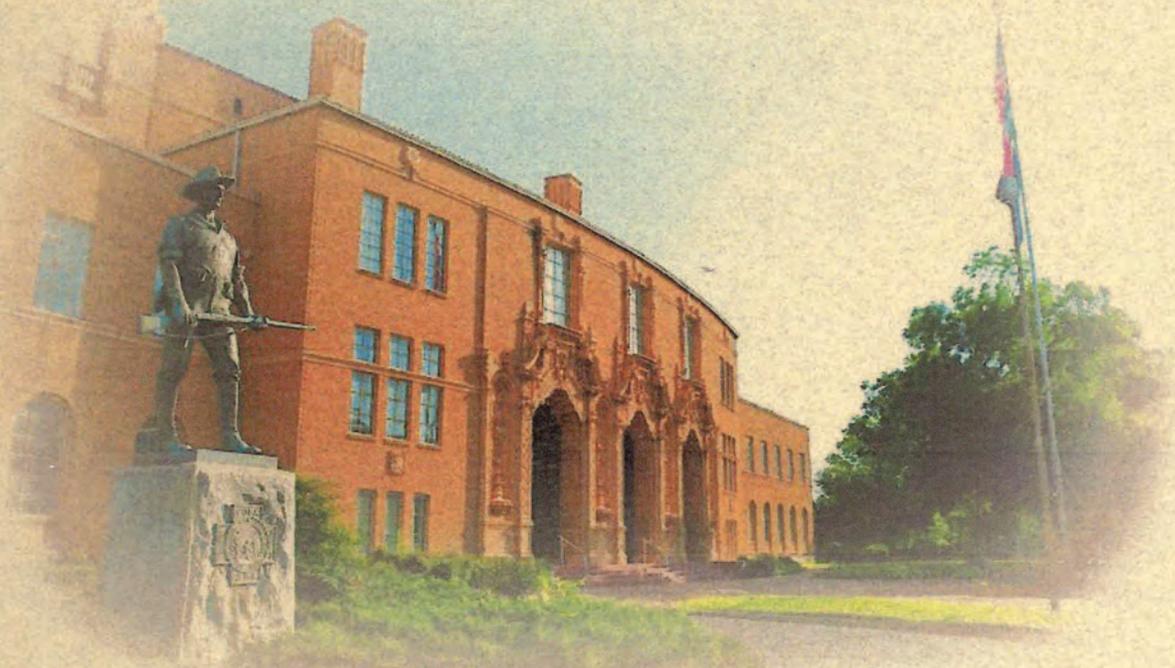


CITY OF
Wichita Falls
TEXAS

**Comprehensive
Annual
Financial Report**

Year Ended September 30, 2012



CITY OF WICHITA FALLS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2012

ISSUED BY:
DEPARTMENT OF FINANCE

CITY OF WICHITA FALLS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2012

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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CITY OF WICHITA FALLS, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2012

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Introductory Section



OFFICE OF THE CITY MANAGER

March 14, 2013

The Honorable Mayor,
Members of the City Council,
City Manager and Citizens of Wichita Falls, Texas

I am pleased to submit herewith, the Comprehensive Annual Financial Report (CAFR) of the City of Wichita Falls, Texas for the fiscal year ended September 30, 2012. The purpose of this report is to provide the City Council, City Manager, citizens and other interested parties with detailed information concerning the financial condition of the City of Wichita Falls. In addition, this report provides assurance that the City presents fairly its financial position as verified by independent auditors.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The CAFR of the City of Wichita Falls, Texas, for the year ended September 30, 2012, was prepared in accordance with accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). The financial statements and related notes have been audited by the independent audit firm of Edgin, Parkman, Fleming & Fleming, PC, whose report is included herein.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, are accurate in all material aspects; that they are presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain understanding of the City's financial activities have been included.

The CAFR continues to present financial data using the reporting model promulgated by GASB Statement No. 34. This reporting model changed governmental financial reporting by incorporating government-wide financial statements. The Finance Department believes that this presentation provides better information to users of the report, and it requires management to provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). The MD&A can be found immediately following the independent auditors' report and is designed to complement this transmittal letter and should be read in conjunction with it.

GENERAL INFORMATION - CITY OF WICHITA FALLS, TEXAS

The City of Wichita Falls is located in the south-central United States in north-central Texas. Wichita Falls is linked to major southwestern, western, and mid-western cities by Interstate 44, U.S. Highways 82, 281, 277, 287, and Texas State Route 79. The city is approximately 130 miles northwest of the Dallas/Fort Worth Metroplex, 15 miles from the Red River that marks the Texas/Oklahoma border, and 125 miles south of Oklahoma City. The city is located in the cross-timbers area of the gently rolling north-central plains and is dissected by the Wichita River. Due to the city's geographic location, Wichita Falls serves as a regional economic hub for north Texas and south central Oklahoma. Wichita Falls is the county seat of Wichita County and the major population center in North Texas.

The economy is based on mineral production, retail trade, manufacturing, agribusiness, and government installations. Principal sources of agricultural income include cattle, cotton and wheat. Wichita Falls is home to Sheppard Air Force Base, which operates the Euro-NATO jet pilot training program. The city's major university is Midwestern State University. Principal manufacturers within the area include metal fabrication, industrial and

CITY OF WICHITA FALLS

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commercial equipment, engine components, flexible packaging, and assorted plastic, glass and fiberglass. North Texas State Hospital-Wichita Falls Branch, Midwestern State University, James V. Allred Prison and Sheppard Air Force Base are also large employers located within the city. The City operates a Multi-Purpose Events Center, which includes a coliseum, exhibit hall, and an agricultural arena/show barn. The 2012 population for Wichita Falls, as estimated by the City, is 103,931, a decrease of 0.3% from the 2000 Census estimates, and an increase of 7.97% over the 1990 population.

CITY SERVICES AND ORGANIZATION OF THE GOVERNMENT

The City of Wichita Falls utilizes a Council-Manager form of government and is organized under the Constitution and Laws of the State of Texas. The City Council is comprised of five members elected from separate districts, and a Mayor and one member elected by the citizens at-large. The City Council appoints the City Manager, City Attorney, Municipal Court Judge and City Clerk. All other staff members work under the direction of the City Manager.

The City provides on a continuing basis a full range of basic municipal services including: public safety (police, fire and building inspection); highways, streets and engineering; health and welfare services; parks, recreation and cemeteries; library services; public improvements; planning and zoning; and general administrative services. In addition, the City provides water, sewer, sanitation and transportation services for its citizens.

ECONOMIC CONDITION AND ACTIVITY

Over the past few decades, Wichita Falls has successfully diversified its economy to include new manufacturing, government, medical services, retail and service related commerce. This diversification is in addition to the more typical North Texas industries of agriculture, and oil and gas production. The Wichita Falls MSA houses a robust manufacturing sector, with many companies having employment in excess of 100 persons. This sector of the economy generates almost \$261 million in annual payroll, representing approximately 9% of total employment within the city, and accounts for more than \$933 million in gross sales annually. Wichita Falls is also a nexus of international investment. Three area manufacturing facilities are foreign-owned, representing France, Sweden, and Germany.

The city is the economic hub of a 60-mile radius trade area, populated by an estimated 379,000 people. Of that population, an estimated 240,000 are currently in the workforce, and look to Wichita Falls for their employment, shopping, entertainment, educational, cultural and health care needs. Being the largest community within 100 miles, Wichita Falls boasts a larger retail trade than a community its size would normally enjoy. Many national retailers and restaurants have found Wichita Falls to be a superb location.

At the beginning of the 2009-10 fiscal year, the local economy was showing considerable signs of stress. In March of 2009, the Avis/Budget Call Center closed its doors displacing 220 workers. In July of 2009, Saint Gobain ceased manufacturing fiberglass reinforcements eliminating 750 jobs. In September 2009, Washex closed its doors, idling 50 manufacturing workers. Also in September 2009, ABB Control announced it would close its manufacturing operation by the end of March 2010, ultimately affecting 170 employees. The recession also took its toll on many area businesses in the form of layoffs. Howmet/Alcoa, United Electric, Circuit City, Wichita Tank, PPG, OCV Fabrics, Kalco Machine, Wichita Clutch and many others laid off between 10 to 20 percent of their workforce.

In response to the worst recession in modern history and this downturn in the local economy, efforts were made to nearly double the economic development marketing campaigns. Additionally, in December of 2009 the Chamber of Commerce, City of Wichita Falls, Convention and Visitor's Bureau, and Downtown Proud organizations unveiled a well thought out community-wide branding, marketing and public relations campaign. This effort was a public/private partnership with a goal of generating \$250,000 per year for three years from citizens and local businesses, and matching funds from the 4A Economic Development Corporation. Within 90 days of the goal's announcement, the funding commitments were generated. This marketing effort is nearly two-thirds complete and discussions are underway about maintaining this program in some capacity.

The City and 4A Economic Development Corporation has also been aggressive over the last few years in granting economic development incentives for primary job creation. Since the 2009-10 fiscal year, 13 projects

were approved for funding with the potential for creating, and/or retaining, over 2,000 jobs. These projects include Carter Aviation Technologies, Tryer Process Equipment, WDS/Global, Wichita Clutch, Armor Controls, Sharp Iron, Pratt/Whitney Canada, Albert Moving Staffers, BuyDentalEquipment.com, Excaliber Paint and Coatings, MagicAire, Latex International, and Cryovac. Several of these projects have invested in the local economy resulting in the addition or retention of hundreds of jobs. Others are still in the early phases of their expansion plans and the results remain to be seen.

4A Economic Development Sales tax funds have also been used to assist with activities of the Military Affairs Committee, a regional organization established a few years ago to work directly with Sheppard Air Force Base (SAFB), Air Education and Training Command, the Chief of Staff for the Air Force, and our Congressional, State and Local elected officials. This Committee was formed to increase the value of SAFB, strengthen community development and build a stronger economy. The City, SAFB and surrounding communities are also conducting a Joint Land Use Study (JLUS), which is a cooperative planning initiative to promote compatible community growth that supports military training and operational missions. The inter-jurisdictional partnership will result in the identification of actions that can be taken jointly by the community and installation to promote compatible development and address current and future encroachment. The goal of compatibility planning is to promote an environment where both entities (military and civilian) can coexist successfully.

Although these efforts and others have had some success, the recovery of the local economy continues to be very slow and gradual. During 2011-12, no new major plant developments were announced, but several industries made investments to retain hundreds of primary jobs. Additionally, very few primary jobs were affected by plant closings and layoffs. The unemployment rate also continues to improve slowly as the commercial and retail sectors announce new additions to the community.

Construction permits is also an indication of economic activity in the community. Residential permits totaled \$30,469,292, which is an increase of \$2,943,269, or 11% from the prior year. Although the value of commercial construction permits declined during the fiscal year, the amount was still fairly strong for Wichita Falls. Commercial construction permits totaled \$67,593,577, which is a reduction of 9% from the prior fiscal year. Nevertheless, several commercial construction permits issued were above \$1 million in value which directly impacts local construction contractors, and often times results in additional secondary jobs. Those permits include:

- United Regional Hospital (Barnett Medical Addition) – a total of 27,000 sq. ft. with an estimated value of \$2,000,000.
- Vernon Regional College Addition – a total of 94,186 sq. ft. with an estimated value of \$2,216,188.
- Parkstone Addition (Multi-Family Units) – a total of 69,791 sq. ft. with an estimated value of \$3,887,190.
- Roberts Truck Center (Commercial Storage) – a total of 26,916 sq. ft. with an estimated value of \$1,530,980.
- Faith Refuse (Commercial Storage) – a total of 15,000 sq. ft. with an estimated value of \$1,600,000.
- Echo Meter (New Office Building) – a total of 6,000 sq. ft. with an estimated value of \$1,000,000.

Another indicator of local economic performance is the retail sales tax. During the 2011-12 fiscal year, the City generated \$28,542,431 in retail sales taxes, which was \$431,773, or 1.54% more than in the prior fiscal year.

MAJOR INITIATIVES

For The Year. The City Council continues to identify programs to meet citizens' requests for services and to safeguard the environment. Work is nearing completion on the City's water system improvement projects that were started in 2001. Since 2001, over \$130 million in improvements have been made to expand the City's water supply and treatment capabilities and to meet regulatory treatment requirements of the EPA and TCEQ. The final element of this work is the construction of a new 10 million gallon per day conventional water

treatment facility, sludge dewatering facilities, chemical building improvements, high service pump station, and miscellaneous site work at the Cypress Water Treatment Plant. Construction of this \$42.7 million project began in August 2009 and is very near completion. During the 2011-12 fiscal year, approximately \$4.2 million was expended on this project.

