net Change in Fund Balance</b>	<u>\$ (113,800)</u>	<u>\$ (113,800)</u>	38,679	152,479
<b>Fund Balance, Beginning of Year</b>			<u>218,565</u>	<u>-</u>
<b>Fund Balance, End of Year</b>			<u>\$ 257,244</u>	<u>\$ 152,479</u>

CITY OF BORGER, TEXAS  
TUB GRINDER FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for Service	\$ 5,000	\$ 5,000	\$ 79,500	\$ 74,500
Interest Income	100	100	46	(54)
<b>Total Revenues</b>	<u>5,100</u>	<u>5,100</u>	<u>79,546</u>	<u>74,446</u>
<b>EXPENDITURES</b>				
Public Works	<u>5,100</u>	<u>5,100</u>	<u>8,974</u>	<u>(3,874)</u>
<b>Total Operating Expenses</b>	<u>5,100</u>	<u>5,100</u>	<u>8,974</u>	<u>(3,874)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	70,572	70,572
<b>Fund Balance, Beginning of Year</b>			<u>(292)</u>	<u>-</u>
<b>Fund Balance, End of Year</b>			<u>\$ 70,280</u>	<u>\$ 70,572</u>

CITY OF BORGER, TEXAS  
 PARK AND RECREATION PROJECT FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended September 30, 2012

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Contributions	33,800	33,800	32,965	\$ (835)
Interest Income	200	200	116	(84)
<b>Total Revenues</b>	<u>34,000</u>	<u>34,000</u>	<u>33,081</u>	<u>(919)</u>
<b>EXPENDITURES</b>				
Parks and Recreation	30,000	30,000	13,756	16,244
<b>Total Operating Expenses</b>	<u>30,000</u>	<u>30,000</u>	<u>13,756</u>	<u>16,244</u>
<b>Net Change in Fund Balance</b>	4,000	4,000	19,325	15,325
<b>Fund Balance, Beginning of Year</b>	<u>20,711</u>	<u>20,711</u>	<u>20,711</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 24,711</u>	<u>\$ 24,711</u>	<u>\$ 40,036</u>	<u>\$ 15,325</u>

CITY OF BORGER, TEXAS  
POLICE CLUB 100 FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended September 30, 2012

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Contributions			690	\$ 690
Interest Income	30	30	24	(6)
<b>Total Revenues</b>	<u>30</u>	<u>30</u>	<u>714</u>	<u>684</u>
<b>EXPENDITURES</b>				
Public Safety	10,000	10,000	416	9,584
<b>Total Operating Expenses</b>	<u>10,000</u>	<u>10,000</u>	<u>416</u>	<u>9,584</u>
<b>Net Change in Fund Balance</b>	(9,970)	(9,970)	298	10,268
<b>Fund Balance, Beginning of Year</b>	<u>12,065</u>	<u>12,065</u>	<u>12,065</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 2,095</u>	<u>\$ 2,095</u>	<u>\$ 12,363</u>	<u>\$ 10,268</u>

CITY OF BORGER, TEXAS  
POLICE GRANTS FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Grants and Contributions	\$ -	\$ -	\$ 1,088	\$ 1,088
Interest Income	100	100	267	167
<b>Total Revenues</b>	<u>100</u>	<u>100</u>	<u>1,355</u>	<u>1,255</u>
<b>EXPENDITURES</b>				
<i>Current:</i>				
Public Safety	-	-	-	-
<i>Capital Outlay</i>	-	-	(4,973)	4,973
<b>Total Operating Expenses</b>	<u>-</u>	<u>-</u>	<u>(4,973)</u>	<u>4,973</u>
<b>Net Change in Fund Balance</b>	100	100	6,328	6,228
<b>Fund Balance, Beginning of Year</b>			(6,314)	-
<b>Fund Balance, End of Year</b>			<u>\$ 14</u>	<u>\$ 6,228</u>

