



CITY OF ROBINSON, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

CITY OF ROBINSON, TEXAS  
YEAR ENDED SEPTEMBER 30, 2013  
TABLE OF CONTENTS

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	<b>Page(s)</b>
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditor's Report	4-6
Management's Discussion and Analysis	7-15
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	18
Statement of Activities	19
<i>Fund Financial Statements</i>	
Balance Sheet - Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balance- Governmental Funds	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	24
Statement of Net Position - Proprietary Fund	25
Statement of Revenues, Expenses, and Changes in Fund Net Position- Proprietary Fund	26
Statement of Cash Flows - Proprietary Fund	27-28
Notes to Financial Statements	29-51
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual (BUDGET BASIS) - General Fund	53
Note to Required Supplementary Information	54
Schedule of Funding Progress - Texas Municipal Retirement System	55
<b><u>SUPPLEMENTARY INFORMATION</u></b>	
<i>Combining Nonmajor Governmental Funds</i>	
Combining Balance Sheet - Nonmajor Governmental Funds	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	58

CITY OF ROBINSON, TEXAS  
YEAR ENDED SEPTEMBER 30, 2013  
TABLE OF CONTENTS

---

**OTHER INFORMATION**

Schedule of Insurance Coverage	60
Continuing Disclosures:	
<i>Securities and Exchange Commission Rule 15c2-12 Disclosures</i>	
Table 1 - Valuation, Exemptions and General Obligation Debt	61
Table 2 - Valuation and General Obligation Debt History	62
Table 3 - Tax Rate, Levy and Collection History	63
Table 4 - Ten Largest Taxpayers	64
Table 5 - Current Investments	65
Table 6 - General Obligation Debt Service Requirements	66
Table 7 - Interest and Sinking Fund Budget Projection	67
Table 8 - Computation of Self-Supporting Debt	68
Table 9 - General Fund Revenue and Expenditure History	69
Table 10 - Municipal Sales Tax History	70
Table 11 - Current Investments	71

**COMPLIANCE AND INTERNAL CONTROL SECTION**

Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	73-74
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## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, City Council, and City Manager  
City of Robinson, Texas

### **Report on the Financial Statements**

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

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

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

### ***Auditor's Responsibility***

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

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

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



### ***Opinions***

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

### ***Emphasis of Matter***

As described in Note 3(K) to the financial statements, in 2012, the City adopted new accounting guidance, GASB Statements No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and funding progress-Texas Municipal Retirement System (pages 7-15, 53-54, and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

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

#### ***Other Information***

The insurance schedule and continuing disclosures are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Cunningham, Shavers, Christensen, & Wright, L.L.P.

Certified Public Accountants

Waco, Texas

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2014, on our consideration of the City of Robinson, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Robinson, Texas's internal control over financial reporting and compliance.

*Cunningham, Shavers, Christensen & Wright, LLP*

Waco, Texas

March 24, 2014

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

### **Implementation of Recent Governmental Accounting Standards Board Pronouncements**

The City has implemented Governmental Accounting Standards Board ("GASB") Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement 65 *Items Previously Reported as Assets and Liabilities*. Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

### ***Financial Highlights***

- The assets of the City *exceeded* its liabilities at the close of the fiscal year by \$23,567,507 (*net position*). This is an increase of \$2,486,355 over the prior year.
- Of the \$2,486,355 increase (decrease) in net position during the current year, \$800,103 is attributable to governmental activities and \$1,686,252 is attributable to business-type activities.
- Ending net position for governmental activities at September 30, 2013 was \$6,315,633, of which \$1,725,680 (unrestricted net position) is available for spending at the City's discretion.

### ***Overview of the Financial Statements***

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

### **Basic Financial Statements**

The first two statements (pages 18 through 19) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

### **Basic Financial Statements (continued)**

The next statements (pages 21 through 26) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and, 2) the proprietary funds statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** is provided to show details about the City's funding progress related to pension plans. Budgetary information required by state law also can be found in this part of the statements.

The final sections, **supplemental information and other information**, contains information regarding insurance coverages of the City, combining nonmajor fund financial statements, and certain disclosures required by the Securities and Exchange Commission.

### **Government-wide Financial Statements**

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

The two government-wide statements report the City's net position and how they have changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and, 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works, and general administration. Taxes (property and sales), franchise fees and state and federal grant funds finance most of these activities. The business-type activities are those that the City provides at a charge to customers. These include the water and sewer services offered by the City.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the City budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year.

**Fund Financial Statements (continued)**

**Governmental Funds (continued)**

Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view in determining if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements, and in more detail, in Note 2 to the financial statements.

The City adopts an annual budget for its General Fund, as required by state law. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the City Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted.

The budgetary comparison schedule was prepared on the *modified cash basis* of accounting, which is the method of accounting used by the City in preparing the budget. The actual results have been adjusted to the *modified cash basis* of accounting in order to give a more relevant comparison of budget to actual results. Information regarding the reconciliation of actual results to the *modified cash basis* can be found in the *note to required supplementary information* found on page 54. The schedule shows four columns: 1) the original budget as adopted by the City Council; 2) the final budget as amended by the City Council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds** – the City has two proprietary (enterprise) funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water activities and sewer activities. These funds are the same as those functions shown in the business-type activities in the Statement of Net position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 29 through 51 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Additionally, budgetary comparison information is found in this section. Required supplementary information can be found on pages 53 through 55 of this report.

**Management's Discussion and Analysis**  
 For the Fiscal Year Ended September 30, 2013

***Government-Wide Financial Analysis***

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City exceeded liabilities by \$23,567,507 at September 30, 2013. The City's net position *increased* by \$2,486,355 for the fiscal year ended September 30, 2013. The largest portion of net position, 86%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position, 2%, represents resources that are subject to external restrictions on how they may be used.

***Government-Wide Financial Analysis***

The following table provides a comparison of the City's financial position at September 30, 2013 to September 30, 2012.

**Summary of Net Position**

	Government-wide	
	9/30/13	9/30/12
Current assets	\$ 4,845,679	\$ 4,206,576
Capital assets (net)	29,137,820	26,743,968
Restricted assets	21,871,679	5,601,371
Total assets	55,855,178	36,551,915
Short-term liabilities	2,921,030	3,043,777
Long-term liabilities	29,252,913	11,923,905
Total liabilities	32,173,943	14,967,682
Deferred Inflow or Resources	113,728	-
Net Position:		
Net investment in Capital Assets	20,217,231	12,875,008
Restricted for debt service	369,219	606,490
Restricted for tourism	41,606	4,773,261
Restricted - Other	-	41,584
Unrestricted	2,939,451	3,287,887
Total net position	\$ 23,567,507	\$ 21,584,230

Net position of the City increased during the current year by \$2,486,355. The following table provides a comparison of the City's operations for the year ended September 30, 2013 to the year ended September 30, 2012.

**Management's Discussion and Analysis**  
For the Fiscal Year Ended September 30, 2013

***Government-Wide Financial Analysis (continued)***

**Changes in Net Position**

	Government-wide	
	9/30/2013	9/30/2012
Revenues:		
Program revenues:		
Charges for services	\$ 5,783,046	\$ 5,456,952
Operating and capital grants	51,775	42,047
General revenues:		
Property taxes	2,698,329	2,378,014
Sales taxes	1,136,373	1,078,386
Franchise taxes	555,835	619,708
Occupancy taxes	41,585	-
Tax penalties and interest	26,481	30,044
Investment earnings	51,811	61,421
Capital Contributions		80,039
Premium on Issue of Debt	1,060,138	-
Other revenue	340,931	136,732
Total revenues	<u>11,746,304</u>	<u>9,883,343</u>
Expenses:		
Mayor and city council	143,380	133,569
Administration	846,457	724,414
Court	146,821	153,673
Physical plant	122,007	113,345
Planning & Community Development	176,188	215,501
Parks & Recreation	15,378	16,303
Police	2,062,122	1,298,559
Highways and street	537,346	1,366,278
Traffic Operations	195,105	861,812
Community Media	67,745	63,677
Sanitation	626,266	594,772
Sewer	1,203,897	991,900
Water	2,959,638	2,912,418
Interest paid	156,387	172,072
Debt service fees and issuance costs	<u>1,212</u>	<u>1,000</u>
Total expenses	<u>9,259,949</u>	<u>9,619,293</u>
Change in net assets	2,486,355	264,050
Net position, beginning	21,584,230	
Prior period adjustment (See Note 3(K))	(503,078)	
Net position, beginning	<u>21,081,152</u>	<u>21,320,180</u>
Net position, ending	<u>\$ 23,567,507</u>	<u>\$ 21,584,230</u>

**Management's Discussion and Analysis**  
 For the Fiscal Year Ended September 30, 2013

***Government-Wide Financial Analysis (continued)***

**Governmental activities.** Governmental activities increased the City's net position by \$800,103 accounting for 3.78% increase in the net position of the City. Key elements of this increase were increased property tax revenues.

**Business-type activities:** Business-type activities increased the City's net position by \$1,686,252 accounting for 7.94% of the total growth in the government's net position. Key elements of this increase were the impact on user charges resulting from an increasing population while operating costs not increasing in the same proportion.

***Budget Analysis***

The City prepares its budget on the *modified cash basis* of accounting, which is a method of accounting other than that prescribed by generally accepted accounting principles (GAAP). In order to present a more accurate comparison of budget to actual results, the actual results from the operation of the general fund have been adjusted to the *modified cash basis* of accounting. Reconciliation of the *GAAP basis* of accounting to the *modified accrual basis* of accounting can be found in the *note to required supplementary information* on page 54.

For the fiscal year ended September 30, 2013, the City had a budget excess of \$239,555; revenues and expenditures were less than budget by \$189,139 and \$498,738 respectively. Significant budget variances are as follows:

- Fine revenue was less than budget by \$218,009.
- Expenditures were less than budgeted for all departments, except, three which had minor expenditures exceeding budget.

***Capital Assets***

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, totals \$29,137,820 (net of accumulated depreciation). These assets include buildings, infrastructure, land, machinery and equipment, and vehicles. The following table summarizes the City's investment in capital assets at September 30, 2013.