In October 2011, the City issued \$3.2 million of 20-Year Combination Tax and Revenue Certificates of Obligation for the Rhea/Callfield/Lawrence Road Realignment Project. The project consisted of property acquisition, demolition, roadway construction, and traffic controls. The project was designed to alleviate traffic congestion in this major retail area of the city by eliminating a traffic controlled intersection. Actual construction began in March 2012 and was completed in late 2012. Funds from the 4B Sales Tax Corporation and the Tax Increment Financing Zone #2 are being used to finance the debt service for this project.

During the 2011-12 fiscal year, the City refinanced approximately \$4.3 million of outstanding General Obligation Bonds to take advantage of lower interest rates for the remaining life of the bonds. The refinancing of this debt will save the City approximately \$600,000 over the remaining ten years of this bond issue.

In April 2012, the City entered into an energy services agreement with an energy services company in the amount of \$5.12 million to install energy savings projects in numerous City facilities. The improvements primarily consisted of lighting, heating and cooling units and energy management systems in various City facilities. Additionally, a dehumidification system was installed at the Kay Yeager Coliseum. The Energy Services Agreement required the company to design, engineer, hire contractors, perform construction management services, train City employees on equipment, and guarantee to the City that the cost of these projects will be repaid, and over \$1.6 million in cost savings will be realized, through reduced energy bills and lower maintenance expenses over a period of 15 years. The capital cost of these projects is being financed from three sources of funds: (1) \$4.4 million by using a 13 year capital leasing program, (2) \$450,000 in 4B Sales Tax Funds budgeted for the coliseum dehumidification system, and (3) \$274,000 in energy rebates from ONCOR.

During this fiscal year, considerable strides were made in the extension of the City's Circle Hike and Bike Trail System. In August 2010, a Texas Transportation Enhancement Grant in the amount of \$2.5 million was awarded for continuation of the trail system. During 2011-12, approximately \$1.95 million was expended for the Seymour Highway and Barnett Road sections of the trail, and to begin design on the section from Lucy Park to the Seymour Highway. In addition, about \$150,000 was expended for a parking lot in the Wichita Bluffs Open Space area on Seymour Highway. The City also currently has applied for another grant from the Texas Department of Transportation in the amount of \$958,000 to finance another section of the trail from Seymour Highway, connecting to Barnett Road.

For The Future. A major undertaking that is making progress in the downtown area is the construction of a new travel center for various public and private transportation services. This new travel center will serve as a major transportation hub for the region. Property acquisition, demolition of dilapidated property, and design services were completed during in the prior fiscal year with funds from the Federal Transit Administration (FTA) and the 4A Economic Development Sales Tax Corporation. The cost for these elements of the project was approximately \$1 million. Construction of the facility began in October 2012 and is expected to be complete in late summer of 2013. The cost of the construction is \$4.2 million and is principally being funded with a grant from the FTA. However, the City granted \$500,000 of General Funds for the project. Additionally, the City and 4A and 4B Sales Tax Corporations provided a three year loan to the project in the total amount of \$941,000. This loan will be repaid to the three organizations with annual entitlement funds from the FTA.

In October 2012, the City began construction of Phase I of the new Airport Facilities at Municipal Airport. The cost for this phase is approximately \$4.5 million, 90% of which is being funded with grants from the Federal Aviation Administration, with the remaining 10% coming from reserves in the Municipal Airport Fund. The project consists of a new entry road and circular driveway to accommodate the new terminal building.

In February 2013, the City issued \$19.875 million of 20-Year Combination Tax and Revenue Certificates of Obligation to partially fund Phase II of the Airport Facilities Project at Municipal Airport. The cost of this phase is anticipated to be \$28 million, with the remaining costs being funded with grants from the Federal Aviation Administration. The project generally consists of construction of a new terminal building and airport aprons. The debt service for the 20-Year Certificates will be paid from annual entitlement funds received from the

Federal Aviation Administration, operating income in the Municipal Airport Fund, and annual grants from the 4A and 4B Sales Tax Corporations and the General Fund. Construction is expected to begin in August 2013 and be completed in October 2014.

Recently, the City refinanced two outstanding General Obligation Bond Issues in the amount of \$3.74 million to take advantage of lower interest rates for the remaining life of the bonds. The refinancing of this debt will save the City approximately \$250,000 over the remaining five years of this bond issue.

The McNeil Avenue Drainage Project is currently under design and is expected to be completed in the summer of 2013. However, the construction cost is estimated to be \$4.2 million, which won't be available in the Storm Water Utility Fund until sometime in the summer of 2014. As a result, this project will be delayed until funds are available. This project, when complete, will be a major flood control improvement for that area of the City.

In the 2012-13 budget, funds were included to purchase mowing equipment and hire a crew in the Parks Department to assume mowing responsibility of the major state highways throughout the city in response to reduced mowing efforts by the State. This crew will supplement the work of the State, not replace it. The State will be able to use their existing funding levels to mow the minor state highways on a more consistent basis. This new program ties in well with City beautification efforts and the Pride in the Falls Campaign. The annual cost of this program is estimated to be \$170,000, with a start-up cost for equipment of \$222,000.

The City is also working on plans to construct a temporary pipeline and pump station that runs from the River Road Wastewater Treatment Plant across the city to the Cypress Water Treatment Plant to use reclaimed water for water supply needs. This temporary plan will only be implemented for emergency needs if rainfall this spring is insufficient to raise the water in the lakes to adequate levels. If this emergency system is needed during an extended drought, the City would issue Water/Sewer Revenue Bonds for this project. The cost for the temporary project is estimated to be \$13 million. Regardless if the temporary system is needed or not for this drought, the City is also working on plans to build a permanent system to capture this treated wastewater for water supply needs in the future. This permanent system is more costly than the temporary pipeline, and would also include the issuance of Water/Sewer Revenue Bonds.

FINANCIAL INFORMATION

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal control as deemed appropriate by the City Manager. Internal control is designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by the City Manager.

All internal control evaluations occur within the above framework. The City believes that its internal control adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions.

The Annual Operating Budget is proposed by the City Manager and approved by the City Council following public discussion. Budgetary control is maintained at the class level by the Finance Department within each division by the encumbrance of estimated purchase amounts prior to the release of purchase orders to vendors. Purchase orders which result in an overrun of class level balances are not released until additional appropriations are made available. In instances when budgetary transfers are necessary, management control of the operating budget is maintained at the fund and department level. Transfers within a department of the same fund must be approved by the City Manager. Transfers across departments or funds must be approved by the City Council.

Unencumbered appropriation balances lapse at year end and are not carried forward to new budget periods. Open encumbrances are reported as reservations of fund balance at September 30, 2012, and related appropriations are carried forward to the new fiscal year through a supplemental budgetary allocation.

In September 2012, the City adopted a fund balance policy for the General Fund, Water/Sewer Fund, and the Sanitation Fund. The policy requires the City to maintain at least 20% of expenditures in unassigned fund

balance in the General Fund, 17% of expenditures (less debt service expenses) in the Water/Sewer Fund, and 15% of expenditures in the Sanitation Fund. These financial statements reflect that this policy has been followed. Additionally, the City maintains an informal policy to limit tax supported debt to no more than 5% of total assessed property value or \$1,500 per capita. As of September 30, 2012, the City's tax supported debt was approximately \$39.6 million, which is 0.89% of the taxable value of property, and \$379 per capita.

OTHER INFORMATION

Independent Audit

The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by Certified Public Accountants. The accounting firm of Edgin, Parkman, Fleming & Fleming, PC was selected by the Mayor and City Council to satisfy this charter requirement. The auditors' report on the basic financial statements and combining fund statements and schedules is included in the financial section of this report. In addition to meeting the requirements set forth in the City Charter, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133, and the State Single Audit Act. These reports are issued under separate cover.

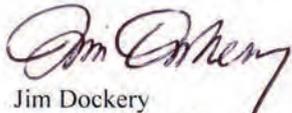
Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Wichita Falls for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2011. This was the 17th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments

My appreciation is extended to the various elected officials, city manager, department heads and employees responsible for the fair presentation of the CAFR and for contributing to the sound financial position of the City of Wichita Falls. The City of Wichita Falls has been blessed with a group of persons who appreciate and respect principles of fiscal restraint and propriety. In particular, I would like to acknowledge the special efforts of the Department of Finance employees who contributed directly to the development of this report. The continuing support of City Council and City Manager, who remain committed to fiscal integrity and financial leadership, is likewise appreciated.

Respectfully submitted,



Jim Dockery
Assistant City Manager/CFO

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wichita Falls
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



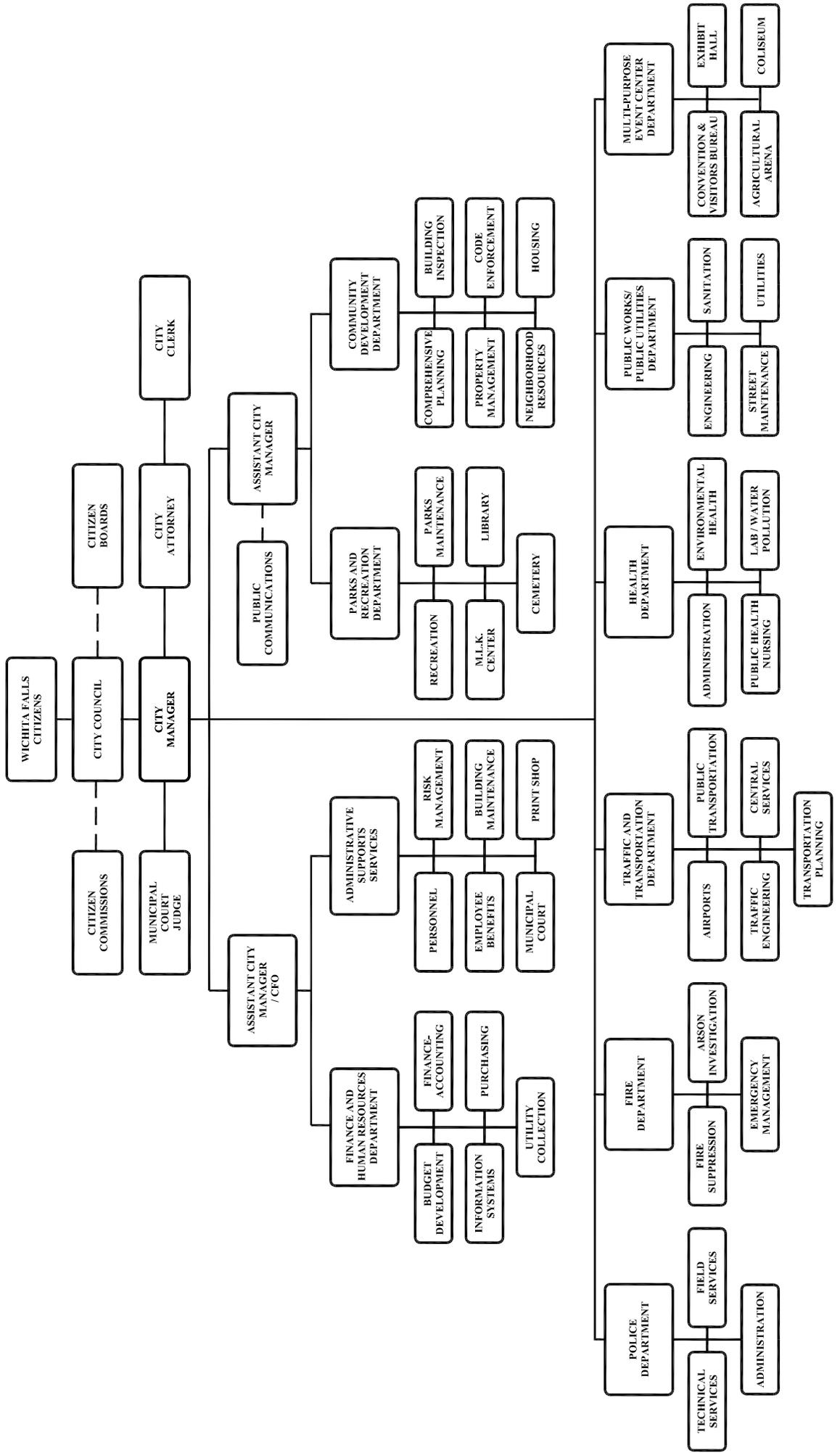
Christopher P. Morrill

President

Jeffrey R. Emen

Executive Director

CITY OF WICHITA FALLS ORGANIZATIONAL CHART



CITY OF WICHITA FALLS, TEXAS

LIST OF PRINCIPAL OFFICIALS SEPTEMBER 30, 2012

<u>Title</u>	<u>Name</u>
Mayor	Glenn Barham
Mayor Pro-Tem	Dorothy Roberts-Burns
City Council Member	Michael Smith
City Council Member	Brian Hooker
City Council Member	Tim Ingle
City Council Member	Mary Ward
City Council Member	Annetta Pope
City Manager	Darron Leiker
City Attorney	Miles Risley
Municipal Court Judge	Larry Gillen
City Clerk	Lydia Ozuna
Assistant City Manager / Director of Community Development	Kevin Hugman
Director of Aviation, Traffic and Transportation	John Burrus
Assistant City Manager / Chief Financial Officer	Jim Dockery
Director of Public Health	Lou Kreidler
Police Chief	Manuel Borrego
Fire Chief	Earl Foster
Director of Parks and Recreation	Jack Murphy
Director of Public Works and Public Utilities	Russell Schreiber
Director of Multi-Purpose Events Center	Bob Sullivan