CITY OF BORGER, TEXAS  
 EMERGENCY OPERATIONS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Interest Income	\$ -	\$ -	\$ -	-
<b>Total Revenues</b>	-	-	-	-
<b>EXPENDITURES</b>				
Public Safety	3,000	3,000	-	3,000
<b>Total Operating Expenses</b>	3,000	3,000	-	3,000
<b>Net Change in Fund Balance</b>	(3,000)	(3,000)	-	3,000
<b>Fund Balance, Beginning of Year</b>		3,131	3,131	-
<b>Fund Balance, End of Year</b>	\$ (3,000)	\$ 131	\$ 3,131	\$ 3,000

CITY OF BORGER, TEXAS  
MUNICIPAL COURT SECURITY FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Penalties, Fines and Forfeitures	\$ 4,900	\$ 4,900	\$ 4,685	\$ (215)
Interest Income	100	100	84	(16)
<b>Total Revenues</b>	<u>5,000</u>	<u>5,000</u>	<u>4,769</u>	<u>(231)</u>
<b>EXPENDITURES</b>				
Public Safety	40,000	40,000	1,116	38,884
<b>Total Operating Expenses</b>	<u>40,000</u>	<u>40,000</u>	<u>1,116</u>	<u>38,884</u>
<b>Net Change in Fund Balance</b>	(35,000)	(35,000)	3,653	38,653
<b>Fund Balance, Beginning of Year</b>	<u>12,065</u>	<u>12,065</u>	<u>40,279</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ (22,935)</u>	<u>\$ (22,935)</u>	<u>\$ 43,932</u>	<u>\$ 38,653</u>

CITY OF BORGER, TEXAS  
INTEREST AND SINKING SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Property Taxes	\$ 1,107,265	\$ 1,107,265	\$ 1,213,600	\$ 106,335
Interest Income	1,500	1,500	1,847	347
<b>Total Revenues</b>	1,108,765	1,108,765	1,215,447	106,682
<b>EXPENDITURES</b>				
<i>Debt Service</i>				
Principal and Interest	285,435	285,435	285,434	1
Capital Lease Payments	-	-	-	-
Administrative Fees	242,474	242,474	242,138	336
<b>Total Operating Expenses</b>	527,909	527,909	527,572	337
<b>Net Change in Fund Balance</b>	580,856	580,856	687,875	106,345
<b>OTHER FINANCING USES</b>				
Transfers Out	(613,237)	(613,237)	(613,226)	11
<b>Total Other Financing Uses</b>	(613,237)	(613,237)	(613,226)	11
<b>Net Change in Fund Balance</b>	(32,381)	(32,381)	74,649	106,356
<b>Fund Balance, Beginning of Year</b>	327,458	327,458	327,458	-
<b>Fund Balance, End of Year</b>	<u>\$ 295,077</u>	<u>\$ 295,077</u>	<u>\$ 402,107</u>	<u>\$ 106,356</u>

CITY OF BORGER, TEXAS  
 TEXAS PLAINS TRAILS FUND  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental Grants and Subsidies	\$ 75,000	\$ 75,000	\$ 18,750	\$ (56,250)
Contributions	-	-	-	-
Interest Income	-	-	22	22
<b>Total Revenues</b>	<u>75,000</u>	<u>75,000</u>	<u>18,772</u>	<u>(56,228)</u>
<b>EXPENDITURES</b>				
Economic Development and Tourism	<u>75,000</u>	<u>75,000</u>	<u>38,108</u>	<u>36,892</u>
<b>Total Operating Expenses</b>	<u>75,000</u>	<u>75,000</u>	<u>38,108</u>	<u>36,892</u>
<b>Net Change in Fund Balance</b>	-	-	(19,336)	(93,120)
<b>Fund Balance, Beginning of Year</b>	<u>19,336</u>	<u>19,336</u>	<u>19,336</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u>\$ 19,336</u>	<u>\$ 19,336</u>	<u>\$ -</u>	<u>\$ (93,120)</u>