**Capital Assets at September 30, 2013**

	Governmental Activities	Business-type Activities	Total
Land	\$ 161,384	\$ 596,098	\$ 757,482
Infrastructure	6,285,768	-	6,285,768
Buildings	829,137	461,031	1,290,168
Improvements other than buildings	-	32,621,240	32,621,240
Vehicles and equipment	2,547,340	1,287,162	3,834,502
Construction in Progress	-	793,171	793,171
	9,823,629	35,758,702	45,582,331
	(2,285,160)	(14,159,351)	(16,444,511)
Total capital assets, net	\$ 7,538,469	\$ 21,599,351	\$ 29,137,820

**Management's Discussion and Analysis**  
 For the Fiscal Year Ended September 30, 2013

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***Capital Assets (continued)***

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

General Fund

- Purchase of:
  - Vehicles \$270,092;
  - Safety signage and police equipment - \$46,280;
  - Street maintenance equipment - \$619,371;
  - Infrastructure (street improvements) - \$816,118;

Sewer Fund

- Purchase of:
  - Diesel pump - \$35,035;
  - Lift station - \$26,470.

Water Fund

- Purchase of:
  - Office building - \$69,961;
  - Connection to Waco Water System - \$1,363,114.
  - SCADA controls automation - \$79,646
  - Various well upgrades - \$135,983

Additional information on the City's capital assets can be found in note 3(D) of the Basic Financial Statements.

***Long-term Debt***

As of September 30, 2013, the City had total long-term liabilities outstanding of \$30,977,480. Of this, \$535,000 is general obligation debt of the City. The remainder of the City's debt represents bonds and loans secured by specified revenue sources (i.e. revenue bonds). Long-term debt is as follows:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds and Certificates of Obligation	\$8,860,000	\$ 4,740,000	\$21,945,000	\$ 14,105,000	\$30,805,000	\$ 18,845,000
Other Long-Term Debt	-	-	172,480	189,655	172,480	189,655
	<u>\$8,860,000</u>	<u>\$ 4,740,000</u>	<u>\$22,117,480</u>	<u>\$ 14,294,655</u>	<u>\$30,977,480</u>	<u>\$ 19,034,655</u>

**The City's bond ratings are currently as follows:**

- Standard & Poor's- AA-
- Fitch Ratings- A+
- Moody's- Withdrawn

*Note: The water and sewer utility system bonds are rated A- by Standard & Poor's.*

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

- **Building Permits:** New residential and commercial construction activity was slower this year. There were 48 residential building permits valued at \$7,667,000, and 2 commercial/industrial building permits valued at \$8,923,000. A significant portion of this activity occurred in existing developing subdivisions and the industrial area. Management anticipates that development will continue to improve as the economy recovers. The permit rate schedule will remain unchanged from the Fiscal Year 2012-2013 budget.
- **Sales Tax Revenue:** Sales tax was projected to generate \$967,633 during the end of the 2012-2013 fiscal year. It is projected that the 2013-2014 budget will generate \$1,044,242 in sales tax revenue to the city. This would be a 7.92% increase in sales tax. This projection takes into account possible recovery levels of consumer spending which directly affects sales tax revenues.
- **Population Growth:** The City of Robinson continues to grow amongst all other metropolitan and suburb communities. The 2010 Census estimated the population of Robinson as of January 2010 as 10,522. The current population is estimated as 11,331 (i.e. estimated using a 2.50% annual population increase). This is a 44.43% increase over the 2000 Census count of 7,845. The City of Robinson has been the fastest growing city in McLennan County during the past decade.
- **Ad Valorem Tax Base:** The certified tax roll is valued at \$628,662,077. This is a \$33,924,473 million increase from last year's \$594,771,349 million valuation. This net taxable amount suggests a 5.39% growth rate for the year.

**Budget Highlights for the Fiscal Year Ending September 30, 2013**

- **Governmental Activities:** City revenues are derived from general fund (property tax, sales tax), municipal court fines, water consumption, and sanitary sewer usage. The total revenues for Fiscal Year 2012-2013 were \$10,774,760. The total projected revenues for Fiscal Year 2013-2014 are expected to be \$12,418,266. This is an increase of \$1,643,506 or 13.26% from last year's budget. Municipal court revenues are projected to decrease 3.04% from \$195,966 to \$190,000. Wastewater fund revenues are projected to increase 25.10% from \$1,315,188 to \$1,645,266. Water fund revenues are projected to increase 21.41% from \$3,572,630 to \$4,337,667. General Fund Revenue in Fiscal Year 2012-2013 was \$5,886,942. This fund is expected to increase 8.08% to \$6,435,333. Ad Valorem tax was \$2,700,247 in Fiscal Year 2012-2013. It is projected that the Fiscal Year 2013-2014 budget will generate \$2,954,712 or an increase of 9.42%.

**Budget Highlights for the Fiscal Year Ending September 30, 2013 (continued)**

Water and wastewater rate increases will be required to be effective on October 1, 2014 in order to continue to assemble funds to issue Certificates of Obligation Bonds for the construction of infrastructure improvements.

The contract with Progressive Waste Solutions for sanitation services was \$649,502 in Fiscal Year 2012-2013. The contract for services will be \$638,904 in Fiscal Year 2013-2014. The contract that was recently adopted will be effective until June 30, 2018.

The projected personnel expenditures for Fiscal Year 2013-2014 are expected to be \$4,246,616. A new pay plan structure was enacted this past Fiscal Year and the average evaluation percentage increase was 3.86%. There were two new employees added to the street department, one employee in the water distribution department, and one employee for building maintenance needs.

**Business – type Activities:** The fee schedule remained unchanged from 2012-2013 which affects the minimum for residential and commercial building permits; electrical inspections; water and sanitary sewer tap fees; water re-connect fees, and all applicable planning functions. The current year includes additional allowances for maintenance and repair of the collection system.

The City, through its affiliation with the Waco Metropolitan Area Regional Sewerage System (WMARSS), has taken steps to increase its sewer treatment capacity. A new sewer interceptor has been completed through Robinson from west to east opening additional land for development. The additional capacity at the central treatment plant and diversion of a portion of the system flow to a satellite treatment plant is part of this improvement. The City has certificate of obligation funds to pay for its share of the WMARSS improvements. Debt service is already included in the current sewer rates.

The City of Robinson entered into an “Agreement for the reservation of raw water and sale & delivery of treated water-wholesale customer” on October 31, 2012. A water line was extended from Corporation Parkway in the City of Waco across Interstate Highway 35 to Grieg Drive. A second connection was extended perpendicular to this line to Dayton Drive. These lines were activated July 10, 2013. The cost of treated water from the City of Waco will cost \$456,250 for the next budget year.

**Requests for Information**

This report is designed to provide an overview of the City of Robinson, Texas finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Robert E. Cervenka, City Manager, City of Robinson, Texas at 111 W. Lyndale, Robinson, Texas 76706; telephone: (254) 662-1415 or fax: (254) 662-1035.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ROBINSON, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 710,380	\$ 1,353,721	\$ 2,064,101
Investments - Current	1,824,138	344,356	2,168,494
Receivables (net of allowance for uncollectibles)	287,514	262,006	549,520
Inventories	-	63,564	63,564
Restricted Assets:			
Permanently Restricted:			
Restricted Cash and Cash Equivalents	579,509	1,471,020	2,050,529
Restricted Investments	4,735,939	15,085,211	19,821,150
Capital Assets:			
Land	161,384	2,411,905	2,573,289
Infrastructure, net	4,800,801	4,391,928	9,192,729
Buildings, net	556,023	245,775	801,798
Improvements other than Buildings, net	-	13,416,849	13,416,849
Machinery and Equipment, net	2,020,261	339,724	2,359,985
Construction in Progress	-	793,170	793,170
Total Assets	<u>15,675,949</u>	<u>40,179,229</u>	<u>55,855,178</u>
<b>LIABILITIES</b>			
Accounts Payable	235,624	290,700	526,324
Intergovernmental Payable	2,941	589	3,530
Accrued Interest Payable	23,733	163,803	187,536
Other Refundable Deposits	-	6,750	6,750
Other Current Liabilities	55,834	348,032	403,866
Noncurrent Liabilities			
Due Within One Year	525,000	1,268,024	1,793,024
Due in More Than One Year	8,403,456	20,849,457	29,252,913
Total Liabilities	<u>9,246,588</u>	<u>22,927,355</u>	<u>32,173,943</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred Resource Inflow	113,728	-	113,728
Total Deferred Inflows of Resources	<u>113,728</u>	<u>-</u>	<u>113,728</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,357,533	15,859,698	20,217,231
Restricted for:			
Restricted for Debt Service	190,814	178,405	369,219
Restricted for Tourism	41,606	-	41,606
Unrestricted Net Position	1,725,680	1,213,771	2,939,451
Total Net Position	<u>\$ 6,315,633</u>	<u>\$ 17,251,874</u>	<u>\$ 23,567,507</u>

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

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

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
Mayor & City Council Administration	\$ 143,380	\$ -	\$ -
Court	846,457	56,787	-
Police	146,821	152,398	-
Physical Plant	2,062,122	3,345	1,948
Planning and Community Development	122,007	-	-
Parks & Recreation	176,188	-	-
Traffic Operations	15,378	-	49,827
Community Media	195,105	-	-
Highways and Streets	67,745	-	-
Sanitation	537,346	-	-
Bond Interest	626,266	626,368	-
Debt Service Costs	156,387	-	-
	1,212	-	-
Total Governmental Activities:	5,096,414	838,898	51,775
<b>BUSINESS-TYPE ACTIVITIES:</b>			
Sewer	1,203,897	1,271,132	-
Water	2,959,638	3,673,016	-
Total Business-Type Activities:	4,163,535	4,944,148	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 9,259,949</b>	<b>\$ 5,783,046</b>	<b>\$ 51,775</b>

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	
Property Taxes, Levied for Debt Service	
Sales Taxes	
Occupancy Taxes	
Franchise Taxes	
Penalty and Interest	
Miscellaneous Revenue	
Investment Earnings	
Transfers In (Out)	
<b>Total General Revenues and Transfers</b>	
Change in Net Position	
Net Position - Beginning	
Prior Period Adjustment	
Net Position--Ending	