Financial Section

Independent Auditor's Report



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

4110 KELL BLVD., SECOND FLOOR • P.O. Box 750
WICHITA FALLS, TEXAS 76307-0750
PH. (940) 766-5550 • FAX (940) 766-5778

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Independent Auditor's Report

The Honorable Mayor and Members of the City Council
City of Wichita Falls, Texas

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated March 14, 2013 on our consideration of the **City of Wichita Falls, Texas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, the schedules on the Texas Municipal Retirement System, the Wichita Falls Firemen's Relief and Retirement Fund, and the Wichita Falls Retiree Health Care Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual fund financial statements, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
March 14, 2013

Management Discussion and Analysis



**City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012**

Management's discussion and analysis provides a narrative overview of the financial activities and changes in the financial position of the City of Wichita Falls, Texas, for the fiscal year ended September 30, 2012. It is offered here by the management of the City to the readers of its financial statements. Readers should use the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found in the Introductory Section of this Comprehensive Annual Financial Report.

Financial Highlights

The assets of the City of Wichita Falls exceeded its liabilities at September 30, 2012, by \$378,063,016 (net assets). Of this amount, \$35,610,941 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$18,572,689. This increase can be attributed to several factors: (1) continued reduction of nearly \$7.1 million in long term liabilities (outstanding debt) in business activities; (2) over \$1.4 million in additional cash and cash equivalents in the Sanitation Fund due to higher than anticipated revenues at the landfill, savings on several maintenance and equipment expenditures, and to begin saving for future landfill expansion costs; (3) municipal court fines were above budgeted amounts; (4) receipt of over \$4.8 million in grant funds from the Federal Aviation Administration for Phase II of the Runway Improvement Project at the Municipal Airport; (5) receipt of over \$1.2 million in State grant funds for the Above Ground Fuel Farm and Apron Improvement Project at the Kickapoo Downtown Airport; (6) income in the Stormwater Utility Fund that is being used for drainage improvement projects; and (7) less than anticipated expenses for salaries, benefits and worker's compensation claims in the governmental funds.

At September 30, 2012, the City's governmental funds reported combined ending fund balances of \$30,803,944. Of this amount, \$16,301,387, or 52.92%, is available for spending at the government's discretion, (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$16,570,675 or 25.56% of total General Fund expenditures.

During the 2011-12 fiscal year, the City's total debt decreased by \$3,065,826. The primary reason for this reduction is because the City continued to retire outstanding General Obligation Bonds, Water and Sewer System Revenue Bonds, and Combination Tax and Revenue Bonds. However, this reduction was offset, partially, by the issuance of \$3,200,000 in Combination Tax and Revenue Certificates of Obligation to fund a portion of the Rhea, Call Field and Lawrence

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

Road Realignment Project. It should also be noted, that the City refinanced \$4,365,000 in outstanding General Obligation Bonds to lower annual debt service obligations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The reporting focus is on the City as a whole and on individual major funds. It is intended to present a comprehensive view of the City's financial activities. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements, which can be found on pages 14-15 of this report, include the *Statement of Net Assets* (Exhibit A-1) and the *Statement of Activities* (Exhibit A-2). These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both are prepared using the economic resources focus and the accrual basis of accounting; meaning that all current year's revenues and expenses are included regardless of when cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but not used vacation leave).

The Statement of Net Assets presents information on all of the City's assets and liabilities, including capital assets and long-term obligations. The difference between the City's assets and liabilities is reported as net assets. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other indicators of the City's financial position should be taken into consideration, such as the change in the City's property tax base and condition of the City's infrastructure (e.g., roads, traffic signals, water and sewer lines, etc.), in order to more accurately assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. It focuses on both the gross and net costs of the government services. This statement includes all current year revenues and expenses.

The *Statement of Net Assets* and the *Statement of Activities* divide the City's activities into three types:

Governmental activities – Most of the City's basic services are reported here, including police, fire, parks and recreation, public works, health, traffic and transportation, community development and planning, duplicating services, information technology, health insurance claims, and general administration and finance. The Multi-Purpose Events Center and Champions Golf Course are also reported as governmental activities. Property taxes, sales taxes, franchise fees, and various grant funds provide the majority of financing for these activities.

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

Business-type activities – Activities for which the City charges fees to customers to pay most or all of the cost of a service it provides are reported as business-type activities. The City's business-type activities include water and wastewater treatment and distribution, solid waste collection and disposal, municipal airports, transit system, storm water drainage improvements, fleet maintenance services and water park operations.

Component Units – Four legally separate organizations, for which the City is financially accountable, are included in these statements as discretely presented component units. These organizations include the Wichita Falls Economic Development Corporation, Wichita Falls 4B Sales Tax Corporation, Wichita Falls Reinvestment Zone #2, and the Wichita Falls Reinvestment Zone #3.

Fund Financial Statements

The City of Wichita Falls, like other state and local governments, uses fund accounting to provide more detailed information about the City's most significant funds, not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – These funds are used to account for the majority of the City's activities, which are essentially the same functions reported as governmental funds in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements focus on near-term inflows and outflows of expendable resources, as well as expendable resources available at the end of the fiscal year for future spending. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Wichita Falls maintains 15 individual governmental funds. Information for the General Fund is presented separately in the Governmental Fund Balance Sheet and in the

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

Governmental Fund Statement of Revenues and Changes in Fund Balances because it is considered a major fund of the City. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds are provided in the Combining Financial Statement Section of this report.

The Basic Governmental Funds Financial Statements can be found on pages 16-19 of this report.

Proprietary Funds – When the City charges customers for services it provides, whether to outside customers or to other units within the City, the activities are generally reported in proprietary funds. The City of Wichita Falls maintains two different types of proprietary funds: enterprise funds and internal service 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 and sewer operations, sanitation collection and disposal services, municipal airports, transit operations, storm water utility district, and water park operations.
- Internal service funds are an accounting device used to report activities that provide supplies and services to other City programs, such as fleet maintenance, print shop services, information technology, and employee benefit trust. Because these services benefit both governmental and business-type functions, they have been allocated between governmental and business-type activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the business-type activities shown in the government-wide financial statements, only in more detail and include some of the internal service fund-type activities. The proprietary fund financial statements provide separate information for the Water and Sewer Fund and the Sanitation Fund since they are considered to be major funds of the City. The non-major proprietary funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the non-major proprietary funds are provided in the Combining Financial Statement Section of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for fiduciary funds is much like that used for proprietary funds. Agency funds are a component of fiduciary funds and are used to account for situations where the City's role is purely custodial, such as receipt, temporary investment and remittance of fiduciary funds to individuals, private organizations or other governments. The City maintains one fiduciary fund. This fund is an agency fund used to account for property that has been abandoned or unclaimed pending escheatment to the State of Texas.

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 26-59 of this report.

Government-Wide Financial Analysis

The City's combined net assets were \$378,063,016 as of September 30, 2012, an increase of \$18,572,689, or 5.17% from the prior year. Using the Tables below, an analysis of the net assets of the City can be made. The largest portion of the City's net assets, \$324,146,248, or 85.74%, is reflected in capital assets (land and improvements, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets, \$18,305,827, or 4.84%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets, \$35,610,941, or 9.42%, may be used to meet the government's ongoing obligations to citizens and creditors.

Net Assets
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 38,034	\$ 37,262	\$ 58,822	\$ 59,273	\$ 96,856	\$ 96,535
Capital Assets	<u>172,672</u>	<u>169,806</u>	<u>302,357</u>	<u>290,817</u>	<u>475,029</u>	<u>460,623</u>
Total Assets	<u>210,706</u>	<u>207,068</u>	<u>361,179</u>	<u>350,090</u>	<u>571,885</u>	<u>557,158</u>
Long Term Liabilities	48,214	45,605	128,997	134,328	177,211	179,933
Other Liabilities	<u>9,048</u>	<u>9,349</u>	<u>7,563</u>	<u>8,386</u>	<u>16,611</u>	<u>17,735</u>
Total Liabilities	<u>57,262</u>	<u>54,954</u>	<u>136,560</u>	<u>142,714</u>	<u>193,822</u>	<u>197,668</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	139,059	138,876	185,088	172,634	324,147	311,510
Restricted	6,931	6,048	11,374	11,735	18,305	17,783
Unrestricted	<u>7,454</u>	<u>7,190</u>	<u>28,157</u>	<u>23,007</u>	<u>35,611</u>	<u>30,197</u>
Total Net Assets	<u>\$ 153,444</u>	<u>\$ 152,114</u>	<u>\$ 224,619</u>	<u>\$ 207,376</u>	<u>\$ 378,063</u>	<u>\$ 359,490</u>

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

CHANGES IN NET ASSETS

(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges For Services	\$ 9,388	\$ 9,431	\$ 55,882	\$ 58,747	\$ 65,270	\$ 68,178
Operating Grants and Contributions	9,869	13,269	2,372	1,323	12,241	14,592
Capital Grants and Contributions	8,066	2,315	182	193	8,248	2,508
General Revenues:						
Property Taxes	28,626	28,557	-	-	28,626	28,557
Sales Taxes	21,407	21,083	-	-	21,407	21,083
Other Taxes/Fees	7,521	7,485	-	-	7,521	7,485
Investment Earnings	54	49	40	51	94	100
Miscellaneous	327	-	(59)	(42)	268	(42)
Total Revenue	<u>85,258</u>	<u>82,189</u>	<u>58,417</u>	<u>60,272</u>	<u>143,675</u>	<u>142,461</u>
Expenses:						
Administrative Services	11,935	10,882	-	-	11,935	10,882
Police	22,104	21,823	-	-	22,104	21,823
Fire	13,523	13,291	-	-	13,523	13,291
Parks and Recreation	5,153	5,406	-	-	5,153	5,406
Accounting/Finance	976	2,534	-	-	976	2,534
Community Development	6,777	7,084	-	-	6,777	7,084
Public Works	7,957	7,613	-	-	7,957	7,613
Health	5,022	4,911	-	-	5,022	4,911
Traffic and Transportation	2,511	2,451	-	-	2,511	2,451
MPEC	3,896	4,296	-	-	3,896	4,296
Interest and Fees on Long-term Debt	1,711	1,765	-	-	1,711	1,765
Municipal Airport	-	-	530	436	530	436
Kickapoo Airport	-	-	1,420	1,263	1,420	1,263
Transit	-	-	1,903	1,847	1,903	1,847
Sanitation	-	-	8,905	8,960	8,905	8,960
Water and Sewer	-	-	28,996	32,970	28,996	32,970
Stormwater Drainage	-	-	407	534	407	534
Waterpark	-	-	1,376	1,399	1,376	1,399
Total Expenses	<u>81,565</u>	<u>82,056</u>	<u>43,537</u>	<u>47,409</u>	<u>125,102</u>	<u>129,465</u>
Increase (Decrease) in Net Assets Before Transfers	3,693	133	14,880	12,863	18,573	12,996
Transfers	(2,363)	1,754	2,363	(1,754)	-	-
Increase (Decrease) in Net Assets	<u>1,330</u>	<u>1,887</u>	<u>17,243</u>	<u>11,109</u>	<u>18,573</u>	<u>12,996</u>
Net Assets – Beginning of Year	152,114	150,227	207,376	196,267	359,490	346,494
Prior Period Adjustment	-	-	-	-	-	-
Net Assets – End of Year	<u>\$153,444</u>	<u>\$152,114</u>	<u>\$224,619</u>	<u>\$207,376</u>	<u>\$378,063</u>	<u>\$359,490</u>

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

Governmental Activities – Governmental Activities increased the City's net assets by \$1,329,725 for numerous reasons, including but not limited to: (1) payments resulting from the electric franchise agreement were higher than expected due to a very hot and dry summer in 2011; (2) municipal court revenue exceeded budgetary projections; (3) property tax receipts were higher than anticipated; (4) revenues from tourism activities exceeded budget projections; and (5) the City realized savings in electricity expenses, workers compensation costs, and salary expenses due to turnover of personnel.