CITY OF BORGER, TEXAS  
MUNICIPAL COURT TECHNOLOGY FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
<b>REVENUES</b>				
Penalties, Fines and Forfeitures	\$ 7,200	\$ 7,200	\$ 6,246	\$ (954)
Interest Income	-	-	12	12
<b>Total Revenues</b>	<u>7,200</u>	<u>7,200</u>	<u>6,258</u>	<u>(942)</u>
<b>EXPENDITURES</b>				
Public Safety	<u>2,300</u>	<u>2,300</u>	<u>1,640</u>	<u>660</u>
<b>Total Operating Expenses</b>	<u>2,300</u>	<u>2,300</u>	<u>1,640</u>	<u>660</u>
<b>Net Change in Fund Balance</b>	4,900	4,900	4,618	(282)
<b>Fund Balance, Beginning of Year</b>	<u>(2,893)</u>	<u>(2,893)</u>	<u>(2,893)</u>	<u>-</u>
<b>Fund Balance, End of Year</b>	<u><u>\$ 2,007</u></u>	<u><u>\$ 2,007</u></u>	<u><u>\$ 1,725</u></u>	<u><u>\$ (282)</u></u>

CITY OF BORGER, TEXAS  
HOTEL MOTEL TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
Year Ended September 30, 2012

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Occupancy Taxes	\$ 210,000	\$ 210,000	\$ 302,778	\$ 92,778
<b>Total Revenues</b>	210,000	210,000	302,778	92,778
<b>EXPENDITURES</b>				
Economic Development and Tourism	123,100	123,100	152,643	(29,543)
<b>Total Operating Expenses</b>	123,100	123,100	152,643	(29,543)
<b>Operating Income (Loss)</b>	86,900	86,900	150,135	63,235
<b>OTHER FINANCING USES</b>				
Transfers Out	(86,900)	(86,900)	(150,135)	(63,235)
<b>Total Other Financing Uses</b>	(86,900)	(86,900)	(150,135)	(63,235)
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balance, Beginning of Year</b>	-	-	-	-
<b>Fund Balance, End of Year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**ENTERPRISE FUNDS**

**BUDGET VS. ACTUAL**

**Water and Sewer Utility Fund** - The Water and Sewer Utility Fund is used to accounts for the billings and collections of water and wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund including administration, operations billing and maintenance.

CITY OF BORGER, TEXAS  
 BUDGETARY COMPARISON  
 WATER AND SEWER UTILITY FUND  
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>OPERATING REVENUES</b>				
Charges for Service	\$ 4,375,000	\$ 4,375,000	\$ 4,510,429	\$ 135,429
Industrial Water Sales	2,480,000	2,480,000	2,967,034	487,034
Late Charges	76,770	76,770	100,317	23,547
Tapping and Surcharge Fees	41,000	41,000	55,988	14,988
Other and Miscellaneous	320,000	320,000	313,136	(6,864)
Total Operating Revenues	7,292,770	7,292,770	7,946,904	654,134
<b>OPERATING EXPENSES</b>				
<i>Current</i>				
Salaries and Wages	1,468,178	1,459,678	1,491,069	(31,391)
Employee Benefits	506,558	508,208	515,091	(6,883)
Utilities	523,600	543,600	506,381	37,219
Departmental Operating Costs	1,937,161	1,970,684	2,052,615	(81,931)
Professional and Technical Services	77,000	72,000	57,519	14,481
Repairs and Maintenance	3,033,760	3,020,010	228,557	2,791,453
Other Purchased Services	105,514	90,264	106,488	(16,224)
Property and Facility	24,032	21,484	22,666	(1,182)
General and Administrative Supplies	176,873	165,248	164,877	371
Rental and Lease Agreements	5,200	6,700	5,500	1,200
<i>Capital Outlay</i>	555,620	555,620	1,017,170	(461,550)
<i>Debt Service</i>				
Principal Payments	993,615	993,615	1,175,062	(181,447)
Total Operating Expenses	9,407,111	9,407,111	7,342,995	2,064,116
<b>Operating Income (Loss)</b>	(2,114,341)	(2,114,341)	603,909	2,718,250
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment Income	10,001	10,001	9,984	(17)
Loss on Disposal of Assets				-
Interest Expense	(743,471)	(743,471)	(571,224)	172,247
<b>Total Nonoperating Revenues (Expenses)</b>	(733,470)	(733,470)	(561,240)	172,230
<b>Income Before Transfers</b>	(2,847,811)	(2,847,811)	42,669	2,890,480
<b>TRANSFERS</b>				
Transfers In			613,226	613,226
Transfers Out	-	-	-	-
<b>Total Operating Transfers</b>	-	-	613,226	613,226
<b>Net Income</b>	\$ (2,847,811)	\$ (2,847,811)	\$ 655,895	\$ 3,503,706