Net (Expense) Revenue and Changes in Net Position Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (143,380)	\$ -	\$ (143,380)
(789,670)	-	(789,670)
5,577	-	5,577
(2,056,830)	-	(2,056,830)
(122,007)	-	(122,007)
(176,188)	-	(176,188)
34,449	-	34,449
(195,105)	-	(195,105)
(67,745)	-	(67,745)
(537,346)	-	(537,346)
102	-	102
(156,387)	-	(156,387)
(1,212)	-	(1,212)
(4,205,742)	-	(4,205,742)
-	67,235	67,235
-	713,378	713,378
-	780,613	780,613
(4,205,742)	780,613	(3,425,129)
2,001,139	-	2,001,139
697,190	-	697,190
1,136,373	-	1,136,373
41,585	-	41,585
555,835	-	555,835
26,481	-	26,481
277,056	1,124,013	1,401,069
25,793	26,018	51,811
244,392	(244,392)	-
5,005,844	905,639	5,911,483
800,103	1,686,252	2,486,355
5,613,564	15,970,666	21,584,230
(98,034)	(405,044)	(503,078)
<b>\$ 6,315,633</b>	<b>\$ 17,251,874</b>	<b>\$ 23,567,507</b>

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

FUND FINANCIAL STATEMENTS

CITY OF ROBINSON, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 710,380	\$ -	\$ -	\$ -	\$ 710,380
Investments	1,824,138	-	-	-	1,824,138
Taxes Receivable	72,713	28,848	-	14,916	116,477
Other Receivables (Net)	84,869	-	-	-	84,869
Sales Tax Due from State	86,168	-	-	-	86,168
Restricted Cash	84,110	210,404	155,528	129,467	579,509
Restricted Investments	6,726	-	4,729,213	-	4,735,939
Total Assets	<u>\$ 2,869,104</u>	<u>\$ 239,252</u>	<u>\$ 4,884,741</u>	<u>\$ 144,383</u>	<u>\$ 8,137,480</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 175,568	\$ -	\$ 52,417	\$ -	\$ 227,985
Wages and Salaries Payable	7,626	-	-	13	7,639
Sales Tax Payable to State	2,941	-	-	-	2,941
Other Current Liabilities	55,834	-	-	-	55,834
Total Liabilities	<u>241,969</u>	<u>-</u>	<u>52,417</u>	<u>13</u>	<u>294,399</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	72,713	28,848	-	-	101,561
Deferred Resource Inflow	10,964	-	-	102,764	113,728
Total Inflows of Resources	<u>83,677</u>	<u>28,848</u>	<u>-</u>	<u>102,764</u>	<u>215,289</u>
<b>FUND BALANCES</b>					
Restricted for Tourism	-	-	-	41,606	41,606
Restricted for Construction	-	-	4,832,324	-	4,832,324
Restricted for Retirement of Long-Term Debt	-	210,404	-	-	210,404
Assigned Fund Balance	90,836	-	-	-	90,836
Unassigned Fund Balance	2,452,622	-	-	-	2,452,622
Total Fund Balances	<u>2,543,458</u>	<u>210,404</u>	<u>4,832,324</u>	<u>41,606</u>	<u>7,627,792</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,869,104</u>	<u>\$ 239,252</u>	<u>\$ 4,884,741</u>	<u>\$ 144,383</u>	<u>\$ 8,137,480</u>

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

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

<b>Total Fund Balances - Governmental Funds</b>	\$	7,627,792
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$8,234,359 and the accumulated depreciation was \$1,837,348. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		1,421,242
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase (decrease) net position.		2,276,860
The 2012 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(350,070)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(4,660,191)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>6,315,633</b>

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

CITY OF ROBINSON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property Taxes	\$ 1,990,744	\$ 695,070	\$ -	\$ -	\$ 2,685,814
General Sales and Use Taxes	1,136,373	-	-	-	1,136,373
Occupancy Taxes	-	-	-	41,585	41,585
Franchise Tax	555,835	-	-	-	555,835
Penalty and Interest on Taxes	19,296	7,185	-	-	26,481
Licenses and Permits	56,787	-	-	-	56,787
Intergovernmental Revenue and Grants	36,600	-	-	-	36,600
Charges for Services	626,368	-	-	-	626,368
Fine Revenue	139,213	-	-	13,185	152,398
Forfeits	3,345	-	-	-	3,345
Investment Earnings	17,243	2,112	6,031	407	25,793
Contributions & Donations from Private Sources	15,175	-	-	-	15,175
<b>Total Revenues</b>	<b>4,596,979</b>	<b>704,367</b>	<b>6,031</b>	<b>55,177</b>	<b>5,362,554</b>
<b>EXPENDITURES:</b>					
Current:					
General Government:					
Mayor & City Council	143,380	-	-	-	143,380
Administration	814,053	-	-	-	814,053
Court	132,197	-	-	13,571	145,768
Police	2,062,078	-	-	-	2,062,078
Physical Plant	122,007	-	-	-	122,007
Inspection	170,700	-	-	-	170,700
Parks & Recreation	7,538	-	-	-	7,538
Traffic Operations	92,297	-	-	-	92,297
Community Media	67,745	-	-	-	67,745
Highways and Streets	336,778	-	-	-	336,778
Sanitation	626,266	-	-	-	626,266
Debt Service:					
Bond Principal	-	525,000	-	-	525,000
Bond Interest	-	158,778	-	-	158,778
Debt Service Fees	-	1,212	-	-	1,212
Capital Outlay:					
Capital Outlay	173,462	-	1,578,398	-	1,751,860
<b>Total Expenditures</b>	<b>4,748,501</b>	<b>684,990</b>	<b>1,578,398</b>	<b>13,571</b>	<b>7,025,460</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(151,522)	19,377	(1,572,367)	41,606	(1,662,906)
<b>OTHER FINANCING SOURCES (USES):</b>					
Tax and Revenue Certificates of Obligation Issued	-	4,645,000	-	-	4,645,000
Sale of Real and Personal Property	34,040	-	-	-	34,040
Transfers In	244,392	-	4,917,378	-	5,161,770
Premium or Discount on Issuance of Bonds	-	345,283	-	-	345,283
Transfers Out	-	(4,917,378)	-	-	(4,917,378)
Debt Issue Costs	-	(72,692)	-	-	(72,692)
<b>Total Other Financing Sources (Uses)</b>	<b>278,432</b>	<b>213</b>	<b>4,917,378</b>	<b>-</b>	<b>5,196,023</b>
Net Change in Fund Balances	126,910	19,590	3,345,011	41,606	3,533,117
Fund Balance - October 1 (Beginning)	2,425,149	190,814	1,487,313	-	4,103,276
Prior Period Adjustment	(8,601)	-	-	-	(8,601)
<b>Fund Balance - September 30 (Ending)</b>	<b>\$ 2,543,458</b>	<b>\$ 210,404</b>	<b>\$ 4,832,324</b>	<b>\$ 41,606</b>	<b>\$ 7,627,792</b>

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

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	3,533,117
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments is to increase net position.		2,276,860
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(350,070)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(4,659,804)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>800,103</b>

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

CITY OF ROBINSON, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013

	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total Enterprise Funds
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 529,064	\$ 824,657	\$ 1,353,721
Investments	344,356	-	344,356
Accounts Receivable-Net of Uncollectible Allowance	53,138	208,868	262,006
Inventories	-	63,564	63,564
Total Current Assets	926,558	1,097,089	2,023,647
<b>Noncurrent Assets:</b>			
Restricted Assets - Noncurrent:			
Cash & Cash Equivalents	668,210	802,810	1,471,020
Restricted Investments	4,943,750	10,141,461	15,085,211
Capital Assets:			
Land Purchase and Improvements	101,299	2,560,679	2,661,978
Infrastructure	3,186,517	4,163,940	7,350,457
Buildings	297,943	-	297,943
Improvements other than Buildings	4,632,390	18,765,430	23,397,820
Machinery and Equipment	617,502	639,832	1,257,334
Accumulated Depreciation - Capital Assets	(3,286,846)	(10,872,505)	(14,159,351)
Construction in Progress	375,562	417,608	793,170
Total Noncurrent Assets	11,536,327	26,619,255	38,155,582
Total Assets	12,462,885	27,716,344	40,179,229
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	152,711	98,634	251,345
Wages and Salaries Payable	894	1,779	2,673
Compensated Absences Payable	5,161	31,521	36,682
Intergovernmental Payable	-	589	589
Accrued Interest Payable	93,917	69,886	163,803
Other Refundable Deposits	-	6,750	6,750
Bonds Payable - Current	454,200	813,824	1,268,024
Customer Deposits	96,202	251,830	348,032
Total Current Liabilities	803,085	1,274,813	2,077,898
<b>NonCurrent Liabilities:</b>			
Bonds Payable - Noncurrent	6,051,075	14,798,382	20,849,457
Total Noncurrent Liabilities	6,051,075	14,798,382	20,849,457
Total Liabilities	6,854,160	16,073,195	22,927,355
<b>NET POSITION</b>			
Net Investment in Capital Assets	4,987,740	10,871,958	15,859,698
Restricted for Debt Service	43,314	135,091	178,405
Unrestricted Net Position	577,671	636,100	1,213,771
Total Net Position	\$ 5,608,725	\$ 11,643,149	\$ 17,251,874

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

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

	Business-Type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total Enterprise Funds
<b>OPERATING REVENUES:</b>			
Charges for Water Services	\$ -	\$ 3,737,281	\$ 3,737,281
Charges for Sewerage Service	1,298,976	-	1,298,976
Bad Debts	(27,844)	(64,265)	(92,109)
Rents and Royalties	-	2,000	2,000
Other Revenue	53,061	92,197	145,258
Total Operating Revenues	<u>1,324,193</u>	<u>3,767,213</u>	<u>5,091,406</u>
<b>OPERATING EXPENSES:</b>			
Personnel Services - Salaries and Wages	242,734	508,779	751,513
Personnel Services - Employee Benefits	81,251	197,897	279,148
Purchased Professional & Technical Services	32,764	318,055	350,819
Purchased Property Services	189,848	217,873	407,721
Other Operating Expenses	23,457	67,844	91,301
Supplies	131,102	586,578	717,680
Depreciation	270,787	614,651	885,438
Interest Expense	144,338	346,369	490,707
Total Operating Expenses	<u>1,116,281</u>	<u>2,858,046</u>	<u>3,974,327</u>
Operating Income	<u>207,912</u>	<u>909,167</u>	<u>1,117,079</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Bond Issuance Cost	(87,616)	(101,592)	(189,208)
Investment Earnings	8,799	17,219	26,018
Bond issuance Premium	345,283	631,472	976,755
Total Non-operating Revenue (Expenses)	<u>266,466</u>	<u>547,099</u>	<u>813,565</u>
Income Before Transfers	<u>474,378</u>	<u>1,456,266</u>	<u>1,930,644</u>
Transfers Out	<u>(65,760)</u>	<u>(178,632)</u>	<u>(244,392)</u>
Change in Net Position	408,618	1,277,634	1,686,252
Total Net Position - October 1 (Beginning)	5,276,705	10,693,961	15,970,666
Prior Period Adjustment	(76,598)	(328,446)	(405,044)
Total Net Position - September 30 (Ending)	<u>\$ 5,608,725</u>	<u>\$ 11,643,149</u>	<u>\$ 17,251,874</u>

