

CITY OF LEVELLAND, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Introductory Section

City of Levelland, Texas
Annual Financial Report
For The Year Ended September 30, 2013

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	A-1
Statement of Activities.....	11	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	13	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	15	A-6
Statement of Net Position - Proprietary Funds.....	16	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	17	A-8
Statement of Cash Flows - Proprietary Funds.....	18	A-9
Statement of Fiduciary Net Position - Fiduciary Funds.....	19	A-10
Statement of Changes in Fiduciary Net Position - Fiduciary Funds.....	20	A-11
Combining Balance Sheet - Component Units.....	21	A-12
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balance - Component Unit.....	22	A-13
Notes to the Financial Statements	23	
 <u>Required Supplementary Information:</u>		
<u>Budgetary Comparison Schedules:</u>		
General Fund.....	38	B-1
Schedule of Funding Progress - Pension Plan.....	39	
 <u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Combining Balance Sheet.....	40	C-1
Combining Statement of Revenues, Expenditures		
and Changes in Fund Balances - All General Funds.....	41	C-2
Combining Balance Sheet - All Nonmajor Governmental Funds.....	42	C-3
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	43	C-4
 <u>Special Revenue Funds:</u>		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	44	C-5
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	46	C-6

City of Levelland, Texas
Annual Financial Report
For The Year Ended September 30, 2013

TABLE OF CONTENTS

	Page	Exhibit
Budgetary Comparison Schedules:		
Cemetery Fund.....	48	C-7
LEOSE Account.....	49	C-8
Municipal Court Building Security.....	50	C-9
Time Payment Court Fee.....	51	C-10
Motel Occupancy Tax Fund.....	52	C-11
Court Computer.....	53	C-12
Police Special Fund.....	54	C-13
Voluntary Park Contribution.....	55	C-14
Homeland Security Grant Program.....	56	C-15
Criminal Justice Grant.....	57	C-16
Debt Service Funds:		
Budgetary Comparison Schedule:		
Interest & Redemption Fund.....	58	C-17
Capital Projects Funds:		
Combining Balance Sheet - Nonmajor Capital Projects Funds.....	59	C-18
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds.....	60	C-19
Budgetary Comparison Schedules:		
Civic Improvement Fund.....	61	C-20
CDBG Grants Fund.....	62	C-21
Capital Project Bond Fund.....	63	C-22
Wastewater System Improvement Fund.....	64	C-23
Tax Increment Financing.....	65	C-24
Tax Increment Financing #2.....	66	C-25
Enterprise Funds:		
Budgetary Comparison Schedule:		
Enterprise Fund.....	67	C-26
Internal Service Funds:		
Combining Statement of Net Position.....	68	C-27
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	69	C-28
Combining Statement of Cash Flows.....	70	C-29

City of Levelland, Texas
Annual Financial Report
For The Year Ended September 30, 2013

TABLE OF CONTENTS

	Page	Exhibit
OTHER SUPPLEMENTARY INFORMATION 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>	71	
Schedule of Findings and Questioned Costs	73	
Summary Schedule of Prior Audit Findings.....	74	
Corrective Action Plan.....	75	
Schedule of Expenditures of Federal Awards	76	D-1
Notes to the Schedule of Expenditures of Federal Awards.....	77	
Continuing Disclosure Under SEC Rule 15C2-12 (unaudited).....	78	

Financial Section

KEITH DOWNS, C.P.A.
RUSS PINKERTON, C.P.A.



PATE, DOWNS & PINKERTON, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
PHONE 806 / 894-8568 FAX 806 / 894-3486
P.O. BOX 1255 1008 AUSTIN STREET LEVELLAND, TX 79336
EMAIL: pdpllp@pdpllp.com

Independent Auditor's Report

To the City Council
City of Levelland, Texas
1709 Avenue H
Levelland, Texas 79336

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 City'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 City'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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Levelland, Texas as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Levelland, Texas's basic financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules and the schedule of expenditures of federal awards are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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, the budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 05, 2014 on our consideration of City of Levelland, 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 Levelland, Texas's internal control over financial reporting and compliance.