Business-Type Activities – Business-type Activities increased the City's net assets by \$17,242,964, which was 92.84% of the total growth in the City's net assets. The City continues to reduce liabilities in its Water and Sewer Fund as debt service payments are made on outstanding revenue bonds. Business-type Activities also benefited from receipt of over \$4.8 million in grant funds from the Federal Aviation Administration for Phase II of the Runway Improvement Project at the Municipal Airport and receipt of over \$1.2 million in State grant funds for the Above Ground Fuel Farm and Apron Improvement Project at the Kickapoo Downtown Airport. In addition, the Transit Fund benefited from a grant from the City's General Fund of \$500,000 to partially fund the construction of a new Travel Center. Also, the Sanitation Fund improved its cash position by over \$1.4 million due to higher than anticipated revenues at the landfill, savings on several maintenance and equipment expenditures, and to set aside funds for future landfill expansion costs. Finally, most all revenue in the Stormwater Utility Fund either remains in the fund or is being used for drainage improvement projects.

Financial Analysis of the City's Funds

Governmental Funds – The focus of the governmental funds is to provide information on near-term inflows, outflows and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2012, the City's governmental funds reported combined fund balances of \$30,803,944, which is an increase of \$997,366 from the prior year. Much of this increase is reflected in the General Fund due to higher than expected electric franchise fees, municipal court revenue and property tax receipts. The General Fund also experienced expenditure savings in personnel costs due to turnover, lower than anticipated workers compensation expenses, and savings in electricity expenses from more efficient street lighting.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$16,570,675, an increase of \$568,314 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare both the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 25.56% of total General Fund expenditures, while the total fund balance represents 27.66% of total General Fund expenditures.

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

Proprietary Funds – The financial statements of the proprietary funds provide information for two types of funds: the business type (enterprise) funds and the internal service funds. The accounting principles applied to proprietary funds are similar to that of the private sector. Consequently, with the exception of the allocation of internal service fund net income or loss, the net assets and changes in net assets of the enterprise funds in these financial statements are identical with the net assets and changes in net assets reflected in the business type activities in the city-wide presentation.

The City's internal service funds include the Fleet Maintenance Fund, Employee Benefit Trust Fund, Duplicating Services Fund and the Information Technology Fund. At the close of September 30, 2012, the net assets for the City's internal service funds were \$24,627,829, an increase of \$1,901,002. This increase is principally because the City's new Information Technology Fund is generating reserve funds to address replacement of public safety communication systems as those systems become obsolete. Additionally, the Fleet Maintenance Fund increased in net assets principally because of transfers in of equipment purchased with Sanitation Funds. It should be noted that of the net assets for the City's internal service funds, \$19,937,991 is invested in capital assets and \$2,274,078 is reserved for employee and retiree life and health benefits. The purpose of the internal service funds is to provide services within the organization on a break-even basis. The net income or loss from these internal service funds has been allocated back to the using departments or funds for the City-wide financial statements.

General Fund Budgetary Highlights

The final amended expenditure budget for the General Fund, including transfers out, was increased by \$1,366,250 from the original adopted budget. The reasons for this increase in appropriations can be briefly summarized as follows:

- Approximately \$579,000 of prior year encumbrances for numerous commitments were carried forward to the 2011-12 amended budget, most of which was for street improvements, traffic control equipment and software maintenance.
- Approximately \$66,000 was appropriated to complete the funding needed to change our non-public safety radio system to a narrow frequency band.
- Approximately \$105,000 was appropriated to make capital improvements to the Champion's Course at Weeks Park.
- An additional \$116,000 was appropriated to partially fund the replacement of one of the City's trolleys.
- An additional \$500,000 was budgeted to cover the cost of settling a lawsuit involving a vehicle accident in the Police Department.

Actual revenues in the General Fund for the 2011-12 fiscal year were \$63,950,697, which was \$1,047,477 above final budgeted figures. The largest share of this amount was due to contributions of street and drainage improvements. Franchise fees from ONCOR also exceeded budget estimates due to a very hot and dry summer in 2011. The City also exceeded budget estimates in Municipal Court Fines.

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

Actual expenditures in the General Fund for the 2011-12 fiscal year were \$64,834,543 compared to a final budget of \$66,500,210. Much of this variance was due to turnover in personnel that allowed positions to remain unfilled for a period of time. The City also continued to benefit greatly through a third party administrative agreement to manage workers compensation claims. The City also saved money in electricity expenses, principally due to installation of LED street lights. Finally, there was over \$1 million in encumbrances that were not liquidated by the close of the fiscal year and will be expended during the 2012-13 fiscal year.

Capital Asset and Debt Administration

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to \$475,030,101 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress.

Major capital asset events during this fiscal year included the following:

- Continued water system improvements, principally at Cypress Water Treatment Plant.
- Construction of a fuel farm and apron improvements at Kickapoo Airport
- Runway improvements at Municipal Airport
- Current Street Rehabilitation and Utility Improvement Projects
- Extension of the Park System Hike/Bike Trail
- Callfield/Rhea/Lawrence Road Realignment Project

Capital Assets, net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 10,614	\$ 10,609	\$ 9,004	\$ 8,970	\$ 19,618	\$ 19,579
Land Betterments	18,724	19,199	24,743	22,926	43,467	42,125
Buildings, Systems and Improvements	50,693	52,069	191,751	193,751	242,444	245,820
Infrastructure	78,811	74,346	-	-	78,811	74,346
Machinery and Equip	12,131	13,145	2,535	2,024	14,666	15,169
Furniture and Fixtures	4	5	-	1	4	6
Motor Vehicles	-	-	18,095	16,638	18,095	16,638
Construction in Progress	<u>1,695</u>	<u>433</u>	<u>56,230</u>	<u>46,507</u>	<u>57,925</u>	<u>46,940</u>
Totals	<u>\$172,672</u>	<u>\$169,806</u>	<u>\$302,358</u>	<u>\$290,817</u>	<u>\$ 475,030</u>	<u>\$ 460,623</u>

City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)

Additional information on the City's capital assets can be found in Note 7 on pages 41-43 of this report.

Long Term Debt – At the end of the current fiscal year, the City of Wichita Falls had a total bonded debt, notes and capital leases outstanding of \$165,684,645. During the 2011-12 fiscal year, the City issued \$3.2 million in 20-Year Combination Tax and Revenue Certificates of Obligation for construction of the Callfield/Rhea/Lawrence Road Realignment Project.

As of September 30, 2012, Moody's Investor's Service had assigned a credit rating of Aa2 for the City's General Obligation Bonds and a rating of A1 for the City's Water and Sewer System Revenue Bonds. Standard & Poor's had assigned a credit rating of AA for the City's General Obligation Bonds and a rating of AA- for its Water and Sewer System Revenue Bonds.

Outstanding Debt at Year-End
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	\$ 4,116	\$ 4,450	\$ -	\$ -	\$ 4,116	\$ 4,450
Combination Tax and Revenue Bonds	35,503	34,104	19,799	23,970	55,302	58,074
Utility System Revenue Bonds	-	-	102,566	105,278	102,566	105,278
Capital Lease Payable	1,453	-	1,704	372	3,157	372
Notes Payable	=	=	<u>544</u>	<u>577</u>	<u>544</u>	<u>577</u>
Total	<u>\$ 41,072</u>	<u>\$ 38,554</u>	<u>\$ 124,613</u>	<u>\$ 130,197</u>	<u>\$ 165,685</u>	<u>\$ 168,751</u>

The City is permitted by its Home Rule Charter to levy taxes up to \$2.25 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2012, was \$.62526 per \$100, which means that the City has a tax margin of \$1.62474 per \$100, and could raise up to \$71,989,223 additional tax revenue a year from the present assessed valuation of \$4,430,814,978 before the limit is reached. The current ratio of general bonded debt outstanding to the assessed value of all taxable property is 0.89%.

Additional information about the City's long-term debt can be found in Note 13 on pages 51-54 of this report.

**City of Wichita Falls, Texas
Management's Discussion and Analysis
September 30, 2012
(continued)**

Economic Factors and Next Year's Budget and Rates

Total 2012-13 operating revenues, including transfers in from other funds, are budgeted at \$154,903,774, which is an increase of \$2,632,239, or 1.73% from the 2011-12 adopted budget.

In the 2012-13 budget, sales taxes in the General Fund are projected to generate \$21,448,817, an increase of \$249,669, or 1.18% from the prior year adopted budget. It should be noted that this projection was based upon an estimate of 2011-12 actual receipts and a growth rate of 1.00%. This projection is fairly conservative.

The Property Tax is the largest source of revenue in the City's budget and is relied heavily upon to provide general City services. The property tax base, as certified by the Wichita County Appraisal District, is \$4.46 billion; an increase of \$36.2 million, or 0.82% from the prior year. This is the fourth consecutive year that the property tax base has remained relatively unchanged. The property tax rate was increased by \$0.01 per \$100 of taxable value to \$0.63526 principally to provide funding for three operating programs: (1) a new mowing crew to supplement the State's mowing efforts on the State highways within the city; (2) to hire 2 additional Code Enforcement Officers and administrative staff to become more proactive in enforcement efforts in the community; and (3) to generate \$140,000 per year in revenue to assist with the debt service anticipated for construction of a new Municipal Airport Terminal.

The adopted budget includes the use of \$1,518,026 of General Fund Reserves for the following projects: (1) \$500,000 to begin a 3-year program to install vehicular, pedestrian, and facility signage throughout the community with a consistent design and theme; (2) to loan \$348,334 to the Transit Fund to assist in cost to construct a Regional Transit Hub in the downtown area; (3) \$348,517 for mowing and computer equipment; (4) \$201,175 to finance various building maintenance projects; (5) \$85,000 to construct a modular playground and shelter for public use at the Army Reserve Building that will soon be used to house Parks Maintenance employees and equipment; and (6) \$35,000 to hire professionals to conduct an audit of how local hotels are complying with the State Hotel/Motel Tax laws.

The budget also included a 4% increase in retail water and sewer rates to address rising costs to operate the water/sewer system.

Requests for Information

This financial report is designed to provide a general overview of the City of Wichita Falls' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or request for additional financial information, should be addressed to the City Finance Department, 1300 Seventh Street, Wichita Falls, Texas 76301.