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

CITY OF ROBINSON, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-Type Activities		
	Sewer Fund	Water Fund	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from User Charges	\$ 1,341,132	\$ 3,800,820	\$ 5,141,952
Cash Payments to Employees for Services	(240,657)	(531,638)	(772,295)
Cash Payments for Suppliers	(379,343)	(1,756,193)	(2,135,536)
Net Cash Provided by Operating Activities	721,132	1,512,989	2,234,121
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Repayment from other funds	-	14,655	
Operating Transfers Out	(65,760)	(178,632)	(244,392)
Net Cash Provided by (Used for) Non-Capital Financing Activities	(65,760)	(163,977)	(229,737)
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>			
Acquisition of Capital Assets	(259,673)	(1,648,291)	(1,907,964)
Principal payments/retirements of Long-term Debt	(337,911)	(1,064,265)	(1,402,176)
Proceeds from Additions/Refundings of Bonds	4,660,000	9,305,000	13,965,000
Bond Issuance Costs	(87,616)	(101,593)	
Premium on Issuance of Bonds	345,283	631,472	
Net Cash Provided by (Used for) Capital & Related Financing Activities	4,320,083	7,122,323	11,442,406
<u>Cash Flows from Investing Activities:</u>			
Additional investment in Local Government Investment Pool (TexPool)	(4,983,717)	(10,141,461)	
Additional investment in Certificates of Deposit	(1,822)		
Maturing Certificates of Deposit		133,110	
Interest and Dividends on Investments	8,799	17,219	26,018
Net Cash Provided by Investing Activities	(4,976,740)	(9,991,132)	(14,967,872)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,285)	(1,519,797)	(1,521,082)
Cash and Cash Equivalents at Beginning of the Year:	1,198,559	3,147,264	4,345,823
Cash and Cash Equivalents at End of the Year:	\$ 1,197,274	\$ 1,627,467	\$ 2,824,741

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

CITY OF ROBINSON, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-Type Activities		
	Sewer Fund	Water Fund	Total Enterprise Funds
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>    Provided By Operating Activities:</u>			
Operating Income:	\$ 207,914	\$ 909,167	\$ 1,117,081
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	270,787	614,651	885,438
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (Increase) in Receivables	15,054	27,479	42,533
Decrease (Increase) in Inventories	-	(13,667)	(13,667)
Decrease (Increase) in Accounts Payable	139,183	(26,409)	112,774
Decrease (Increase) in Absences Payable	5,303	(5,233)	70
Decrease (Increase) in Accrued Salaries	(3,228)	(17,626)	(20,854)
Decrease (Increase) in Other Accrued Liabilities	84,234	18,502	102,736
Decrease (Increase) in Customer Deposits	1,885	6,125	8,010
Net Cash Provided by Operating Activities	<u>\$ 721,132</u>	<u>\$ 1,512,989</u>	<u>\$ 2,234,121</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>			
Unrestricted Cash & Cash Equivalents	\$ 529,064	\$ 824,657	\$ 1,353,721
Restricted Cash & Cash Equivalents	668,210	802,810	1,471,020
Total Cash and Cash Equivalents	<u>\$ 1,197,274</u>	<u>\$ 1,627,467</u>	<u>\$ 2,824,741</u>

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

CITY OF ROBINSON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Robinson, Texas (the "City") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the City are described below.

**A. Reporting Entity**

The City is a municipal corporation governed by an elected mayor and a seven member council. The City was incorporated March 28, 1955, as a general law city. By approval of the voters, a new home rule charter was adopted May 1, 1999. The City provides the following services: public safety (police), streets and other public improvements, parks, sanitation, planning and zoning, sewer and water services, and general administration.

As required by GAAP, these financial statements present the City and any component units, entities for which the City is considered to be financially accountable. A component unit is included in the City's reporting entity if it is both fiscally dependent on the City (the primary government) and there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on the primary government. The primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City had no component unit(s), as defined above, but was a member of a joint venture, which also has a September year-end.

***Joint Venture***

The Waco Metropolitan Area Regional Sewer System ("WMARSS") is a joint venture to facilitate wastewater treatment by the Cities of Bellmead, Hewitt, Lacy Lakeview, Lorena, Robinson, Waco, and Woodway, Texas. This centralized facility is intended to reduce the potential environmental impact of multiple wastewater treatment facilities and protect and preserve natural resources. Wastewater collection by the regional system has also helped to reduce the costs associated with treatment, thereby assisting WMARSS participating cities in maintaining affordable rates for customers.

The City is obligated to fund construction of the facilities, including the sanitary interceptor and related lines, in proportions stated in the inter-local agreement. The City has financed its portion of construction funds through a loan from the City of Waco and issuance and sale of tax and revenue certificates of obligation. The City's net investment and its share of the operating results of the WMARSS are reported in the City's sewer fund. The City's equity interest in the WMARSS was \$1,863,402 at September 30, 2013.

Additional financial information concerning WMARSS can be obtained from the City of Waco, Waco, Texas.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation**

While separate government-wide financial statements (based on the City as a whole) and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

The fund financial statements provide information about the City's funds. The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The general fund is the primary operating fund of the City. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The debt service fund is used to account for property taxes assessed for debt retirement, other than enterprise fund (sewer and water) debt.

The capital projects fund is used to account for construction and improvement projects while such activity has not reached completion. Upon completion, the resulting assets are transferred to the infrastructure of the City or to its enterprise funds.

The City reports the following major proprietary funds:

The water and sewer funds are used to account for water and sewer service operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided the periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column. Exceptions to this general rule are payments, where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus refers to the type of resources being measured such as current financial resources or economic resources. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long term debt is reported as an other-financing source.

Property, franchise, sales and hotel occupancy taxes, and investment income (including unrealized gains and losses) are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when the government receives cash.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Budgetary Information**

*Budgetary Basis of Accounting*

Annual budgets are adopted on a modified cash basis (which differs from generally accepted accounting principles) for the general fund, capital projects fund, and debt service fund. Adjustments necessary to convert the results of operations (which are on the GAAP basis) to the modified cash basis are made for purposes of budgetary comparison.

The appropriated budget is prepared by fund, department, and function. Department Managers may transfer unencumbered appropriations within a department. City Manager approval is necessary for transfers of unencumbered appropriations between departments. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

*Excess of Expenditures over Appropriations*

For the year ended September 30, 2013, expenditures in the general fund's Mayor and City Council Department exceeded appropriations by \$22,293, the Physical Plant Department exceeded appropriations by \$16,914, and capital asset expenditures exceeded appropriations by \$20,862. These were all planned expenditures and were approved by the City Manager.

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

*Deposits and Investments*

Cash and cash equivalents for purposes of reporting cash flows of proprietary funds are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Obligations of Governmental Entities, Certificates of Deposit, Repurchase Agreements, Commercial Paper, Mutual Funds, and Investment Pools.

In accordance with state law, TexPool, a local government investment pool, operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, TexPool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method

*Receivables*

In the general and proprietary funds, the City records certain revenues billed to other governmental agencies, residents, and others on a monthly basis. Adjustments to revenue are made for uncollectible accounts as determined by management. At September 30, 2013 an allowance of \$30,209 was provided for possible adjustments for uncollectible accounts. See Note 3(K) regarding the City's 2012/2013 adjustment for accounts deemed uncollectible.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Interfund Receivables and Payables***

At September 30, 2013, there were no interfund receivables or payables.

***Inventory***

Inventories are recorded in the Enterprise Funds and are stated at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The consumption method is used to recognize expenditures.

***Capital Assets***

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure is not held to the \$5,000 limit.

Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest cost on governmental activities construction projects are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings 50; Building improvements 50; Vehicles 5 ; Infrastructure 50; Equipment 10; Water and sewer system 40; Sanitation system-Disposal plant 40.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no deferred outflows of resources at September 30, 2013.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable revenue and

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Deferred Outflows/Inflows of Resources (continued)***

deferred resource inflow, are reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Net Position Flow Assumptions***

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

***Fund Balance Policies and Flow Assumptions***

Governmental fund's fund balances classified as restricted are balances constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are considered equally restrictive for the purpose of committing fund balance. The City Council must take the same level of action to remove or change the constraint. Assigned fund balances are constrained by intent to use for a specific purpose but are neither restricted nor committed. Assignments are made by City management based on Council direction.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**F. Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. Amounts are classified as revenues if collectible within sixty days after year-end.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Property Taxes***

The City is a Home Rule Charter City with a maximum tax rate for all purposes of \$2.50 per \$100 assessed valuation. This maximum tax rate is imposed both by the Constitution of the State of Texas and the City Charter. Within this \$2.50 maximum, there is no legal limit upon the amount of taxes which can be levied for debt service. All taxes due the City on real or personal property are collected by the McLennan County Tax Assessor-Collector and may be paid at any time after the tax rolls have been completed and approved, which is not later than October 1.

The City's property taxes are levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Assessed values are established at 100% of estimated market value. Property taxes attach as an enforceable lien on property as of January 1. Taxes are due by January 31 following the October 1 levy date and are considered delinquent after January 31 of each year.

***Compensated Absences***

It is the City's policy to pay employees upon separation of service for accumulated vacation and compensatory time earned but not taken. As of September 30, 2013, a liability of \$58,325 and \$36,682 has been recorded in the governmental and proprietary fund types respectively.

***Proprietary Funds Operating and Non-operating Revenues and Expenses***

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund are charges to customers for sales and services. Operating expenses for water and sewer funds 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.