Respectfully submitted,

Pate, Downs & Pinkerton, LLP

Pate, Downs & Pinkerton, LLP

Levelland, Texas
February 05, 2014

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Levelland's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

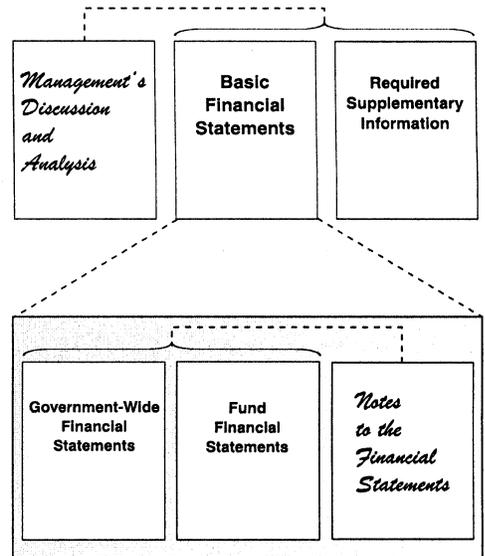
- The City's total combined net position was \$44,390,437 at September 30, 2013.
- During the year, the City's expenses were \$1,990,599 less than the \$16,192,870 generated in taxes and other revenues.
- The total cost of the City's programs increased by approximately 3.2 percent from last year.
- The general fund reported a fund balance this year of \$5,883,433.
- The City issued new indebtedness during fiscal year ended September 30, 2013 in the amount of \$4,445,000. Outstanding long-term debt was increased by \$4,000,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1F, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net positions includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the city that are not proprietary or fiduciary	Activities the city operates similar to private businesses	Instances in which the city is the trustee or agent for someone else's resources
Required financial statements	* Statement of net position	* Balance sheet	* Statement of net position	* Statement of fiduciary net position
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the City's net positions and how they have changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and interest on long-term debt. Ad Valorem, Sales and Use taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the City's other programs and activities.
- *Fiduciary funds*—The City is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net positions and a statement of changes in fiduciary net positions. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$44,390,437 September 30, 2013. (See Table A-1).

Table A-1
City's Net Position
(In thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2013-2012
	2013	2012	2013	2012	2013	2012	
Current assets:							
Cash and cash equivalents	13,802.2	9,464.0	4,009.2	3,649.9	17,811.4	13,113.9	35.8
Due from other governments	-	-	-	-	-	-	-
Due from other funds	72.5	218.6	-56.2	-210.1	16.3	8.5	91.7
Other receivables	873.3	851.5	841.3	798.3	1,714.6	1,649.8	3.9
Inventories – supplies and materials	-	-	193.8	59.6	193.8	59.6	225.1
Deferred Expenditures	-	-	-	-	-	-	-
Total current assets:	14,748.0	10,534.1	4,988.1	4,297.7	19,736.1	14,831.8	33.1
Noncurrent assets:							
Land	1,539.0	1,539.0	510.7	510.7	2,049.7	2,049.7	-
Depreciable Capital Assets	30,927.0	29,778.5	20,983.0	19,570.5	51,910.0	49,349.0	5.2
Less accumulated Depreciation	-10,135.5	-9,238.5	-7,896.8	-7,378.7	-18,032.3	-16,617.2	8.5
Investment in Water Source	-	-	13,015.9	12,981.2	13,015.9	12,981.2	0.3
Less accumulated Amortization	-	-	-4,940.2	-4,582.8	-4,940.2	-4,582.8	7.8
Other Assets	-	-	-	-	-	-	-
Total noncurrent assets	22,330.5	22,079.0	21,672.6	21,100.9	44,003.1	43,179.9	1.9
Total Assets	37,078.5	32,613.2	26,660.8	25,398.6	63,739.3	58,011.8	9.9
Current liabilities:							
Accounts payable and Accruals	525.2	280.6	346.0	285.1	871.2	565.7	54.0
Bonds Payable	545.0	445.0	556.5	370.4	1,101.5	815.4	35.1
Capital Lease Payable	-	-	168.1	161.3	168.1	161.3	0.4
Due to other funds	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-
Total current liabilities	1,070.2	725.6	1,070.6	816.8	2,140.8	1,542.4	38.8
Long-term liabilities:							
Other Liabilities	6.1	7.2	250.6	241.4	256.7	248.6	3.3
Bonds Payable	10,885.0	6,985.0	5,030.4	5,679.0	15,915.4	12,664.0	25.7
Capital Lease Payable	-	-	1,036.1	1,201.5	1,036.1	1,201.5	-13.8
Total Liabilities	11,961.3	7,717.8	7,387.7	7,938.7	19,349.0	15,656.5	23.6
Net positions:							
Invested in capital assets	10,900.5	14,649.0	14,881.5	13,478.6	25,782.0	28,127.6	-8.3
Restricted	-	-	-	-	-	-	-
Unrestricted	14,216.7	10,246.3	4,391.7	3,981.3	18,608.4	14,227.6	30.8
Total Net Position	25,117.2	24,895.4	19,273.2	17,459.9	44,390.4	42,355.3	4.8