**Reconciliation of Net Loss for Budgetary Basis to  
 Statement of Activities for Water Utility Fund**

Net Income - Budgetary Basis	\$ 655,895
Amounts reported in the Statement of Activities are different because:	
Depreciation is reported in the Proprietary Funds Statement of Activities but is not a budget expenditure item	(1,039,913)
Debt Service Expenditures reduce Water Fund liabilities and are not considered current year expenses	1,175,062
Capital Outlay is a budget expenditure but is reported on the Proprietary Funds Statement of Net Assets	1,017,170
<b>Net Income - Financial Statement Basis</b>	<u>\$ 1,808,214</u>

(This page intentionally left blank)

## **SUPPLEMENTAL INFORMATION**

CITY OF BORGER, TEXAS  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
September 30, 2012

YEAR	BALANCE			COLLECTIONS	BALANCE
	10/01/2010	ADJUSTMENTS	9/30/2011		
2002 & PRIOR	\$ 40,117	\$ -	\$ 24,939	\$ 15,178	
2003	\$ 6,747	\$ -	\$ 814	\$ 5,933	
2004	\$ 8,558	\$ -	\$ 1,141	\$ 7,417	
2005	\$ 11,283	\$ -	\$ 1,383	\$ 9,900	
2006	\$ 18,048	\$ -	\$ 3,042	\$ 15,006	
2007	\$ 28,396	\$ -	\$ 5,658	\$ 22,738	
2008	\$ 49,724	\$ -	\$ 10,985	\$ 38,739	
2009	\$ 78,530	\$ -	\$ 21,871	\$ 56,659	
2010	\$ 170,643	\$ -	\$ 71,365	\$ 99,278	
DELENQUENTS	\$ 412,046	\$ -	\$ 141,198	\$ 270,848	
CURRENT (2011)	\$ 207,645	\$ -	\$ 63,360	\$ 144,285	
TOTALS	\$ 619,691	\$ -	\$ 204,558	\$ 415,133	

CITY OF BORGER, TEXAS  
GENERAL FUND  
SCHEDULE OF ASSET VALUATION, M&O/I&S TAX RATE, LEVY, AND

FISCAL YEAR	TAX YEAR	ASSESSED VALUATION	M&O RATE	I&S RATE	COMBINED		PERCENT COLLECTED
					TAX RATE	TAX LEVY	
FY2003-2004	2003	\$ 346,719,610	\$ 0.36000	\$ 0.13400	\$ 0.49400	\$ 1,712,795	99.65%
FY2004-2005	2004	\$ 339,081,890	\$ 0.37000	\$ 0.13254	\$ 0.50254	\$ 1,704,022	99.56%
FY2005-2006	2005	\$ 343,747,290	\$ 0.38846	\$ 0.12928	\$ 0.51774	\$ 1,779,717	99.44%
FY2006-2007	2006	\$ 344,866,990	\$ 0.40206	\$ 0.17833	\$ 0.58039	\$ 2,001,574	99.25%
FY2007-2008	2007	\$ 355,773,799	\$ 0.38958	\$ 0.19039	\$ 0.57997	\$ 2,063,381	98.90%
FY2008-2009	2008	\$ 377,466,838	\$ 0.33973	\$ 0.25233	\$ 0.59206	\$ 2,234,830	98.27%
FY2009-2010	2009	\$ 412,107,000	\$ 0.33310	\$ 0.28251	\$ 0.61561	\$ 2,536,972	97.77%
FY2010-2011	2010	\$ 418,880,018	\$ 0.40678	\$ 0.32907	\$ 0.73585	\$ 3,082,329	96.78%
FY2011-2012	2011	\$ 422,861,490	\$ 0.48357	\$ 0.29643	\$ 0.78000	\$ 3,298,320	91.79%
AVERAGE COLLECTION RATE PERCENT							97.93%