**G. Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF ROBINSON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*Reconciliation of Governmental Fund Balances to Government-wide Net Position*

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 7,538,469
Other long-term assets are not available to pay for current-period expenditures and, therefore, deferred in the funds	101,561
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported, as liabilities, in the funds	<u>(8,952,189)</u>
	(1,312,159)
Governmental Fund Balance at September 30, 2013	<u>7,627,792</u>
Governmental Activities - Net Position	<u><u>\$ 6,315,633</u></u>

The above is reconciliation between fund balance– total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.” The details of this \$8,952,189 difference are as follows:

Accrued interest	\$ (23,733)
Certificates of Obligation and Notes	(8,860,000)
Compensated absences	<u>(68,456)</u>
	<u><u>\$ (8,952,189)</u></u>

CITY OF ROBINSON, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

*Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities*

The governmental fund statement of revenue, expenditures and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “Various other reclassifications and eliminations are necessary to convert the modified accrual basis of accounting to accrual basis of accounting, etc.” The details of this \$4,659,804 difference are as follows:

Current debt proceeds recorded as revenue rather than as a liability	\$ (4,645,000)
Current change in accrued interest	2,391
Reclass collection of prior year taxes to Net Assets-beginning	(23,489)
Tax adjustment to prior assessments as decrease to current income	(2,114)
Recognize uncollected current taxes as revenue this year	38,118
Current change in Comp absences	(135)
Cost of assets sold	(29,575)
	\$ (4,659,804)

**NOTE 3 – DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At year-end, the carrying amount of the City's deposits was \$4,114,630 and the bank balance was \$4,400,435. The bank balance was completely covered by federal depository insurance or by collateral held by the City's agent in the City's name. As of September 30, 2013, the City had the following investments:

Investment	Fair Value	Percent of Portfolio	Weighted Average Maturity (in days)
Texas Local Government Investment Pool (TexPool)	\$ 20,149,316	91.63%	--
Certificates of Deposit	1,840,328	8.37%	177
	\$ 21,989,644	100.00%	

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the maturities of its investments as follows: maturities its approved investments cannot exceed two years. Further, the weighted average maturity of the City's investment portfolio shall at no time exceed 270 days.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***A. Deposits and Investments (continued)***

*Credit Risk*

For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligations. Texas Government Code Chapter 2256, Public Funds Investment Act, restricts the types of investments in which the City may invest. The City's investment policy addresses credit quality by further restricting authorized investments to the following:

- Obligations of the United States or its agencies or instrumentalities
- Direct obligations of the State of Texas or its agencies or instrumentalities
- Certificates of Deposit issued by state and national banks and savings and loan associations domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successors or by other pledged collateral as provided by law
- Commercial Paper with a stated maturity of 270 days or less which is rated not less than "A-1" or "P-1" or an equivalent rating by at least two nationally recognized credit rating agencies
- Money market mutual funds regulated by the Securities and Exchange Commission, with a dollar-weighted average portfolio maturity of 90 days or less
- Local Government investment pools organized and operating in compliance with the Public Funds Investment Act.

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments in the securities of a single issuer. The City's investment policy includes an investment objective of seeking diversification to avoid unreasonable risk. The City's investments as to type and percentage are as stated above.

*Custodial Credit Risk*

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City's investment policy requires that the purchase of investment securities be settled on a delivery basis through the City's Safekeeping Agent.

CITY OF ROBINSON, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***B. Receivables***

Receivables at September 30, 2013 were:

	Governmental Activities Funds	Sewer Fund	Water Fund	Total Business- type Activities
Taxes Receivable - General Revenue	\$ 72,713	\$ -	\$ -	\$ -
Taxes Receivable - Debt Service	28,848			
Occupancy tax	14,916			
Customer Accounts Receivable	36,750	61,172	199,541	260,713
Franchise Tax Receivable	42,290			
Wholesale Water Receivable			28,151	28,151
Sales Tax Receivable	88,806			
Other Governmental Receivable				
Other Receivables	6,275		268	268
	290,597	61,172	227,960	289,132
Less: Allowance for Doubtful Accounts	(3,083)	(8,034)	(19,092)	(27,126)
	<u>\$ 287,514</u>	<u>\$ 53,138</u>	<u>\$ 208,868</u>	<u>\$ 262,006</u>

***C: Interfund Transfers***

	<u>Transfers in</u> <u>General</u>
Transfers out:	
General	\$ -
Sewer	65,760
Water	178,632
	<u>\$ 244,392</u>

Transfers are used to move revenues from the fund responsible for collecting them to the fund responsible for expending them as required by statute or budget.

CITY OF ROBINSON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***D: Capital Assets***

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

	Balance October 1, 2012	Additions	Retirements/ Reclassifications	Balance September 30, 2013
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 161,384	\$ -		\$ 161,384
Construction in Progress	-	-	-	-
	<u>161,384</u>	<u>-</u>	<u>-</u>	<u>161,384</u>
Capital assets, being depreciated:				
Buildings and Improvements	829,137			829,137
Automotive Equipment	802,753	270,091	(68,582)	1,004,262
Other Equipment	120,129	46,280		166,409
Street Equipment	608,909	619,371	(111,014)	1,117,266
Computers and Software	259,403			259,403
Infrastructure	5,469,650	816,118		6,285,768
	<u>8,089,981</u>	<u>1,751,860</u>	<u>(179,596)</u>	<u>9,662,245</u>
Less accumulated depreciation for:				
Buildings and Improvements	(257,214)	(15,900)		(273,114)
Automotive Equipment	(636,516)	(96,212)	68,003	(664,725)
Other Equipment	(29,698)	(20,789)		(50,487)
Street Equipment	(460,226)	(83,025)	81,439	(461,812)
Computers and Software	(210,743)	(18,590)		(229,333)
Infrastructure	(490,136)	(115,553)		(605,689)
Total accumulated depreciation	<u>(2,084,533)</u>	<u>(350,069)</u>	<u>149,442</u>	<u>(2,285,160)</u>
Total capital assets being depreciated, net	<u>6,005,448</u>	<u>1,401,791</u>	<u>(30,154)</u>	<u>7,377,085</u>
Governmental activities capital assets, net	<u>\$ 6,166,832</u>	<u>\$ 1,401,791</u>	<u>\$ (30,154)</u>	<u>\$ 7,538,469</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 596,098	\$ -	\$ -	\$ 596,098
Construction in Progress	659,810	355,418	(222,057)	793,171
	<u>1,255,908</u>	<u>355,418</u>	<u>(222,057)</u>	<u>1,389,269</u>
Capital assets, being depreciated:				
Buildings	420,433	69,961	(29,363)	461,031
Improvements other than buildings	30,917,234	1,704,006		32,621,240
Machinery and equipment	1,285,380	1,782		1,287,162
	<u>32,623,047</u>	<u>1,775,749</u>	<u>(29,363)</u>	<u>34,369,433</u>
Less accumulated depreciation	<u>(13,302,130)</u>	<u>(857,221)</u>		<u>(14,159,351)</u>
Total capital assets being depreciated, net	<u>19,320,917</u>	<u>918,528</u>	<u>(29,363)</u>	<u>20,210,082</u>
Business-type activities capital assets, net	<u>\$ 20,576,825</u>	<u>\$ 1,273,946</u>	<u>\$ (251,420)</u>	<u>\$ 21,599,351</u>

The City capitalized \$122,852 of interest in connection with various construction projects completed during the year.

CITY OF ROBINSON, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***D: Capital Assets (continued)***

Depreciation expense was charged to functions/programs for the fiscal year 2013 as follows:

Department/Function	Amount
<b>Governmental Activities:</b>	
Administration	\$ 31,989
Police	101,148
Municipal Court	2,560
Highways and Streets	201,963
Planning & Community Development	4,570
Parks	7,840
Total Governmental Activities	350,070
<b>Business-type Activities:</b>	
Sewer	270,787
Water	614,651
	885,438
	\$ 1,235,508

***E: Other Current Liabilities***

Other current liabilities at September 30, 2013 were:

	Governmental Activities Funds	Sewer Fund	Water Fund	Total Business-type Activities
Customer Utility Deposits	\$ 43,330	\$ 96,202	\$ 250,010	\$ 346,212
Escrowed Deposits Refundable	7,275			-
Payroll Deductions - Employee Insurance	4,810			-
Other	419		1,820	1,820
	\$ 55,834	\$ 96,202	\$ 251,830	\$ 348,032

CITY OF ROBINSON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***F: Long-Term Debt***

The City's debt includes tax and revenue certificates of obligation, secured by, and payable through taxes and revenues; general obligation bonds and other contractual debts are paid through tax revenues. Although certain debt payments are to be made from the enterprise funds net revenues, payments may be required from tax revenues and other sources, to the extent not covered by available enterprise fund revenues. The pledge of ad valorem taxes is junior and subordinate in all respects to the pledge of sewer and water system net revenues to the payment of any obligation of the City which the City designates as having a pledge senior to these certificates.

At September 30, 2013, the City's debt was:

	Interest Rates	Original Issue	Maturity	Governmental	Business-type Activities
<b>Bonds and Notes:</b>					
General Obligation Refunding Bonds, Series 2005	3.580%	2,735,000	2022	-	1,820,000
Combination Tax and Revenue Certificates of Obligation, Series 2005	3.440%	3,000,000	2015	700,000	315,000
Note, City of Waco (WMARSS) - 2004	3.65%	534,647	2024	-	172,480
Combination Tax and Revenue Certificates of Obligation, Series 2007	4.25%	4,975,000	2027	490,000	3,175,000
Combination Tax and Revenue Certificates of Obligation, Series 2010	2-4.125%	3,500,000	2029	2,490,000	890,000
General Obligation Refunding Bonds, Series 2010	2-4%	3,590,000	2021	535,000	1,780,000
Combination Tax and Revenue Certificates of Obligation, Series 2012	2-3%	9,305,000	2032		9,305,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	2-3%	9,305,000	2033	4,645,000	4,660,000
		<u>\$ 36,944,647</u>		<u>\$ 8,860,000</u>	<u>\$ 22,117,480</u>
					<u>\$ 30,977,480</u>

CITY OF ROBINSON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***F: Long-Term Debt-continued***

Long-term liability activity for the year ended September 30, 2013 was:

	Balance September 30, 2012	(Refunding's) Additions	Reductions and Retirements	Balance September 30, 2013	Due Within One Year
<b>Governmental Activities:</b>					
Combination Tax and Revenue Certificates of Obligation, Series 2005	\$ 890,000		\$ (190,000)	\$ 700,000	\$ 345,000
Combination Tax and Revenue Certificates of Obligation, Series 2007	600,000		(110,000)	490,000	115,000
Combination Tax and Revenue Certificates of Obligation, Series 2010	2,495,000		(5,000)	2,490,000	5,000
General Obligation Refunding Bonds, Series 2010	755,000		(220,000)	535,000	60,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	-	4,645,000	-	4,645,000	-
Total Governmental Activities	4,740,000	4,645,000	(525,000)	8,860,000	525,000
<b>Business-type Activities:</b>					
Combination Tax and Revenue Refunding Bonds, Series 1997	535,000		(535,000)	-	-
Waterworks System Revenue Refunding Bonds, Series 2000	130,000		(130,000)	-	-
Combination Tax and Revenue Certificates of Obligation, Series 2005	415,000		(100,000)	315,000	105,000
General Obligation Refunding Bonds, Series 2005	1,985,000		(165,000)	1,820,000	170,000
Note, Office of Rural Community Affairs - 2004	4,549		(4,549)	-	-
Note, City of Waco (WMARSS) - 2004	185,106		(12,626)	172,480	13,024
Combination Tax and Revenue Certificates of Obligation, Series 2007	3,330,000		(155,000)	3,175,000	170,000
Combination Tax and Revenue Certificates of Obligation, Series 2010	935,000		(45,000)	890,000	45,000
General Obligation Refunding Bonds, Series 2010	2,035,000		(255,000)	1,780,000	260,000
Combination Tax and Revenue Certificates of Obligation, Series 2012	-	9,305,000		9,305,000	390,000
Combination Tax and Revenue Certificates of Obligation, Series 2013	-	4,660,000		4,660,000	115,000
Total Business-type Activities	9,554,655	13,965,000	(1,402,175)	22,117,480	1,268,024
Total Government-wide	\$ 14,294,655	\$ 18,610,000	\$ (1,927,175)	\$ 30,977,480	\$ 1,793,024

CITY OF ROBINSON, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***F: Long-Term Debt-continued***

Future maturities are:

Fiscal Year(s) Ending	Governmental Activities Long-Term Debt			Business-type Activities Long-Term Debt		
	Principal	Interest	Totals	Principal	Interest	Totals
2014	\$ 525,000	\$ 369,803	\$ 894,803	\$ 1,268,024	\$ 768,686	\$ 2,036,710
2015	540,000	277,901	817,901	1,538,319	658,534	2,196,853
2016	495,000	258,244	753,244	1,368,800	615,691	1,984,491
2017	510,000	244,381	754,381	1,409,656	576,437	1,986,093
2018	385,000	229,556	614,556	1,235,107	535,700	1,770,807
2019-23	2,100,000	978,088	3,078,088	6,148,923	2,094,440	8,243,363
2024-28	2,495,000	594,025	3,089,025	5,233,651	1,137,171	6,370,822
2029-33	1,810,000	176,975	1,986,975	3,915,000	340,793	4,255,793
	<u>\$ 8,860,000</u>	<u>\$ 3,128,973</u>	<u>\$ 11,988,973</u>	<u>\$ 22,117,480</u>	<u>\$ 6,727,452</u>	<u>\$ 28,844,932</u>

The City had \$388,809, at September 30, 2013, in interest and sinking accounts. Additionally, the City makes deposits, as required to such accounts, in order to have adequate funds available as debt matures.

The various debt instruments contain certain limitations and restrictions, with which the City was compliant.

**Prior Year Refundings**

*General Obligation Refunding Bonds, Series 2005*

April 1, 2005, the City issued \$2,530,000 of General Obligation Refunding Bonds, Series 2005, in order to legally defease a like amount of the Combination Tax and Revenue Certificates of Obligation, Series 1997, with \$290,000 remaining outstanding at the time of defeasance. This action was taken to save approximately \$299,525 in future debt payments and further provide present value savings of approximately \$239,100. The refunded Certificates of Obligation are considered legally defeased and have been removed from the Waterworks Fund. As of September 30, 2013, the amount of defeased debt outstanding but removed from the Waterworks Fund is \$1,775,000.

*General Obligation Refunding Bonds, Series 2010*

On June 17, 2010, \$ 3.59 million in general obligation bonds were issued to advance refund \$3.37 million of outstanding certificates of obligation and other contractual debt. The net proceeds of \$ 3.52 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The debt removed is as follows: Tax and Revenue Certificates of Obligation, Series 1999 and 2001, \$445,000 and \$2,180,000 respectively, and \$745,000 on an installment sale obligation due Brazos River Authority. As of September 30, 2013, the amount of defeased debt outstanding but removed from the General, Sewer, and Waterworks Funds is \$2,260,000.

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***G: Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2013, the City paid premiums of approximately \$106,056 for provisions of various liability, property, and casualty insurance.

The City has various deductible amounts ranging from \$500 to \$10,000 on various policies. At year-end, the City did not have any significant claims.

The City also provides workers compensation insurance on its employees through TML. The workers compensation premiums for the year ended September 30, 2013, were approximately \$55,230. Workers compensation is subject to change when audited by TML. At year end September 30, 2013, the City believed the amounts paid on workers compensation would not change significantly from the amounts recorded.

During the year ended September 30, 2013, employees of the City were covered by a health insurance plan (the plan) with Blue Cross/Blue Shield. The City paid premiums for employee coverage; optional dependent coverage is at the employee's expense. The City retains no risk of loss related to the health insurance plan.

CITY OF ROBINSON, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***H: Restricted Assets***

Restricted assets at September 30, 2013 were:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	Cash and cash equivalents	Investments	Cash and cash equivalents	Investments
<i>General Fund</i>				
Police	\$ 10,096	\$ -		
Court bonds	7,067			
Local Cable Access Channel	32,380			
Parks	34,566	6,726		
<i>Hotel &amp; Motel Tax Fund</i>				
Tourism	26,690			
<i>Debt Service Fund</i>				
Debt Service	155,528			
<i>Capital Projects Fund</i>				
Construction	210,404	4,729,213		
<i>Special Revenue Funds</i>				
Municipal Court Technology	18,104			
Municipal Court Building Security	17,906			
Child Safety	6,863			
Juvenile Case Management	59,904			
	579,509	4,735,939		
<i>Sewer Fund</i>				
Construction			624,896	4,943,751
Debt Service			43,314	
<i>Water Fund</i>				
Construction			667,719	10,141,461
Debt Service			135,091	
	\$ 579,509	\$ 4,735,939	\$ 1,471,020	\$ 15,085,211

***I: Contingent Liabilities and Commitments***

The City, occasionally receives grants for various sources. While the City makes every effort to comply with grant stipulations, upon audit, the grantor could disallow expenditures and request repayment. The City believes that any such repayment request(s) would not be material to its financial statements.

*Robinson Volunteer Fire Department ("VFD")*

The City, by contract, until September 15, 2015, agreed to pay the VFD monthly, an amount, based on the number of residential and commercial utility customers times \$4.09. Such payment approximates \$18,250 monthly.

CITY OF ROBINSON, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***I: Contingent Liabilities and Commitments (continued)***

*Water sale and purchase commitments*

The City is committed, until April, 2018, to provide the City of Lorena, Texas, 500,000 gallons of water daily. Monthly collections for such sale of water approximate \$28,000.

The City is committed, until May, 2045, to purchase from the City of Waco, Texas, 500,000 gallons of water daily. Monthly payments for such water approximate \$23,600.

*Fire Station Construction*

A contract (\$1,733,043) was executed, August 16, 2013, for construction a new fire station for the VFD.

***J: Pension Plan***

**Plan Description**

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

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

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

	Plan Year 2011	Plan Year 2012
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	30% of CPI Repeating	30% of CPI Repeating

CITY OF ROBINSON, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***J: Pension Plan (continued)***

Contributions:

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

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

The annual pension cost and net pension obligation (asset) are as follows:

1. Annual Required Contribution (ARC)	\$ 332,554
2. Interest on Net Pension Obligation	\$ -
3. Adjustment to the ARC	\$ -
4. Annual Pension Cost (APC)	\$ 332,554
5. Contributions Made	\$ (332,554)
6. Increase (decrease) in net pension	\$ -
7. Net Pension Obligation/(Asset), beginning of year	\$ -
8. Net Pension Obligation/(Asset), end of year	\$ -

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/(Asset)
2010	\$ 289,552	\$ 289,552	100%	\$ -
2011	\$ 323,792	\$ 323,792	100%	\$ -
2012	\$ 315,602	\$ 315,602	100%	\$ -
2013	\$ 332,554	\$ 332,554	100%	\$ -

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

CITY OF ROBINSON, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***J: Pension Plan (continued)***

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.6 years: closed period	27.7 years: closed period	26.9 years: closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.5%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	0.9%	0.9%	0.9%

**Funded Status and Funding Progress** – The funded status as of December 31, 2011, the most recent actuarial valuation date, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2011	\$4,610,555	\$6,276,338	73.5%	\$ 1,665,983	\$2,579,018	64.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the

**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

*J: Pension Plan (continued)*

actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

The City’s contributions to the TMRS SDBF for the years ended 2013, 2012, and 2011 were \$3,971, \$3,751, and \$5,178, respectively, which equaled the required contributions each year.

**Schedule of Contribution Rates:  
 (RETIREE-only portion of the rate)**

Plan Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	0.01%	\$ 5,178	100%
2012	0.02%	\$ 3,751	100%
2013	0.02%	\$ 3,971	100%

CITY OF ROBINSON, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

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**NOTE 3 – DETAILED NOTES ON ALL FUNDS (continued)**

***K: Accounting Changes, Accounting Standards, and Correction of Prior Period***

The City has implemented Governmental Accounting Standards Board (“GASB”) Statement 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement 65 *Items Previously Reported as Assets and Liabilities*. Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government’s net position. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements. The deferred charges for issuance costs were reclassified as expense of prior periods and resulted in an adjustment to Net Position at September 30, 2012.

Additionally, the City, in evaluating its receivables from customers discovered that \$59,502 was attributable to the fiscal year 2012, and accordingly, an additional adjustment to Net Position at September 30, 2012. The following table details such changes:

	Governmental Activities	Business-type Activities	Total
<i>Implementation of GASB 65</i>			
Net Position at September 30, 2012	\$ 5,613,564	\$ 15,970,666	\$ 21,584,230
Change in reporting for deferred charges for Debt issuance costs	(89,433)	(354,143)	(443,576)
<i>Customer receivables deemed uncollectible</i>			
Customer receivables deemed uncollectible attributable to the year ending September 30, 2012	(8,601)	(50,901)	(59,502)
Total changes	(98,034)	(405,044)	(503,078)
Net Position restated effective September 30, 2012	\$ 5,515,530	\$ 15,565,622	\$ 21,081,152

***L: Subsequent Events***

The City has evaluated subsequent events through the date the financial statements were available for issuance on March 24, 2014. No matters were identified affecting the financial statements.