Basic Financial Statements

CITY OF WICHITA FALLS, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 32,791,246	\$ 18,728,766	\$ 51,520,012	\$ 16,792,332
Receivables (net):				
Taxes and assessments	1,114,499	-	1,114,499	-
Customer and trade	-	5,930,293	5,930,293	-
Government agencies	6,787,330	751,710	7,539,040	1,220,776
Other	1,225,002	450,148	1,675,150	-
Internal balances	(6,143,955)	6,143,955	-	-
Inventory	364,151	1,893,106	2,257,257	-
Prepaid items	77,904	30,742	108,646	-
Other assets	200,854	-	200,854	-
Deferred charges	-	4,746,905	4,746,905	-
Restricted assets:				
Cash and cash equivalents	1,616,971	20,146,407	21,763,378	-
Capital assets not being depreciated	12,309,699	65,233,645	77,543,344	1,469,797
Capital assets net of accumulated depreciation	160,362,654	237,124,103	397,486,757	832,756
Total assets	<u>210,706,355</u>	<u>361,179,780</u>	<u>571,886,135</u>	<u>20,315,661</u>
Liabilities				
Accounts payable - trade	2,486,762	1,936,209	4,422,971	58,115
Accrued payroll	1,118,868	266,135	1,385,003	-
Accrued interest payable	309,126	907,319	1,216,445	-
Payable to government agencies	384,586	72,167	456,753	-
Estimated health claims payable	594,291	-	594,291	-
Other liabilities	4,117,674	1,539,390	5,657,064	14,117
Unearned revenue	37,236	-	37,236	-
Customer deposits	-	2,842,030	2,842,030	-
Long-term liabilities:				
Portion due or payable within one year	4,615,623	7,342,313	11,957,936	-
Portion due or payable after one year	43,598,322	121,655,067	165,253,389	-
Total liabilities	<u>57,262,488</u>	<u>136,560,630</u>	<u>193,823,118</u>	<u>72,232</u>
Net Assets				
Invested in capital assets, net of related debt	139,058,565	185,087,683	324,146,248	2,302,553
Restricted for:				
Perpetual care	959,114	-	959,114	-
Debt service	797,062	11,374,316	12,171,378	-
Capital projects	2,331,192	-	2,331,192	-
Federal grant programs	2,709,739	-	2,709,739	-
Tourism	134,404	-	134,404	-
Unrestricted	7,453,791	28,157,151	35,610,942	17,940,876
Total net assets	<u>\$ 153,443,867</u>	<u>\$ 224,619,150</u>	<u>\$ 378,063,017</u>	<u>\$ 20,243,429</u>

See accompanying notes to the basic financial statements.

CITY OF WICHITA FALLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Administrative services	\$ 11,934,804	\$ 4,390,463	\$ 214,878	-	\$ (7,329,463)	\$ -	\$ (7,329,463)	\$ -
Police	22,103,892	541,201	280,678	-	(21,282,013)	-	(21,282,013)	-
Fire	13,523,616	14,613	199,987	-	(13,309,016)	-	(13,309,016)	-
Parks and recreation	5,152,616	525,505	123,170	1,636,875	(2,867,066)	-	(2,867,066)	-
Accounting/finance	975,863	-	-	-	(975,863)	-	(975,863)	-
Community development	6,777,614	942,649	4,406,615	-	(1,428,350)	-	(1,428,350)	-
Public works	7,956,752	24,420	501,364	485,574	(6,945,394)	-	(6,945,394)	-
Health	5,021,625	1,075,277	1,900,580	-	(2,045,768)	-	(2,045,768)	-
Traffic and transportation	2,510,936	217,262	162,898	5,943,616	3,812,840	-	3,812,840	-
Multi-Purpose Events Center	3,895,665	1,656,358	-	-	(2,239,307)	-	(2,239,307)	-
Interest and fees on long-term debt	1,711,328	-	2,078,314	-	366,986	-	366,986	-
Total governmental activities	<u>81,564,711</u>	<u>9,387,748</u>	<u>9,868,484</u>	<u>8,066,065</u>	<u>(54,242,414)</u>	<u>-</u>	<u>(54,242,414)</u>	<u>-</u>
Business-type activities:								
Municipal Airport	529,827	716,608	-	-	-	186,781	186,781	-
Kickapoo Airport	1,419,681	1,153,038	-	-	-	(266,643)	(266,643)	-
Transit	1,903,560	405,852	2,371,658	-	-	873,950	873,950	-
Sanitation	8,904,795	12,807,160	-	-	-	3,902,365	3,902,365	-
Water and sewer	28,996,520	36,771,008	-	181,759	-	7,956,247	7,956,247	-
Stormwater drainage	406,570	2,552,650	-	-	-	2,146,080	2,146,080	-
Waterpark	1,375,832	1,475,842	-	-	-	100,010	100,010	-
Total business-type activities	<u>43,536,785</u>	<u>55,882,158</u>	<u>2,371,658</u>	<u>181,759</u>	<u>-</u>	<u>14,898,790</u>	<u>14,898,790</u>	<u>-</u>
Total primary government	<u>\$ 125,101,496</u>	<u>\$ 65,269,906</u>	<u>\$ 12,240,142</u>	<u>\$ 8,247,824</u>	<u>(54,242,414)</u>	<u>14,898,790</u>	<u>(39,343,624)</u>	<u>-</u>
Component units:								
Community development	<u>\$ 6,453,374</u>	<u>\$ 106,800</u>	<u>\$ 305,804</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,040,770)</u>
General revenues and transfers:								
Taxes:								
Property tax					28,625,696	-	28,625,696	345,057
Sales tax					21,406,823	-	21,406,823	7,135,608
Franchise fees					5,574,882	-	5,574,882	-
Hotel occupancy tax					1,677,100	-	1,677,100	-
Beverage tax					207,735	-	207,735	-
Bingo tax					61,696	-	61,696	-
Investment earnings					54,579	39,865	94,444	20,569
Miscellaneous					326,861	(58,924)	267,937	393,675
Transfers					(2,363,233)	2,363,233	-	-
Total general revenues and transfers					<u>55,572,139</u>	<u>2,344,174</u>	<u>57,916,313</u>	<u>7,894,909</u>
Change in net assets					1,329,725	17,242,964	18,572,689	1,854,139
Net assets - beginning					152,114,142	207,376,185	359,490,327	18,389,290
Net assets - ending					<u>\$ 153,443,867</u>	<u>\$ 224,619,149</u>	<u>\$ 378,063,016</u>	<u>\$ 20,243,429</u>

See accompanying notes to the basic financial statements.

CITY OF WICHITA FALLS, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General	Nonmajor Governmental	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 18,588,341	\$ 11,826,498	\$ 30,414,839
Receivables (net):			
Taxes and assessments	899,437	215,062	1,114,499
Other City funds	1,400,268	-	1,400,268
Government agencies	3,727,362	3,059,968	6,787,330
Other	1,090,335	114,057	1,204,392
Inventory	289,580	74,571	364,151
Prepaid items	62,340	15,097	77,437
Other assets	-	200,854	200,854
Total assets	\$ 26,057,663	\$ 15,506,107	\$ 41,563,770
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 1,925,490	\$ 478,251	\$ 2,403,741
Accrued payroll	1,005,841	91,792	1,097,633
Payable to other City funds	-	1,176,891	1,176,891
Payable to government agencies	294,295	90,291	384,586
Other liabilities	3,421,136	696,537	4,117,673
Deferred revenue	1,399,016	102,887	1,501,903
Claims and judgments payable	77,399	-	77,399
Total liabilities	8,123,177	2,636,649	10,759,826
Fund balances:			
Nonspendable:			
Inventory and prepaid items	352,835	89,668	442,503
Restricted for:			
Perpetual care	-	959,114	959,114
Debt service	-	731,411	731,411
Capital projects	-	6,209,397	6,209,397
Federal and state grant programs	-	2,709,739	2,709,739
Tourism	-	134,404	134,404
Committed for:			
Golf course	-	29,163	29,163
Multi-Purpose Events Center	-	378,947	378,947
Local projects	-	1,896,903	1,896,903
Assigned for:			
Subsequent year's expenditures	1,010,976	-	1,010,976
Unassigned	16,570,675	(269,288)	16,301,387
Total fund balances	17,934,486	12,869,458	30,803,944
Total liabilities and fund balances	\$ 26,057,663	\$ 15,506,107	\$ 41,563,770

See accompanying notes to the basic financial statements.

CITY OF WICHITA FALLS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances - governmental funds (Exhibit A-3) \$ 30,803,944

Amounts reported for *governmental activities* in the Statement of Net Assets (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 291,203,145	
Related accumulated depreciation	<u>118,726,436</u>	172,476,709

Property taxes receivable and municipal court fines are not available to pay for current period expenditures and therefore are deferred in the funds. 1,464,667

Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds payable	39,619,233	
Capital lease payable	1,452,760	
Accrued vacation and sick leave	6,981,560	
Claims and judgments payable	80,444	
Accrued interest	<u>309,126</u>	(48,443,123)

Internal service funds are used by management to charge the costs of duplicating services, information technology and health insurance claims to the individual funds. The assets and liabilities of these internal service funds are included with the governmental activities. 3,560,990

Internal service funds are used by management to charge the costs of central garage services to the individual funds. The assets and liabilities of this fund are included with the business-type activities. This amount represents the governmental activity portion of the central garage activity. (6,419,320)

Total net assets - governmental activities (Exhibit A-1) \$ 153,443,867

See accompanying notes to the basic financial statements.

CITY OF WICHITA FALLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General	Nonmajor Governmental	Total Governmental Funds
Revenues			
Taxes	\$ 55,183,869	\$ 2,423,443	\$ 57,607,312
Charges for services	2,842,447	867,924	3,710,371
Licenses and permits	2,002,559	-	2,002,559
Fines and forfeitures	2,211,710	198,082	2,409,792
Intergovernmental revenue	9,492	14,478,744	14,488,236
Contributions	641,745	2,804,568	3,446,313
Miscellaneous revenue	1,058,875	2,202,174	3,261,049
Total revenues	<u>63,950,697</u>	<u>22,974,935</u>	<u>86,925,632</u>
Expenditures			
Administrative services	10,683,914	1,474,867	12,158,781
Police	20,232,522	313,443	20,545,965
Fire	13,056,554	221,322	13,277,876
Parks and recreation	4,691,686	142,057	4,833,743
Accounting/finance	845,076	-	845,076
Community development	1,589,971	5,239,047	6,829,018
Public works	5,154,672	622,577	5,777,249
Health	2,775,458	2,118,893	4,894,351
Traffic and transportation	1,907,622	287,340	2,194,962
Multi-Purpose Events Center	-	3,062,507	3,062,507
Capital outlay	3,897,068	4,639,981	8,537,049
Debt service - principal	-	2,270,000	2,270,000
Debt service - interest and paying agent fees	-	1,604,392	1,604,392
Debt service - bond issuance costs	-	137,461	137,461
Total expenditures	<u>64,834,543</u>	<u>22,133,887</u>	<u>86,968,430</u>
Excess of revenues over (under) expenditures	<u>(883,846)</u>	<u>841,048</u>	<u>(42,798)</u>
Other Financing Sources (Uses)			
Bond proceeds	-	3,200,000	3,200,000
Premium on bond proceeds	-	77,038	77,038
Bond proceeds - refunding bonds	-	4,365,000	4,365,000
Premium on refunding bond proceeds	-	194,300	194,300
Capital lease proceeds	501,051	951,709	1,452,760
Payment to refunded bond escrow agent	-	(4,484,698)	(4,484,698)
Transfers in	2,771,519	3,640,336	6,411,855
Transfers out	(1,514,237)	(8,661,854)	(10,176,091)
Total other financing sources (uses)	<u>1,758,333</u>	<u>(718,169)</u>	<u>1,040,164</u>
Net change in fund balance	874,487	122,879	997,366
Fund balances - beginning	17,059,999	12,746,579	29,806,578
Fund balances - ending	<u>\$ 17,934,486</u>	<u>\$ 12,869,458</u>	<u>\$ 30,803,944</u>

See accompanying notes to the basic financial statements.

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

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 997,366

Amounts reported for *governmental activities* in the Statement of Activities (Exhibit A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 8,634,626	
Depreciation expense for the year	5,797,430	2,837,196

Proceeds from the sale of capital assets are recorded as revenues when received in the governmental funds. In the Statement of Activities, the difference between the proceeds and the book value of the capital asset is reported as a gain (loss) from sale. (161,999)

Because property tax receivables and municipal court receivables will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year. (134,778)

The issuance of long-term debt provides current financial resources to governmental funds. However, the issuance increases long-term liabilities in the Statement of Net Assets. Long-term debt issued in 2011-2012 was:

Capital lease payable	(1,452,760)	
General obligation bonds issued	(7,857,794)	(9,310,554)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Bond principal payments in 2011-12 were: 6,792,722

Included in long-term debt are obligations for accrued vacation and sick leave, and claims and judgments payable. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The changes in these long-term obligations were:

Accrued vacation and sick leave	(96,272)	
Claims and judgments payable	1,428	(94,844)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in accrued interest is as follows:

Accrued interest at September 30, 2011	323,083	
Accrued interest at September 30, 2012	309,126	13,957

Internal service funds are used by management to charge the costs of duplicating services, information technology and health insurance claims to the individual funds. The net revenues of these internal service funds are included with the governmental activities. 1,043,090

Internal service funds are used by management to charge the costs of central garage services to the individual funds. The net revenue of this fund is included with the business-type activities. This amount represents the governmental activity portion of the central garage activity. (652,431)

Change in net assets of governmental activities (Exhibit A-2) \$ 1,329,725

See accompanying notes to the basic financial statements.