CITY OF BORGER, TEXAS  
WATER AND SEWER UTILITIES SYSTEM  
CUSTOMER STATISTICS

NUMBER OF CUSTOMERS AS OF:	WATER	SEWER
September 30, 2000	5,995	5,621
September 30, 2001	5,739	5,547
September 30, 2002	5,816	5,549
September 30, 2003	5,830	5,445
September 30, 2004	5,705	5,386
September 30, 2005	5,621	5,395
September 30, 2006	5,769	5,410
September 30, 2007	5,731	5,355
September 30, 2008	5,778	5,393
September 30, 2009	5,750	5,367
September 30, 2010	5,712	5,321
September 30, 2011	5728	5346
September 30, 2012	5688	5320

CITY OF BORGER  
SCHEDULE OF INSURANCE COVERAGE  
September 30, 2012

ID		Coverage	Contents
1	Animal Shelter-W. 3rd. Street 5/10 Mi W of Cedar	\$ 214,700	\$ 7,500
4	Booster Pump Station -1800A S Florida	\$ 114,000	\$ 10,000
5	Camex Mixing Basin-1350 Ft SW of Int Carbon Rd/Hwy 136	\$ 30,000	
6	City Hall-600 N Main	\$ 1,362,400	\$ 600,000
7	Elevated Water Tank-1800B South Florida	\$ 465,600	
8	Elevated Water Tank-FM 1551	\$ 1,320,100	
9	Elevated Water Tank-521 East 10th	\$ 1,167,800	
10	F/SL3 Refuse Containers Various Locations	\$ 234,630	
11	Fire Station-200/204 N Cedar	\$ 1,034,400	\$ 110,000
14	Pavillion 200 Pine Street (Huber Park)	\$ 66,500	
15	Police Station-613 N Weatherly	\$ 801,100	\$ 250,000
16	Radio Control Building & Tower-206 West Sixth	\$ 25,000	\$ 50,000
18	Recreation Building-1228 S Main	\$ 145,000	
19	Sludge Press Building-1302 West Third	\$ 198,114	
21	Vehicle Service Center-801 N Florida	\$ 503,900	\$ 200,000
22	Warehouse-901 Whittenburg	\$ 300,000	\$ 150,000
23	Wastewater Treatment Plant-1302 West Third Street	\$ 47,500	\$ 25,000
24	Wastewater Plant Equipment-1302 W 3rd Street	\$ 1,573,160	
25	Water Treatment Plant-1800 S Florida	\$ 1,612,530	\$ 75,000
27	Transfer Station-920 N Florida	\$ 930,700	\$ 160,000
28	Scale House-920 N Florida	\$ 65,400	\$ 5,000
29	Recycle Office-920 N Florida	\$ 7,800	\$ 500
31	Ground Water Store Tank-1600 Sterling	\$ 252,800	
34	10666 McCall RD-Radar System	\$ 260,000	
35	901 N Florida-Police Storage	\$ 23,600	\$ 16,000
36	901 N Florida-Public Works Storage	\$ 23,600	\$ 150,000
37	1/8 Mile West of City-55k Water Tank	\$ 1,396,300	
38	1/8 Mile West of City-Chlorinator Building	\$ 6,600	\$ 14,000
39	1/8 Mile West of City-Radio Tower	\$ 50,000	\$ 15,000
40	7 Miles West of City-Degussa Pump Station	\$ 75,000	
41	7 Miles West of City-Water Well #16	\$ 15,000	
42	7 Miles West of City-Water Well #17	\$ 15,000	
43	7 Miles West of City-Water Well #19	\$ 15,000	
44	1205 Brain - Cofield Community Center	\$ 221,500	\$ 50,000
45	1205 Brain - BBQ Pit	\$ 1,500	
46	1835 S. Florida - Radio Tower w/Radio House	\$ 100,000	\$ 20,000
47	1/8 Mile West of City on HWY 136 - Radio Tower	\$ 8,400	
48	1/8 Mile West of City on HWY 136 - Radio Tower Bdg w/ fence	\$ 8,400	
49	417 N. Main - Gazebo	\$ 18,000	
50	Corner 4th & Main - Planter Box	\$ 25,000	
51	515 N. Main - Gazebo	\$ 18,000	
52	516 N. Main - Gazebo	\$ 18,000	