***M: Future Governmental Accounting Standards Board (“GASB”) Pronouncements***

GASB Statement No. 68 (GASB 68), effective for fiscal years beginning after June 15, 2014, will now require the City to record a net pension liability (NPL) on its financial statements; additionally, the city will include disclosures as a participant in an agent, multiple-employer plan. The amount of such liability will be determined by TMRS, at some future date.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROBINSON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL-(BUDGET BASIS) GENERAL FUND  
SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts (BUDGETARY BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property Taxes	\$ 2,700,247	\$ 2,700,247	\$ 2,685,814	\$ (14,433)
General Sales and Use Taxes	1,021,217	1,021,217	1,130,458	109,241
Franchise Tax	545,052	545,052	555,835	10,783
Penalty and Interest on Taxes	25,000	25,000	26,481	1,481
Licenses and Permits	53,000	53,000	56,787	3,787
Intergovernmental Revenue and Grants	-	-	36,600	36,600
Charges for Services	671,502	671,502	626,368	(45,134)
Fines	447,270	447,270	229,261	(218,009)
Forfeitures	300	300	3,345	3,045
Investment Earnings	20,000	20,000	17,243	(2,757)
Miscellaneous revenue	30,000	30,000	-	(30,000)
Contributions & Donations from Private Sources	-	-	15,175	15,175
Park Grant	51,418	51,418	-	(51,418)
Other Revenue	7,500	7,500	-	(7,500)
Total Revenues	5,572,506	5,572,506	5,383,367	(189,139)
<b>EXPENDITURES:</b>				
Mayor and City Council	121,087	121,087	143,380	(22,293)
Administration	883,268	883,268	814,053	69,215
Municipal Court	356,472	356,472	222,245	134,227
Physical Plant	105,093	105,093	122,007	(16,914)
Police	2,222,168	2,222,168	2,062,078	160,090
Traffic Operations	96,456	96,456	92,297	4,159
Highway and Streets	1,068,389	1,068,389	1,039,033	29,356
Sanitation	643,898	643,898	626,266	17,632
Parks & Recreation	99,431	99,431	7,538	91,893
Capital Outlay	152,600	152,600	173,462	(20,862)
Planning & Community Development	183,650	183,650	170,700	12,950
Community Media	107,030	107,030	67,745	39,285
Total Expenditures	6,039,542	6,039,542	5,540,804	498,738
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of property and equipment	-	-	34,040	34,040
Operating Transfers In	314,436	314,436	244,392	(70,044)
Total Other Financing Sources (Uses):	314,436	314,436	278,432	(70,044)
Budgeted (use) contribution to Fund Balance	(152,600)	(152,600)	120,995	239,555
Fund Balance - October 1, 2012 (beginning), as restated	2,417,088	2,417,088	2,417,088	-
Fund Balance - September 30, 2013 (ending)	\$ 2,264,488	\$ 2,264,488	\$ 2,538,083	\$ 239,555

CITY OF ROBINSON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL-(BUDGET BASIS) GENERAL FUND  
SEPTEMBER 30, 2013

**NOTE 1 - BUDGETARY INFORMATION**

The financial statements of the City are prepared in accordance with generally accepted accounting principles ("GAAP Basis"). Since Robinson prepares its annual budget on a modified cash basis that differs from the "GAAP Basis", additional schedules of revenues and expenditures are presented for the General Fund to provide meaningful comparison of actual results to budget on the "Budget Basis".

Adjustments necessary to convert the results of operations of the General Fund for the year ended September 30, 2013 on the "GAAP Basis" to the "Budget Basis" are as follows:

***Revenues:***

Total General Fund Revenues - GAAP Basis	\$ 4,596,979
Sales tax revenue is budgeted based on cash collections	(5,915)
Ad valorem tax is budgeted based on all collections as revenue to general fund and debt service portions as appropriations	702,255
Fines remitted to state are budgeted as revenue with amounts sent to state as expenditures	77,452
Special revenue fund collections are budgeted as revenues with appropriations out to related funds	12,596
 Total General Fund Receipts - Budget Basis	 <u><u>\$ 5,383,367</u></u>

***Expenditures:***

Total General Fund Expenditures - GAAP Basis	\$ 4,748,501
Remittance of court cost to the State of Texas are budgeted as expenditures	77,452
Ad valorem tax is budgeted based on all collections as revenue to general fund and portions due to debt service fund as transfers out	702,255
Special revenue fund collections are budgeted as revenues with equal appropriations out to related funds	12,596
 Total General Fund Disbursements - Budget Basis	 <u><u>\$ 5,540,804</u></u>

**NOTE 2 - EXCESS OF EXPEDITURES OVER APPROPRIATIONS**

For the year ended September 30, 2013, the following expenditures exceed appropriations in the General Fund:

- Mayor an City Council	\$ 22,293
- Physical Plant	\$ 16,914
- Capital Outlay	\$ 20,862

CITY OF ROBINSON, TEXAS  
 SCHEDULE OF FUNDING PROGRESS (unaudited)  
 Texas Municipal Retirement System

**Required Supplementary Information**

**Schedule of Funding Progress (unaudited)**

Actuarial Valuation Date*	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a percentage of covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2009	\$3,269,629	\$ 4,818,602	67.9%	\$1,548,973	\$ 2,270,718	68.2%
12/31/2010	\$3,911,393	\$ 5,423,081	72.1%	\$1,511,688	\$ 2,369,728	63.8%
12/31/2011	\$4,610,555	\$ 6,276,538	73.5%	\$1,665,983	\$ 2,579,018	64.6%

SUPPLEMENTARY INFORMATION

CITY OF ROBINSON, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013

	Hotel & Motel Tax Fund	Muni Court Technology Fund	Muni Court Building Security Fund	Child Safety Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 26,690	\$ -	\$ -	\$ -
Taxes Receivable	14,916	-	-	-
Restricted Assets:				
Restricted Cash	-	18,104	17,906	6,863
<b>Total Assets</b>	<b>\$ 41,606</b>	<b>\$ 18,104</b>	<b>\$ 17,906</b>	<b>\$ 6,863</b>
<b>LIABILITIES</b>				
Wages and Salaries Payable	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Resource Inflow	-	18,104	17,906	6,863
<b>Total Inflows of Resources</b>	<b>-</b>	<b>18,104</b>	<b>17,906</b>	<b>6,863</b>
<b>FUND BALANCES</b>				
Restricted for Tourism	41,606	-	-	-
<b>Total Fund Balances</b>	<b>41,606</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 41,606</b>	<b>\$ 18,104</b>	<b>\$ 17,906</b>	<b>\$ 6,863</b>

Juvenile Case Manager Fund	Total Nonmajor Governmental Funds
\$ -	\$ 26,690
-	14,916
59,904	102,777
<b>\$ 59,904</b>	<b>\$ 144,383</b>
\$ 13	\$ 13
13	13
59,891	102,764
<b>59,891</b>	<b>102,764</b>
-	41,606
-	41,606
<b>\$ 59,904</b>	<b>\$ 144,383</b>

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

	Hotel & Motel Tax Fund	Muni Court Technology Fund	Muni Court Building Security Fund	Child Safety Fund
<b>REVENUES:</b>				
Taxes:				
Occupancy Taxes	\$ 41,585	\$ -	\$ -	\$ -
Fine Revenue Distributed by State	-	2,836	7,434	-
Investment Earnings	21	68	87	-
Total Revenues	41,606	2,904	7,521	-
<b>EXPENDITURES:</b>				
Current:				
General Government:				
Court	-	2,904	7,521	-
Total Expenditures	-	2,904	7,521	-
Net Change in Fund Balance	41,606	-	-	-
Fund Balance - October 1 (Beginning)	-	-	-	-
Fund Balance - September 30 (Ending)	\$ 41,606	\$ -	\$ -	\$ -

Juvenile Case Manager Fund	Total Nonmajor Governmental Funds
\$ -	\$ 41,585
2,915	13,185
231	407
3,146	55,177
3,146	13,571
3,146	13,571
-	41,606
-	-
\$ -	\$ 41,606

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

OTHER INFORMATION

CITY OF ROBINSON, TEXAS  
SCHEDULE OF INSURANCE COVERAGE - ALL FUNDS  
SEPTEMBER 30, 2013

Name of Insuror	Risk Covered	Expiration Date	Limits	Deductible
Texas Municipal League Intergovernmental Risk Pool	General Liability	10/1/2014		
	Annual Aggregate		\$ 2,000,000	\$ -
	Each Occurrence		\$ 1,000,000	\$ -
	Law Enforcement Liability	10/1/2014		
	Annual Aggregate		\$ 2,000,000	
	Each Occurrence		\$ 1,000,000	\$ 5,000
	Errors & Omissions Liability	10/1/2014		
	Annual Aggregate		\$ 2,000,000	
	Each Wrongful Act		\$ 1,000,000	\$ 5,000
	Automobile Liability	10/1/2014		
	Limit of Liability		\$ 1,000,000	\$ -
	Medical Payment Limit		\$ 25,000	\$ -
	Automobile Physical Damage	10/1/2014		
	Each Vehicle		per schedule	per schedule
	Each Occurrence		per schedule	\$ 10,000
	Fire and Extended Coverage	10/1/2014		
	Real and Personal Property		\$ 15,853,800	\$ 500
	Mobile Equipment		\$ 1,138,344	\$ 500
	Boiler and Machinery		\$ 4,000,000	\$ 500
	Public Employee Dishonesty	10/1/2014		
	Each Occurrence		\$ 150,000	\$ 5,000
Supplemental Sewage Back-up	10/1/2014			
Each Structure		\$ 25,000	\$ 250	
Each Occurrence		\$ 50,000	\$ 250	

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2012 Market Valuation Established by McLennan County Appraisal District		\$ 692,515,956
Less: Exemption/Reductions at 100% Market Value:		
Productivity Loss	\$ (43,919,221)	
Homestead Exemptions	(2,860,158)	
Disability	(890,000)	
Disabled Veterans	(8,046,010)	
House Bill 366	(9,407)	
Over 65	(9,991,489)	
Surviving spouse	(90,000)	
Exempt Property	<u>(32,464,039)</u>	<u>(98,270,324)</u>
2012 Certified Taxable Assessed Valuation		594,245,632
City Funded Debt Payable from Ad Valorem Taxes:		
General Purpose Obligations (as of 9-30-13)		<u>30,977,480</u>
Total Funded Debt Payable from Ad Valorem Taxes		30,977,480
Less: Self-Supporting Water and Sewer System Debt		<u>22,117,480</u>
Total Net Funded Debt Payable from Ad Valorem Taxes		\$ 8,860,000
Ratio Funded Debt to Taxable Assessed Valuation		5.21%
Ratio Net Funded Debt to Taxable Assessed Valuation		1.49%
<hr/> 2010 Census plus 2.5% estimated annual growth rate - 11,331 2012 Per Capita Taxable Assessed Valuation - \$52,444 Per Capita Net Funded Debt - \$781.92 <hr/>		