CITY OF WICHITA FALLS, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Enterprise Funds				Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Enterprise Funds	Total	
Assets					
Current assets:					
Cash and cash equivalents	\$ 9,096,394	\$ 3,838,703	\$ 5,336,194	\$ 18,271,291	\$ 2,833,882
Restricted cash and cash equivalents	19,593,858	-	552,549	20,146,407	1,616,971
Receivables (net):					
Customer and trade	4,333,759	1,324,853	271,681	5,930,293	-
Government agencies	51,419	-	700,291	751,710	-
Other	52,530	-	57,303	109,833	360,925
Inventory	1,016,324	-	62,364	1,078,688	814,418
Prepaid items	510	-	30,232	30,742	467
Total current assets	<u>34,144,794</u>	<u>5,163,556</u>	<u>7,010,614</u>	<u>46,318,964</u>	<u>5,626,663</u>
Long-term assets:					
Deferred charges	4,746,905	-	-	4,746,905	-
Capital assets, net of accumulated depreciation	<u>231,449,773</u>	<u>7,382,183</u>	<u>42,381,160</u>	<u>281,213,116</u>	<u>21,340,275</u>
Total long-term assets	<u>236,196,678</u>	<u>7,382,183</u>	<u>42,381,160</u>	<u>285,960,021</u>	<u>21,340,275</u>
Total assets	<u>270,341,472</u>	<u>12,545,739</u>	<u>49,391,774</u>	<u>332,278,985</u>	<u>26,966,938</u>

See accompanying notes to the basic financial statements.

CITY OF WICHITA FALLS, TEXAS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Enterprise Funds				Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Enterprise Funds	Total	
Liabilities					
Current liabilities:					
Accounts payable - trade	794,795	564,803	467,991	1,827,589	191,641
Accrued payroll	148,758	53,408	28,853	231,019	56,351
Accrued vacation and sick leave	335,348	112,539	37,960	485,847	83,237
Payable to other City funds	88,142	-	125,083	213,225	10,150
Payable to government agencies	-	67,211	4,956	72,167	-
Estimated health claims payable	-	-	-	-	594,291
Other liabilities	1,432,852	9,301	96,082	1,538,235	1,155
Payable to U.S. Government - current maturity	34,281	-	-	34,281	-
Capital leases - current maturities	-	-	-	-	428,365
Revenue bonds - current maturities	6,354,667	-	-	6,354,667	-
Accrued interest - revenue bonds	907,319	-	-	907,319	-
Total current liabilities	<u>10,096,162</u>	<u>807,262</u>	<u>760,925</u>	<u>11,664,349</u>	<u>1,365,190</u>
Long-term liabilities:					
Payable to U.S. Government, less current maturities	509,596	-	-	509,596	-
Capital leases, less current maturities	302,057	-	-	302,057	973,919
Revenue bonds, less current maturities	116,009,768	-	-	116,009,768	-
Estimated liability for landfill closure and post-closure care costs	-	3,818,193	-	3,818,193	-
Customer deposits	2,842,030	-	-	2,842,030	-
Total long-term liabilities	<u>119,663,451</u>	<u>3,818,193</u>	<u>-</u>	<u>123,481,644</u>	<u>973,919</u>
Total liabilities	<u>129,759,613</u>	<u>4,625,455</u>	<u>760,925</u>	<u>135,145,993</u>	<u>2,339,109</u>
Net Assets					
Invested in capital assets, net of related debt	115,581,993	7,382,183	42,381,160	165,345,336	19,937,991
Restricted for debt service	11,374,316	-	-	11,374,316	-
Unrestricted	13,625,550	538,101	6,249,689	20,413,340	4,689,838
Total net assets	<u>\$140,581,859</u>	<u>\$ 7,920,284</u>	<u>\$ 48,630,849</u>	<u>197,132,992</u>	<u>\$ 24,627,829</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>27,486,157</u>	
Net assets of business type activities				<u>\$224,619,149</u>	

See accompanying notes to the basic financial statements.

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

	Enterprise Funds			Total	Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Enterprise Funds		
Operating revenues:					
Charges for services	\$ 36,627,625	\$ 12,739,971	\$ 4,040,802	\$ 53,408,398	\$ 12,821,260
Rents, concessions and other	143,383	67,189	2,263,188	2,473,760	619,205
Contributions	-	-	-	-	10,124,446
Total operating revenues	<u>36,771,008</u>	<u>12,807,160</u>	<u>6,303,990</u>	<u>55,882,158</u>	<u>23,564,911</u>
Operating expenses:					
Personnel services	8,333,407	3,288,656	1,850,078	13,472,141	3,038,276
Supplies and materials	2,339,498	277,818	1,351,694	3,969,010	4,244,665
Maintenance and repairs	1,516,928	318,734	334,439	2,170,101	2,246,261
Utilities and other services	5,252,621	3,996,581	761,553	10,010,755	318,610
Insurance and contract support	526,436	89,299	114,705	730,440	9,008,129
Other expenses	1,533,052	490,232	207,952	2,231,236	1,838,792
Depreciation and amortization	5,552,648	186,401	1,038,973	6,778,022	3,516,006
Total operating expenses	<u>25,054,590</u>	<u>8,647,721</u>	<u>5,659,394</u>	<u>39,361,705</u>	<u>24,210,739</u>
Operating income (loss)	<u>11,716,418</u>	<u>4,159,439</u>	<u>644,596</u>	<u>16,520,453</u>	<u>(645,828)</u>
Nonoperating revenues (expenses):					
Interest income	30,644	3,331	5,890	39,865	209,582
Gain/(loss) on sale/abandonment of capital assets	95,109	(116,000)	(166,521)	(187,412)	125,287
Interest expense and paying agent fees	(4,851,051)	-	-	(4,851,051)	(10,928)
Intergovernmental operating grants	-	-	2,371,658	2,371,658	-
Total nonoperating revenues (expenses)	<u>(4,725,298)</u>	<u>(112,669)</u>	<u>2,211,027</u>	<u>(2,626,940)</u>	<u>323,941</u>
Income (loss) before contributions and transfers	6,991,120	4,046,770	2,855,623	13,893,513	(321,887)
Capital contributions	181,759	-	-	181,759	116,000
Transfers in	743,908	-	6,715,394	7,459,302	2,418,889
Transfers out	<u>(1,414,779)</u>	<u>(2,762,886)</u>	<u>(1,624,288)</u>	<u>(5,801,953)</u>	<u>(312,000)</u>
Change in net assets	6,502,008	1,283,884	7,946,729	15,732,621	1,901,002
Net assets - beginning	134,079,851	6,636,400	40,684,120		22,726,827
Net assets - ending	<u>\$ 140,581,859</u>	<u>\$ 7,920,284</u>	<u>\$ 48,630,849</u>		<u>\$ 24,627,829</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds				<u>1,510,343</u>	
Change in net assets of business type activities				<u>\$ 17,242,964</u>	

See accompanying notes to the basic financial statements.

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

	Enterprise Funds			Total	Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Enterprise Funds		
Cash flows from operating activities:					
Received from customers and users	\$ 37,550,745	\$12,682,430	\$ 6,325,903	\$ 56,559,078	\$ 23,239,947
Payments to suppliers	(14,837,409)	(5,339,727)	(3,316,448)	(23,493,584)	(18,714,559)
Payments to employees	(6,026,534)	(2,346,162)	(1,441,700)	(9,814,396)	(2,228,084)
Net cash provided by operating activities	<u>16,686,802</u>	<u>4,996,541</u>	<u>1,567,755</u>	<u>23,251,098</u>	<u>2,297,304</u>
Cash flows from noncapital financing activities:					
Intergovernmental operating grants	-	-	1,911,654	1,911,654	10,150
Interfund loans received (repaid)	-	-	53,769	53,769	(46,409)
Transfers in from other funds	743,908	-	6,715,394	7,459,302	2,418,889
Transfers out to other funds	(1,414,779)	(2,762,886)	(1,624,288)	(5,801,953)	(312,000)
Net cash provided (used) by noncapital financing activities	<u>(670,871)</u>	<u>(2,762,886)</u>	<u>7,056,529</u>	<u>3,622,772</u>	<u>2,070,630</u>
Cash flows from capital and related financing activities:					
Capital contributions	-	-	-	-	116,000
Acquisition and construction of capital assets	(7,766,662)	(818,529)	(7,713,296)	(16,298,487)	(3,836,265)
Proceeds from sale of capital assets	15,109	-	-	15,109	129,072
Proceeds from issuance of long-term debt	302,057	-	-	302,057	-
Principal paid on long-term debt	(5,838,202)	-	-	(5,838,202)	(436,266)
Interest and fees paid on long-term debt	(5,665,022)	-	-	(5,665,022)	(10,928)
Net cash used for capital and related financing activities	<u>(18,952,720)</u>	<u>(818,529)</u>	<u>(7,713,296)</u>	<u>(27,484,545)</u>	<u>(4,038,387)</u>
Cash flows from investing activities:					
Interest on investments	30,644	3,331	5,890	39,865	209,582
Net cash provided by investing activities	<u>30,644</u>	<u>3,331</u>	<u>5,890</u>	<u>39,865</u>	<u>209,582</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,906,145)	1,418,457	916,878	(570,810)	539,129
Cash and Cash Equivalents - Beginning	31,596,397	2,420,246	4,971,865	38,988,508	3,911,724
Cash and Cash Equivalents - Ending	<u>\$ 28,690,252</u>	<u>\$ 3,838,703</u>	<u>\$ 5,888,743</u>	<u>\$ 38,417,698</u>	<u>\$ 4,450,853</u>
Reconciliation of cash and cash equivalents on the balance sheet to the statement of cash flows:					
Cash and cash equivalents	\$ 9,096,394	\$ 3,838,703	\$ 5,336,194	\$ 18,271,291	\$ 2,833,882
Restricted assets - cash and cash equivalents	19,593,858	-	552,549	20,146,407	1,616,971
Total cash and cash equivalents at end of year	<u>\$ 28,690,252</u>	<u>\$ 3,838,703</u>	<u>\$ 5,888,743</u>	<u>\$ 38,417,698</u>	<u>\$ 4,450,853</u>

See accompanying notes to the basic financial statements.

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

	Enterprise Funds				Internal Service Funds
	Water and Sewer	Sanitation	Nonmajor Enterprise Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 11,716,418	\$ 4,159,439	\$ 644,596	\$ 16,520,453	\$ (645,828)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	5,552,648	186,401	1,038,973	6,778,022	3,516,006
Customer deposits received	68,840	-	-	68,840	-
(Increase) decrease in current assets:					
Receivables:					
Customer and trade	697,274	(124,730)	401	572,945	-
Other	13,623	-	21,512	35,135	(320,416)
Inventory	605	-	(9,697)	(9,092)	(41,545)
Prepaid items	(399)	-	(24,798)	(25,197)	185
Increase (decrease) in current liabilities:					
Accounts payable - trade	(777,791)	539,714	(109,923)	(348,000)	(76,222)
Accrued payroll	11,795	2,699	(3,239)	11,255	20,885
Accrued vacation and sick leave	12,614	(4,146)	2,294	10,762	(522)
Payable to other City funds	88,142	-	-	88,142	-
Estimated health claims payable	-	-	-	-	(150,691)
Payable to government agencies	-	3,296	(13,567)	(10,271)	-
Other liabilities	(696,967)	(9,894)	21,203	(685,658)	(4,548)
Estimated liability for landfill closure	-	243,762	-	243,762	-
Total adjustments	<u>4,970,384</u>	<u>837,102</u>	<u>923,159</u>	<u>6,730,645</u>	<u>2,943,132</u>
Net cash provided by operating activities	<u>\$ 16,686,802</u>	<u>\$ 4,996,541</u>	<u>\$ 1,567,755</u>	<u>\$ 23,251,098</u>	<u>\$ 2,297,304</u>
Noncash capital and financing activities:					
Capital assets received from developers	<u>\$ 181,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 181,759</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

CITY OF WICHITA FALLS, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2012

	Agency Fund
Assets	
Cash and cash equivalents	\$ 81,226
Liabilities	
Other liabilities	\$ 81,226

See accompanying notes to the basic financial statements.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the **City of Wichita Falls, Texas** (City) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting (NCGA) unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The following is a summary of the more significant policies and practices used by the City.