CITY OF BORGER  
SCHEDULE OF INSURANCE COVERAGE  
September 30, 2010

ID		Coverage	Contents
53	517 N. Main - Planter Box	\$ 25,000	
54	500 N. Main - Planter Box	\$ 25,000	
55	430 N. Main - Planter Box	\$ 50,000	
56	415 N. Main - Planter Box	\$ 25,000	
57	414 N. Main - Gazebo	\$ 18,000	
58	416 N. Main - Planter Box	\$ 25,000	
59	613 N. Main - Planter Box	\$ 25,000	
60	617 N. Main - Gazebo	\$ 18,000	
61	616 N. Main - Gazebo	\$ 18,000	
62	618 N. Main - Planter Box	\$ 25,000	
63	601 N. Main - Planter Box	\$ 25,000	
64	531 N. Main - Planter Box	\$ 25,000	
65	514 N. Main - Planter Box	\$ 25,000	
66	514 N. Main - Wanda Klause Center City Park	\$ 80,000	
67	1 Mile W. of FM687 & HWY 152 - Water Well #1	\$ 15,000	
68	1 1/4 Mile W. of FM687 & HWY 152 - Water Well #2	\$ 15,000	
69	1 1/2 Mile W. of FM687 & HWY 152 - Water Well #3	\$ 15,000	
70	1 1/4 Mile W. of FM687 & HWY 152 /N. 1/4 Mile - Water Well #4	\$ 15,000	
71	1 1/4 Mile W. of FM687 & HWY 152 /N. 1/2 Mile - Water Well #5	\$ 15,000	
72	1 1/2 Mile W. of FM687 & HWY 152 /N. 1/4 Mile - Water Well #6	\$ 15,000	
73	1 1/4 Mile W. of FM687 & HWY 152 /N. 3/4 Mile - Water Well #7	\$ 15,000	
74	1 1/8 Mile W. of FM687 & HWY 152 /N. 3/4 Mile - Water Well #8	\$ 15,000	
75	1 1/4 Mile W. of FM687 & HWY 152 /N. 1 Mile - Water Well #9	\$ 15,000	
76	1 1/8 Mile W. of FM687 & HWY 152 /N. 1 Mile - Water Well #10	\$ 15,000	
77	1 1/4 Mile W. of FM687 & HWY 152 /N. 1 1/4 Mile - Water Well #11	\$ 15,000	
78	1/4 Mile W. of FM687 & HWY 152 /N. 1/4 Mile - Water Well #12	\$ 40,000	
79	1/4 Mile W. of FM687 & HWY 152 /S. 500 Feet - Water Well #13	\$ 40,000	
80	1/8 Mile W. of FM687 & HWY 152 - 1M Gallon Storage Tank	\$ 500,000	
81	1/8 Mile W. of FM687 & HWY 152 - Cl2 Building	\$ 30,000	
82	1 Mile W. of FM687 & HWY 152 @ Water Well #1 - Cntl Bldg	\$ 75,000	
83	Various Locations - MESH System	\$ 150,000	
84	Various Locations - Remote Camara System	\$ 100,000	
85	Johnson Park Youth Center	\$ 4,000,000	\$ 250,000
		\$ 20,281,034	\$ 2,158,000