Approximately fifty-eight percent of the City's net position represents investment in capital assets, net of related debt. The remaining \$14,216,740 of unrestricted net positions in the governmental activities represents resources available to fund the programs of the City next year and the \$4,391,651 is available for Enterprise activities.

Changes in net position. The City's total revenues were \$16,192,870. A significant portion, 47.2 percent, of the City's revenue comes from general revenues which include property, franchise and sales and use taxes. (See Figure A-2) 6.3 percent comes from grants, while 46.5 percent relates to charges for services.

The total cost of all programs and services was \$14,202,271; 29.1 percent of these costs are for services.

Governmental Activities

- Property tax rates increased in the current year. Increasing values enabled an increase of tax revenues to \$3,880,155.
- The City issued new debt obligations for the purpose of developing an amateur sports complex.

Table A-2
Changes in City's Net Position
(In thousands dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2013-2012
	2013	2012	2013	2012	2013	2012	
Revenues:							
Ad Valorem, Franchise, Sales and Use Taxes	7,409.9	7,211.8	-	-	7,402.9	7,211.8	2.6
Permits and Fees	314.9	334.1	-	-	314.9	334.1	-5.7
Rent and Royalties	124.3	116.8	.1	-	124.4	116.8	7.6
Earnings on Investments	137.4	152.1	36.2	45.8	173.6	197.9	-12.3
Charges for Services	72.8	97.9	-	-	72.8	97.9	-25.6
Federal, State							
And Local Contributions	1,423.9	865.2	46.9	-	1,470.8	865.2	69.9
Water and							
Wastewater Revenue	191.1	195.3	3,654.2	3,676.0	3,845.3	3,871.3	-0.7
Street Light Revenue	-	-	155.9	156.1	155.9	156.1	-
Refuse Collection Revenue	-	-	2,024.5	2,006.3	2,024.5	2,006.3	0.1
Gifts & Bequests	-	210.0	-	-	-	210.0	-210.0
Other	-	-	607.6	419.6	607.6	419.6	44.8
Total Revenues	9,667.3	9,183.2	6,525.4	6,303.8	16,192.7	15,487.0	4.6
General Government	1,149.3	1,128.5	-	-	1,149.3	1,128.5	1.8
Public Safety	4,395.1	4,252.8	-	-	4,395.1	4,252.8	3.3
Highways & Streets	1,482.9	1,279.4	-	-	1,482.9	1,279.4	15.9
Culture & Recreation	780.6	764.9	-	-	780.6	764.9	2.1
Economic & Physical Dev	359.3	261.2	-	-	359.3	261.2	37.6
Airport	217.9	160.8	-	-	217.9	160.8	35.5
Interest & Fiscal Changes	322.9	542.4	-	-	322.9	542.4	-40.4
Administration	-	-	428.8	410.2	428.8	410.2	4.5
Water Production	-	-	2,511.6	2,391.5	2,511.6	2,391.5	5.0
Wastewater Collection	-	-	667.3	673.9	667.3	673.9	-0.1
Sanitation	-	-	1,830.3	1,828.2	1,830.3	1,828.2	-
Swimming Pool	-	-	54.3	2,061.5	54.3	61.5	-11.7
Other	-	-	2.0	2.2	2.0	2.2	-9.1
Total Expenses	8,708.0	8,390.0	5,494.3	5,367.5	14,202.3	13,757.5	3.2
Excess (Deficiency) Before Other Resources, Uses & Transfers	959.3	793.2	1,031.2	936.3	1,990.5	1,729.5	15.1
Transfer In / (Out)	-782.0	336.5	782.1	-320.7	.1	15.8	-99.3
Increase / (Decrease) in Net Position	177.3	1,129.7	1,813.3	615.6	1,990.6	1,745.3	14.1
Net Position Beginning	24,895.4	23,765.6	17,459.9	16,844.3	42,355.3	40,609.9	4.3
Prior Year Adjustments	44.6	-	-	-	44.6	-	446.0
Net Position - Ending	25,117.3	24,895.4	19,273.2	17,459.9	44,390.5	42,355.3	4.8