A. Reporting Entity

The City is a municipal corporation governed by an elected Mayor and six-member City Council. As required by Governmental Accounting Standards Board (GASB) Statement No. 39, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and data from these units are combined with data presented by the City. A discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the City. Each blended and discretely presented component unit has a September 30th year end.

Blended Component Unit

Employee Benefit Trust Fund. On October 1, 1983, an "Agreement and Declaration of Trust" was made and entered into between the City and the Employee Benefit Trust Committee, acting as Trustee to administer the Employee Benefit Trust (Trust). The Trust Committee consists of four Trustees selected by the City, who may, but need not be, beneficiaries of the health and welfare program funded by the Trust, and/or officers or employees of the City. The purpose of the Trust is to provide health and welfare benefits, which may include life, accidental death and dismemberment, disability, medical and dental insurance, and any other benefits as determined by the Trustee Committee. The Trust is funded through contributions by the City and employees who choose to participate. It may be terminated in writing, at any time, by either party. The Employee Benefit Trust Fund is presented in the accompanying financial statements as an internal service fund.

Discretely Presented Component Units

The Wichita Falls Economic Development Corporation. The Wichita Falls Economic Development Corporation is a non-profit corporation formed in May 1997 for the purpose of increasing employment opportunities, primarily through assisting qualifying enterprises with funds provided by a portion of the local sales tax. Assistance may be in the form of incentive grants, loans or leases which call for discounted rates or rebates for job development. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4A. Since the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations, the Wichita Falls Economic Development Corporation is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Wichita Falls Economic Development Corporation utilizes full accrual accounting.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

The Wichita Falls 4B Sales Tax Corporation. The Wichita Falls 4B Sales Tax Corporation is a non-profit corporation formed in May 1997 for the purpose of increasing employment opportunities and for public improvement projects such as parks, auditoriums, learning centers, open space improvements, athletic and exhibition facilities, and the related maintenance and operating costs of such projects. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B. Since the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations, the Wichita Falls 4B Sales Tax Corporation is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Wichita Falls 4B Sales Tax Corporation utilizes full accrual accounting.

Wichita Falls Reinvestment Zone #2. On August 16, 2005, the City of Wichita Falls, Texas, with the advice and consent of the Wichita Falls Independent School District and Wichita County, approved the creation of the Wichita Falls Reinvestment Zone #2 (Zone). This Zone is permitted by Article 1066e of the State of Texas Tax Increment Financing Act passed in 1981. The area of the Zone is approximately 236 acres and includes the Lawrence Road area of the City. The purpose of the Zone is to capture increments of growth in real property values in the Zone from base values established on January 1, 2004, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the Zone or for the payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates on December 31, 2025, or when all debt has been paid if later. After all costs have been paid at the end of the tax increment financing period, any money remaining is to be remitted to the taxing entities. Since the City Council appoints a majority of its Board, approves its budget, and exercises final authority over its operations, the Wichita Falls Reinvestment Zone #2 is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Zone utilizes full accrual accounting.

Wichita Falls Reinvestment Zone #3. On September 1, 2009, the City of Wichita Falls, Texas, with the advice and consent of the Wichita Falls Independent School District and Wichita County, approved the creation of the Wichita Falls Reinvestment Zone #3 (Zone). This Zone is permitted by Article 1066e of the State of Texas Tax Increment Financing Act passed in 1981. The area of the Zone is approximately 630 acres and includes a significant portion of the Eastside Neighborhood. The purpose of the Zone is to capture increments of growth in real property values in the Zone from base values established on January 1, 2009, and use the ad valorem taxes derived from these increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the Zone or for the payment of debt service on bonds issued to provide funds for public improvements. The Zone terminates on December 31, 2029. After all costs have been paid at the end of the tax increment financing period, any money remaining is to be remitted to the taxing entities. Since the City Council appoints a majority of its Board, approves its budget, and exercises final authority over its operations, the Wichita Falls Reinvestment Zone #3 is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Zone utilizes full accrual accounting.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

No separate audited financial statements are available for the City's blended and discretely presented component units. Complete financial statements for the individual component units may be obtained from the City's Assistant City Manager/CFO at 1300 7th Street, Wichita Falls, Texas.

Excluded From the Reporting Entity

Wichita Falls Firemen's Relief and Retirement Fund. The Wichita Falls Firemen's Relief and Retirement Fund was established and is controlled through various State of Texas legislative enactments. This Fund is administered locally by a seven-member board, independent of the City Council. City management and the City Council do not influence or control the administrative and financial affairs of the Fund, and the assets of the Fund are not the property of the City. The seven-member Board of Trustees, composed of the Mayor, the Finance Manager from the City's Finance Department, three firefighters elected by a majority vote of the firefighters and two citizens, who are not employees or officers of the City and are chosen by the unanimous vote of the first five Trustees, are subject to the administrative supervision of and report to the State Firemen's Pension Board. The activities of the Firemen's Relief and Retirement Fund, in the City's judgment, are not a part of the City and thus are excluded from the accompanying financial statements.

B. Basis of Presentation

Government-wide financial statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (police, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Fund financial statements

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for governmental and enterprise) for the determination of major funds. The major governmental fund is the General Fund. The major enterprise funds are the Water and Sewer Fund and the Sanitation Fund. Non-major funds are combined in a column in the fund financial statements. Non-major funds are detailed in the combining section of the statements.

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Because the principal users of internal services are the City's governmental and business-type activities, financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

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

C. Measurement focus, basis of accounting and financial statement presentation

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

Government fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax, franchise fees, and sales tax associated with the current fiscal period are all susceptible to accrual and have been recognized as revenues of the current fiscal period. All of the revenue items are considered to be measurable and available only when cash is received.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

The City reports the following major governmental fund:

The General Fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges, and capital improvement costs that are not paid through other funds.

Other governmental funds are a summarization of all the non-major governmental funds.

The City reports the following major proprietary funds:

The Water and Sewer Fund accounts for water and sewer utility services to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The Sanitation Fund accounts for refuse collection services to the residents of the City as well as the operations of the City's landfill. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations and maintenance.

Other enterprise funds are a summarization of all of the non-major proprietary funds.

The City additionally reports the following fund types:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis. The City uses internal service funds to report the activities of fleet maintenance, duplicating services, employee health and life insurance, and information technology.

An agency fund is used to account for any unclaimed vendor or payroll checks that will be escheated to the State if they remain unclaimed. These funds are held on a purely custodial basis.

GASB Statement No. 34 eliminates the presentation of account groups but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

Private-sector standards of accounting and financial reporting (as issued by the Financial Accounting Standards Board) issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expense 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 City's water and sewer, sanitation, transit, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

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

Capital improvement assessments are recorded as revenues in the fiscal period when the assessment becomes both measurable and available to finance expenditures of the fiscal period. Assessment revenues are considered measurable and available when collected by the City and recognized as revenue at that time. Payments for capital improvement assessments received in advance of the levy are reflected as deferred revenue.

D. Nonexchange Transactions

In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. The statement defines when the City should recognize revenue or expense for nonexchange transactions involving financial or capital resources and how to account for timing and purpose restrictions. The timing of recognition depends on whether a nonexchange transaction is (a) a derived tax revenue (b) an imposed nonexchange revenue transaction or (c) a government-mandated or voluntary nonexchange transaction. Under this standard, revenue transactions with purpose restrictions are recorded as restricted resources until the purpose restrictions are met.

Nonexchange transactions include the following classifications:

- Derived tax revenues result from assessments imposed by government on exchange transactions.
- Imposed nonexchange revenues result from assessments by governments on nongovernmental entities, other than assessments on exchange transactions.
- Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and require that government to use them for a specific purpose or purposes established in the provider's enabling legislation.
- Voluntary nonexchange transactions result from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. Examples of the City's voluntary nonexchange transactions include capital grants, state shared revenue and private donations.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Providers of government-mandated nonexchange transactions and voluntary nonexchange transactions should recognize liabilities and expenses/expenditures and recipients should recognize receivables (or decrease in liabilities) and revenue when all applicable eligibility requirements, including time requirements are met.

All nonexchange transactions occurring in governmental fund types are also subject to the modified accrual revenue recognition criteria. Accordingly, assets and revenue should not be recognized unless measurable and available.

E. Assets, liabilities and net assets or equity

1. Cash, cash equivalents and investments

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

Investments are carried at fair value. Fair value is determined as the price at which two willing parties would complete an exchange. Interest earned on investments is recorded in the funds in which the investments are recorded.

2. Inventory and Prepaid Items

Inventories of the general and proprietary funds consist of supplies and various materials used for the maintenance of capital assets. The consumption method is used to account for these inventories. Under this method, inventory acquisitions are recorded in inventory accounts initially and charged as expenditures when used. Inventories are stated at average cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-like activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received.

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

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

<u>Assets</u>	<u>Years</u>
Buildings, systems and improvement	20-59 years
Infrastructure	8-100 years
Machinery, vehicles and other equipment	3 - 25 years
Furniture and equipment	3 - 10 years

For business-type activities' capital assets, interest is capitalized on construction costs incurred during the year at an average interest rate on borrowed funds (revenue bonds) in accordance with generally accepted accounting principles.

For the fiscal year ended September 30, 2012, the City's business-type activities incurred a total of \$4,861,979 of interest costs. This entire amount was charged to expense as there was no capitalized interest in the current year.

Contributions of funds from federal, state, or local grants restricted for the purpose of purchasing plant and equipment are recorded as revenue when received. The cost of water and sewer lines installed by developers is valued by the contractor and recorded as nonoperating revenue in the Water and Sewer Fund.

4. Long-Term Obligations

Long-term debt and other obligations for general government purposes are recorded in the government-wide statement of net assets. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For the government-wide financial statements and proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred bond issue costs and amortized over the term of the related debt. In addition, gains or losses on proprietary fund bond refunding are amortized over the term of the lesser of the new bonds or the refunded bonds' life using the effective interest method. In the governmental fund financials, bond proceeds are reported as another financing source. Bond premiums and discounts in governmental funds are also recognized currently as other financing sources or uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

5. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

6. Federal and State Grants

Grants and shared revenues are generally accounted for within the appropriate fund of the City to be financed by such grants or shared revenues. Federal grants include Community Development Block Grant, Section 8 Housing Assistance, Home Investment Partnership Agreement Program, and numerous health-related grants.

Each Federal grant is accounted for in a separate special revenue fund. State grant revenues received for purposes normally financed through the general government are accounted for within the General Fund.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

7. Transactions Between Funds

Outstanding balances between funds are reported as "due to/from other City funds." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances." Nonrecurring or non-routine transfers of equity between funds are accounted for as transfers.

8. Vacation and Sick Leave

All full-time employees accumulate vacation benefits based on length of service up to 15 days per year. The maximum allowable accumulation is 30 days. Upon leaving the employment of the City, employees will be paid for unused vacation days which they have accrued.

Sick leave is earned at the rate of 4.62 hours per pay period up to a maximum of ninety days. Additionally, police officers and firefighters may accumulate an unlimited number of sick leave days while employed with the City. Upon termination, police officers and firefighters are compensated for up to 720 hours and 1,080 hours, respectively.

9. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City maintains a group health insurance plan for employees and dependents which is partially self-insured by the City. A group life insurance plan is maintained through an insurance company. Contributions to the plans are provided for by both the City and participating employees. These contributions are recognized as revenues in the internal service fund used to account for these plans. The contributions made by the City are recorded as expenditures or expenses of the various funds as appropriate.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of \$500,000. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

The City is also self-insured up to \$250,000 for workers' compensation claims. Such claims are processed by a third party administrator. The City's estimated liability for workers' compensation claims payable at September 30, 2012 is based on management's estimate of probable losses in the amount of \$158,243. The payment dates of such claims cannot be precisely determined, but are expected to be paid on a periodic basis over the next few years. Accordingly, the long-term liability has been recorded in the government-wide financial statements. \$77,799 is believed by City management to be currently payable from available resources and is recorded in the General Fund.