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 2 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9-30	Estimated Population	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End of Year	Ratio Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2009	10,895	\$ 522,898,624	\$ 47,994	\$ 3,602,860	0.69%	\$ 330.69
2010	11,110	522,563,064	47,035	5,708,620	1.09%	513.83
2011	10,782	549,632,041	50,977	5,245,000	0.95%	486.45
2012	11,055	595,095,835	53,830	4,740,000	0.80%	428.76
2013	11,331	594,245,632	52,444	8,860,000	1.49%	781.92

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9-30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2009	0.417	0.299764	0.11724	2,085,575	98.6%	100.2%
2010	0.407	0.293835	0.11267	2,124,224	98.3%	99.4%
2011	0.407	0.271221	0.13528	2,246,092	98.1%	99.8%
2012	0.415	0.294672	0.120781	2,472,343	98.27%	100.04%
2013	0.45375	0.336463	0.117287	2,696,390	98.74%	99.61%

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 4 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2012 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Matus Construction Group, LLC	Commercial	\$ 11,954,642	2.01%
Oncor Electric Delivery Co.	Electric Utility	7,158,130	1.20%
Beauford-Breton Investments, LLC	Commercial	5,555,444	0.93%
Robinson Hotel Mgmt Group LLP	Commercial	4,040,302	0.68%
PTCCA Texas LP	Commercial	3,779,731	0.64%
Brookshire Grocery Company	Commercial	3,231,371	0.54%
H-M Texas Real Estate L. P.	Commercial	2,836,485	0.48%
McClung, Melvin C.	Commercial	2,098,631	0.35%
Young, Francis M.	Commercial	1,903,033	0.32%
Archland Property II, LP	Commercial	1,693,458	0.28%

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 5 - CURRENT INVESTMENTS**

As of September 30, 2013, the following percentages of the City's investable funds were invested in the following categories of investments:

Type of Investment	Description	Purchase Price	% of Portfolio
	Interest Bearing Checking	\$ 969,378	3.71%
	Certificates of Deposit	1,840,328	7.05%
	Money Market Funds	<u>23,293,470</u>	<u>89.24%</u>
	Total	<u>\$ 26,103,176</u>	<u>100.00%</u>

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 6 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9-30	Existing G. O. Debt Service <sup>1</sup>	Total Debt Service	LESS: Self- Supporting Debt Service	Total Net Tax-Supported Debt Service
2014	2,931,513	2,931,513	2,036,710	894,803
2015	3,014,755	3,014,755	2,196,854	817,901
2016	2,737,735	2,737,735	1,984,491	753,244
2017	2,740,474	2,740,474	1,986,092	754,381
2018	2,385,362	2,385,362	1,770,806	614,556
2019	2,387,031	2,387,031	1,771,874	615,156
2020	2,392,477	2,392,477	1,777,020	615,456
2021	2,389,632	2,389,632	1,772,457	617,175
2022	2,198,775	2,198,775	1,581,100	617,675
2023	1,953,537	1,953,537	1,340,912	612,625
2024	1,964,885	1,964,885	1,347,660	617,225
2025	1,940,294	1,940,294	1,324,169	616,125
2026	1,948,119	1,948,119	1,328,644	619,475
2027	1,948,869	1,948,869	1,326,744	622,125
2028	1,657,681	1,657,681	1,043,606	614,075
2029	1,655,519	1,655,519	1,040,544	614,975
2030	1,310,000	1,310,000	965,900	344,100
2031	1,307,000	1,307,000	963,400	343,600
2032	1,307,850	1,307,850	965,100	342,750
2033	662,400	662,400	320,850	341,550
	<u>\$ 40,833,906</u>	<u>\$ 40,833,906</u>	<u>\$ 28,844,934</u>	<u>\$ 11,988,973</u>

<sup>1</sup> includes self-supporting debt service

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 7 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Net General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-14		\$ 894,803
Interest and Sinking Fund 9-30-13	\$ 210,404	
Estimated Interest Earnings	2,000	
Interest and Sinking Fund Tax Levy at 98% Collection	<u>779,402</u>	<u>991,806</u>
Estimated Balance, 9-30-14		\$ 97,003

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 8 - COMPUTATION OF SELF-SUPPORTING DEBT<sup>(1)</sup>**

Net Revenue from Waterworks and Sewer Systems, Fiscal Year Ending 9-30-13 <sup>2</sup>	\$ 3,088,417
Less: Maximum Annual Revenue Bond Requirements, 2014	<u>2,036,710</u>
Balance Available for Other Purposes	1,051,707
Maximum Annual System-Supported General Obligation Debt Service Requirements, 2014	<u>894,803</u>
Balance	<u><u>\$ 156,904</u></u>
Percentage of System General Obligation Self-Supporting Debt	<u><u>30.52%</u></u>

<sup>(1)</sup> Any transfer of Waterworks System revenue for the payment of general obligation debt is discretionary. No assurance can be given that the City Council will, in the future, authorize the use of any Waterworks System revenues to pay debt service on the Certificates or any other City debt payable from ad valorem taxes.

<sup>(2)</sup> Includes \$26,018 in interest income and excludes interest expense of \$490,707 and depreciation expense of \$885,438.

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**FINANCIAL INFORMATION**

**TABLE 9 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	2009	2010	2011	2012	2013
<b>Revenues:</b>					
Taxes	\$ 2,938,754	\$ 3,117,665	\$ 3,016,817	\$ 3,406,506	\$ 3,702,248
Licenses, Permits and Fines	278,023	416,207	316,566	244,079	56,787
Intergovernmental	2,696	58,509	51,450	40,347	36,600
Charges for Services	533,037	544,577	612,789	605,741	765,581
Miscellaneous	26,462	35,082	18,656	28,632	35,763
<b>Total Revenues</b>	<b>3,778,972</b>	<b>4,172,040</b>	<b>4,016,278</b>	<b>4,325,305</b>	<b>4,596,979</b>
<b>Expenditures:</b>					
General Government	1,121,312	1,481,919	1,297,308	1,281,194	1,382,337
Community Media				63,677	67,745
Parks and Recreation	-	46,169	8,642	10,608	7,538
Public Safety	1,604,975	1,883,618	1,910,234	2,063,901	2,154,375
Public Works	884,997	878,379	995,804	971,614	963,044
Miscellaneous	32,950	31,904	35,150	120,254	173,462
<b>Total Expenditures</b>	<b>3,644,234</b>	<b>4,321,989</b>	<b>4,247,138</b>	<b>4,511,248</b>	<b>4,748,501</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>134,738</b>	<b>(149,949)</b>	<b>(230,860)</b>	<b>(185,943)</b>	<b>(151,522)</b>
<b>Budgeted Transfers In<sup>(1)</sup></b>	<b>207,660</b>	<b>189,133</b>	<b>212,676</b>	<b>320,779</b>	<b>244,392</b>
<b>Budgeted Transfers Out</b>	<b>(219,169)</b>	<b>(3,840)</b>	<b>-</b>	<b>(31,750)</b>	<b>-</b>
<b>Other Financing Sources</b>				<b>3,662</b>	<b>34,040</b>
<b>Total Transfers</b>	<b>(11,509)</b>	<b>185,293</b>	<b>212,676</b>	<b>292,691</b>	<b>278,432</b>
<b>Net Change in Fund Balance</b>	<b>123,229</b>	<b>35,344</b>	<b>(18,184)</b>	<b>106,748</b>	<b>126,910</b>
<b>Other Miscellaneous Adjustments</b>	<b>(82,260)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,601)</b>
<b>Beginning Fund Balance</b>	<b>2,260,272</b>	<b>2,301,241</b>	<b>2,336,585</b>	<b>2,318,401</b>	<b>2,425,149</b>
<b>Ending Fund Balance</b>	<b>\$ 2,301,241</b>	<b>\$ 2,336,585</b>	<b>\$ 2,318,401</b>	<b>\$ 2,425,149</b>	<b>\$ 2,543,458</b>

<sup>(1)</sup> Transferred funds include proceeds of prior bond and other debt issues by the City.

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 10 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1.5% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the office of Comptroller of Public Accounts, of the State of Texas, which remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Fiscal Year Ended 9-30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2009	918,629	43.8%	0.1828	84.32
2010	965,738	45.5%	0.1850	91.78
2011	1,003,351	44.7%	0.1818	93.03
2012	1,028,811	41.6%	0.1729	93.07
2013	1,085,646	40.3%	0.1827	95.81
2014 <sup>(1)</sup>	289,041			

<sup>(1)</sup> Partial through December, 2013

**CITY OF ROBINSON, TEXAS**  
**SECURITIES and EXCHANGE COMMISSION RULE 15c2-12 DISCLOSURES**  
**SEPTEMBER 30, 2013**

**TABLE 11 - CURRENT INVESTMENTS**

As of September 30, 2013, the City's investible funds were invested in the following categories:

Description	Market Value
Non-Interest Bearing Checking	\$ -
Interest Bearing Checking	969,378
Certificates of Deposit	1,840,328
Money Market Funds	23,293,470
Cash on hand and cash held by others	1,100
	<u>\$ 26,104,276</u>

As of such date, the market value of the investment portfolio was approximately 100% of its purchase price.

COMPLIANCE AND INTERNAL CONTROL SECTION



Cunningham, Shavers, Christensen, & Wright, L.L.P.

Certified Public Accountants

Waco, Texas

INDEPENDENT AUDITOR'S 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*

The Honorable Mayor, City Council, and City Manager  
City of Robinson, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Robinson, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Robinson, Texas's basic financial statements, and have issued our report thereon dated March 24, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Robinson, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Robinson, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of City Robinson, Texas's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Robinson's financial statements are free from 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*.



Cunningham, Shavers, Christensen, & Wright, L.L.P.

*Certified Public Accountants*

*Waco, Texas*

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Cunningham, Shavers, Christensen & Wright, LLP*

Waco, Texas

March 24, 2014