Table A-3 presents the cost of each of the City's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services as well as grants and contributions.

- The cost of all *governmental* activities this year was \$8,707,978.
- The amount that our taxpayers paid for these activities through property taxes was \$3,880,155.
- Some of the cost was paid by those who directly benefited from the programs \$1,042,842, or
- By grants and contributions \$1,021,887.

Table A-3
Net Cost of Selected City Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
General government	1,149,305	1,128,475	1.8	786,589	489,490	60.6
Public Safety	4,395,127	4,252,739	3.3	4,111,117	3,629,125	13.3
Highways and streets	1,482,900	1,279,453	15.9	1,230,898	1,279,453	3.8
Culture and Recreation	780,629	764,956	2.	620,027	549,756	12.8
Economic and Physical Development	359,257	261,245	37.5	-243,121	261,245	1,930.6
Airport	217,863	160,692	35.6	139,953	81,282	72.2
Interest and Fiscal Charges	322,897	542,444	-40.5	-2,213	375,130	1,005.9

Business-type Activities

Revenues of the City's business-type activities increased 2.9 percent to \$6,489,331, and expenses increased 2.4 percent to \$5,494,293.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$9,490,491, an increase of 5.2% over the preceding year. The increase in local revenues is a result of local contributions.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget twice. Actual expenditures were \$421,265 below final budget amounts.

Resources available were \$906,194 above the final budgeted amount. As noted earlier:

- Property tax collections were more than expected.
- Sales and Use Taxes were higher than estimated for the current year.
- Franchise Fees were higher than estimated for the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the City had invested \$53,959,785 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$2,560,950 or 4.9 percent over last year.

Table A-4
City's Capital Assets

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2013-2012
	2013	2012	2013	2012	2013	2012	
	Land	1,539,031	1,539,031	510,739	510,739	2,049,770	
Construction in Progress	627,357	416,019	165,569	43,479	792,926	459,498	72.5
Buildings Improvements	1,560,476	1,372,311	605,145	605,145	2,165,621	1,977,456	9.5
Machinery and Equipment	23,348,828	22,934,748	18,218,248	17,380,842	41,567,076	40,315,590	3.1
Totals at historical Cost	5,390,319	5,055,467	1,994,072	1,541,053	7,384,391	6,596,520	11.9
Total accumulated depreciation	32,466,011	31,317,577	21,493,774	20,081,258	53,959,785	51,398,835	4.9
Net capital assets	-10,135,468	-9,238,531	-7,896,800	-7,378,710	-18,032,268	-16,617,241	8.5
	22,330,544	22,079,046	13,596,973	12,702,548	35,927,517	34,781,594	3.3

The City's fiscal year 2014 capital budget projects spending another \$5,312,716 for capital projects. We will use current year appropriations for these improvements. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end the City had \$14,842,173 in bonds, certificates of obligation and capital leases outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements

Table A-5
City's Long Term Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2013-2012
	2013	2012	2013	2012	2013	2012	
	Leases payable	-	-	1,204,246	1,362,757	1,204,246	
Bonds payable	2,580,000	2,750,000	5,586,906	6,049,417	8,166,906	8,799,417	-7.2
Certificates of Obligation	8,850,000	4,680,000	-	-	8,850,000	4,680,000	89.1
Totals bonds, Leases & Notes payable	11,430,000	7,430,000	6,791,153	7,412,173	18,221,153	14,842,173	22.8