Total amount of coverage for buildings and contents: \$ 22,439,034

CITY OF BORGER  
 SCHEDULE OF INSURANCE COVERAGE  
 September 30, 2012

Coverage Extensions

Valuable Paper & Records & EDP Media	\$ 10,000
Accounts Receivable	\$ 10,000
Loss of Revenues, Extra Expense and Rents	\$ 25,000
Personal Effects	\$ 5,000
Leasehold Interest	\$ 5,000
Outdoor Trees & Shrubs (\$250 Each)	\$ 10,000
Newly Acquired Property	\$ 1,000,000
Employee Honesty Bond-Blanket	\$ 25,000
Pollutant Cleanup and Removal	\$ 20,000

Automobile & Vehicle Coverages

Vehicle - 147 Items	\$ 3,704,913
Auto Liability - 147 Items	
Auto Medical Payments - 129 Items	
Auto Physical Damage - 139 Items	
Hired & Non-owned Auto - 138 FTE's	

Equipment Coverages

Moble Equipment - 43 Items	\$ 1,217,988
----------------------------	--------------

Liability Coverages

	Deductable	Limits
Workers Compensation	\$ -	\$ 5,000,000
General Liability	\$ -	\$ 5,000,000
Law Enforcement Liability	\$ 1,000	\$ 3,000,000
Errors & Ommissions Liability	\$ 5,000	\$ 3,000,000
Supplemental Sewarge Backup	\$ 250	\$ 50,000
Automobile Medical Payments	\$ -	\$ 25,000
Automobile Liability	\$ -	\$ 1,000,000
Automobile Physical Damage	\$ 1,000	Per Schedule

(This page intentionally left blank)

## **COMPLIANCE**

(This page intentionally left blank)

**JW ANDERSON & ASSOCIATES, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of Borger, Texas

We have audited the basic financial statements of City of Borger, Texas as of and for the year ended September 30, 2012, and have issued our report thereon dated March 5, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

Management of City of Borger, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Borger, Texas's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Borger, Texas's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Borger, Texas's internal control over financial reporting.

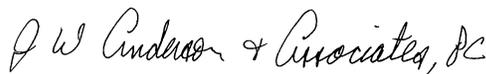
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether City of Borger, Texas's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, members of the City Council, others within the entity, others within the City and applicable state, federal or other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.



JW ANDERSON & ASSOCIATES, PC  
A Professional Corporation  
Lubbock, Texas  
March 5, 2013

City of Borger  
City Council  
2011-2012

Jeff Brain, Mayor  
P.O. Box 5250  
Borger, Texas 79008

- Owner: NGS Inc-Natural Gas Services Co.

Robert Vinyard, Mayor ProTem  
P.O. Box 5250  
Borger, Texas 79008

- Owner: Robert Vinyard Locksmith

Charles Gillingham  
P.O. Box 5250  
Borger, Texas 79008

- Chemist J.M Huber - Retired

Marvin "Bubba" Dickson  
P.O. Box 5250  
Borger, Texas 79008

- Chevron Phillips Maintenance Supervisor

Brandy Callahan  
P.O. Box 5250  
Borger, Texas 79008

- Therapeutic Massage Therapist

Administrative Officials

Eddie Edwards  
P.O. Box 5250  
Borger, Texas 79008

- City Manager

Scott Radach  
P.O. Box 5250  
Borger, Texas 79008

- Director of Finance

(This page intentionally left blank)