The following represents changes in the amount of claims liabilities for the City from October 1, 2010 to September 30, 2012:

	Health Care	Workers' Compensation
Liability balance, October 1, 2010	\$ 520,797	\$ 202,584
Incurred claims/adjustments	8,942,608	461,856
Claim payments	(8,718,423)	(500,541)
Liability balance, September 30, 2011	744,982	163,899
Incurred claims/adjustments	8,397,787	401,867
Claim payments	(8,548,478)	(407,523)
Liability balance, September 30, 2012	\$ 594,291	\$ 158,243

Note 2 - COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None	

Note 3 - DEPOSITS AND INVESTMENTS

Deposits

All of the City's demand and time depository accounts are held in local banking institutions under the terms of written depository contracts. At September 30, 2012, the total amount of the City's demand and time deposits per the general ledger was \$3,154,003, and the total amount per the City's September 30, 2012 bank statements was \$4,716,633. The entire amount of the year-end bank statement balances was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

Investments

The investment policies of the City and its discretely presented component units are governed by The Public Funds Investment Act. Authorized investments include obligations of the U.S. Treasury, agencies and instrumentalities, obligations of the State of Texas and related agencies, obligations of states, agencies, counties, cities and political subdivisions of any state rated A or above by a nationally recognized investment rating firm, repurchase agreements, public funds investment pools, and commercial paper.

The investments of the City and its discretely presented component units at September 30, 2012 are as follows:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings</u>	<u>Weighted Average Months to Maturity</u>
Primary Government:				
TexPool	\$31,307,625	\$31,307,625	Not rated	1.00
LOGIC	27,348,245	27,348,245	Not rated	1.00
Money market account	<u>9,826,932</u>	<u>9,826,932</u>	Not rated	1.00
Total primary government investments	<u>68,482,802</u>	<u>68,482,802</u>		
Component Units:				
TexPool	<u>18,515,070</u>	<u>18,515,070</u>	Not rated	1.00
Total component unit investments	<u>18,515,070</u>	<u>18,515,070</u>		
Total investments	<u>\$86,997,872</u>	<u>\$86,997,872</u>		

TexPool is a public funds investment pool administered by the Treasurer of the State of Texas pursuant to the Interlocal Cooperation Act passed in 1989 by the 71st Texas Legislature. This Act authorized the City to delegate to TexPool the authority to make investment purchases and to hold legal title as custodian of the investment securities. All TexPool investments are in the possession of the Texas Treasury Safekeeping Trust Company and held in its book-entry safekeeping account at the Federal Reserve Bank of Dallas. The Texas Treasury Safekeeping Trust Company was created in 1986 by the 69th Texas Legislature to enable the Treasurer of the State of Texas to manage, safekeep, and invest public funds of state agencies and political subdivisions more efficiently and economically. TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company. TexPool is operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Therefore, the fair value of the City's position in TexPool is the same as the value of the pool shares.

LOGIC was also established pursuant to the Interlocal Cooperation Act passed by the State of Texas and is administered by Southwest Securities Group, Inc. LOGIC's governing body is a five-member board of directors comprised of three government officials and two other persons with expertise in public finance. LOGIC's investments are only those authorized by the Texas Public Funds Investment Act governing pools for local governments. LOGIC presently offers two investment pools, each of which is separately managed and has a different investment objective.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

Each participating government owns an undivided beneficial interest in the assets of the pool represented by units. Participants may terminate their participation in LOGIC at any time by redeeming their units. LOGIC is not registered with the Securities and Exchange Commission (SEC) as an investment company. LOGIC is operated in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Therefore, the fair value of the City's position in LOGIC is the same as the value of the pool shares.

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to interest rate risk by allowing no more than 20% of the City's portfolio to be invested for a period greater than one year.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 4 - RECEIVABLES

Receivables at September 30, 2012 consist of the following:

	General	Nonmajor Governmental Funds	Water and Sewer	Sanitation	Nonmajor Enterprise Funds	Internal Service	Totals Primary Government	Component Units	Totals Reporting Entity
Receivables:									
Taxes and assessments	\$ 1,554,321	\$ 256,600	\$ -	\$ -	\$ -	\$ -	\$ 1,810,921	\$ -	\$ 1,810,921
Customer and trade	-	-	5,700,498	1,803,935	346,003	-	7,850,436	-	7,850,436
Other City funds	1,400,268	-	-	-	-	-	1,400,268	-	1,400,268
Government agencies	3,727,362	3,059,968	51,419	-	700,291	-	7,539,040	1,220,776	8,759,816
Other	<u>1,090,335</u>	<u>114,057</u>	<u>52,530</u>	<u>-</u>	<u>57,303</u>	<u>360,925</u>	<u>1,675,150</u>	<u>-</u>	<u>1,675,150</u>
Gross receivables	7,772,286	3,430,625	5,804,447	1,803,935	1,103,597	360,925	20,275,815	1,220,776	21,496,591
Less: Allowance for uncollectible accounts	<u>(654,884)</u>	<u>(41,538)</u>	<u>(1,366,739)</u>	<u>(479,082)</u>	<u>(74,322)</u>	<u>-</u>	<u>(2,616,565)</u>	<u>-</u>	<u>(2,616,565)</u>
Net total receivables	<u>\$ 7,117,402</u>	<u>\$ 3,389,087</u>	<u>\$ 4,437,708</u>	<u>\$ 1,324,853</u>	<u>\$ 1,029,275</u>	<u>\$ 360,925</u>	<u>\$ 17,659,250</u>	<u>\$ 1,220,776</u>	<u>\$ 18,880,026</u>

There are no net receivables, other than delinquent property taxes, that the City does not expect to collect within a year. The City expects to collect approximately \$350,000 of the \$1,650,213 total delinquent property taxes. This amount is similar to the amounts collected in previous years.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 5 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of the prior January 1. Taxes are levied on October 1, and become delinquent after January 31, unless the half-payment option is elected, in which case one-half of the tax is due November 30, and the balance the following June 30.

The City is permitted by its Home Rule Charter to levy taxes up to \$2.25 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2012 was \$.62526 per \$100 which means that the City has a tax margin of \$1.62474 per \$100, and could raise up to \$71,989,223 additional tax revenue a year from the present assessed valuation of \$4,430,814,978 before the limit is reached.

Note 6 - RESTRICTED ASSETS

Restricted assets in the Water and Sewer Fund, Municipal Airport Fund, and Internal Service Funds, are held for specific purposes in accordance with bond ordinances or other legal restrictions.

Water and Sewer restricted assets are comprised of the following:

For Debt Service:	
Cash and cash equivalents	\$11,374,316
For Capital Improvements:	
Cash and cash equivalents	<u>8,219,542</u>
Total	<u>\$19,593,858</u>

Municipal Airport restricted assets are comprised of the following:

For Passenger Facility Charges:	
Cash and cash equivalents	\$ 306,358
For Customer Facility Charges:	
Cash and cash equivalents	<u>246,191</u>
Total	<u>\$ 552,549</u>

Internal Service Fund restricted assets are comprised of the following:

For Employee Insurance:	
Cash and cash equivalents	<u>\$ 1,616,971</u>

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 7 - CAPITAL ASSETS

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

Governmental activities:	Balance October 1, 2011	Increases	Decreases	Balance September 30, 2012
Capital assets not being depreciated:				
Land	\$ 10,609,499	\$ 4,625	\$ -	\$ 10,614,124
Construction in progress	<u>433,362</u>	<u>1,456,367</u>	<u>194,154</u>	<u>1,695,575</u>
Total capital assets not being depreciated	<u>11,042,861</u>	<u>1,460,992</u>	<u>194,154</u>	<u>12,309,699</u>
Capital assets being depreciated:				
Land betterments	23,460,902	17,330	-	23,478,232
Buildings, systems and improvements	68,674,747	53,985	790	68,727,942
Infrastructure	158,318,607	6,814,455	531,943	164,601,119
Machinery and equipment	21,810,218	674,581	346,494	22,138,305
Furniture and fixtures	<u>189,661</u>	<u>-</u>	<u>16,172</u>	<u>173,489</u>
Total capital assets being depreciated	<u>272,454,135</u>	<u>7,560,351</u>	<u>895,399</u>	<u>279,119,087</u>
Less accumulated depreciation for:				
Land betterments	4,262,176	491,848	-	4,754,024
Buildings, systems and improvements	16,605,908	1,429,293	410	18,034,791
Infrastructure	83,972,905	2,252,880	435,406	85,790,379
Machinery and equipment	8,665,376	1,644,659	302,364	10,007,671
Furniture and fixtures	<u>184,368</u>	<u>1,372</u>	<u>16,172</u>	<u>169,568</u>
Total accumulated depreciation	<u>113,690,733</u>	<u>5,820,052</u>	<u>754,352</u>	<u>118,756,433</u>
Total capital assets being depreciated, net	<u>158,763,402</u>	<u>1,740,299</u>	<u>141,047</u>	<u>160,362,654</u>
Governmental activities capital assets, net	<u>\$169,806,263</u>	<u>\$3,201,291</u>	<u>\$ 335,201</u>	<u>\$172,672,353</u>

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 7 - CAPITAL ASSETS (CONT'D.)

Business-type activities:	Balance October 1, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2012</u>
Capital assets not being depreciated:				
Land	\$ 8,969,905	\$ 33,600	\$ -	\$ 9,003,505
Construction in progress	<u>46,506,939</u>	<u>12,172,830</u>	<u>2,449,629</u>	<u>56,230,140</u>
Total capital assets not being depreciated	<u>55,476,844</u>	<u>12,206,430</u>	<u>2,449,629</u>	<u>65,233,645</u>
Capital assets being depreciated:				
Land betterments	35,939,206	2,668,814	102,572	38,505,448
Buildings, systems and improvements	282,993,919	4,114,249	679,000	286,429,168
Machinery and equipment	7,343,981	563,893	73,756	7,834,118
Furniture and fixtures	40,819	-	-	40,819
Motor vehicles	<u>48,114,871</u>	<u>5,017,955</u>	<u>1,584,880</u>	<u>51,547,946</u>
Total capital assets being depreciated	<u>374,432,796</u>	<u>12,364,911</u>	<u>2,440,208</u>	<u>384,357,499</u>
Less accumulated depreciation for:				
Land betterments	13,012,942	811,200	61,543	13,762,599
Buildings, systems and improvements	89,641,896	5,599,836	563,000	94,678,732
Machinery and equipment	4,920,529	429,559	51,376	5,298,712
Furniture and fixtures	40,773	46	-	40,819
Motor vehicles	<u>31,476,650</u>	<u>3,297,207</u>	<u>1,321,323</u>	<u>33,452,534</u>
Total accumulated depreciation	<u>139,092,790</u>	<u>10,137,848</u>	<u>1,997,242</u>	<u>147,233,396</u>
Total capital assets being depreciated, net	<u>235,340,006</u>	<u>2,227,063</u>	<u>442,966</u>	<u>237,124,103</u>
Business-type activities capital assets, net	<u>\$290,816,850</u>	<u>\$14,433,493</u>	<u>\$2,892,595</u>	<u>\$302,357,748</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Administrative services	\$ 599,989
Police	1,366,956
Fire	151,156
Parks and recreation	235,700
Accounting/finance	135,574
Community development	10,909
Public works	2,027,514
Health	154,407
Traffic and transportation	300,452
Multi-Purpose Events Center	<u>837,395</u>
Total governmental depreciation	<u>\$5,820,052</u>

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 7 - CAPITAL ASSETS (CONT'D.)

Business-type activities:	
Municipal Airport	\$ 263,942
Kickapoo Airport	381,892
Transit	406,340
Sanitation	2,539,585
Water and sewer	6,104,449
Stormwater drainage	199,686
Waterpark	<u>186,976</u>
Total business-type depreciation	<u>\$10,082,870</u>

Note 8 - PENSION PLANS

Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its eligible employees, except firefighters, through a nontraditional, 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 are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

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

Plan provisions for the City were as follows:

	Plan Year 2010	Plan Year 2011
Employee deposit rate	5%/7%	5%/7%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age / years of service)	60/10, 0/25	60/10, 0/25
Updated Service Credit	50% Repeating, Transfers	50% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 8 - PENSION PLANS (CONT'D.)

Contributions

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

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

Wichita Falls Firemen's Relief and Retirement Fund

Plan Description

The City provides pension benefits for all of its firefighters through a single employer defined benefit pension plan. The Wichita Falls Firemen's Relief and Retirement Fund (Fund) operates under an act passed in 1937 by the Texas State Legislature and adopted by the City's firefighters.

Benefits are determined on a "formula" or a "final salary" plan. A firefighter who qualifies for a retirement benefit will receive monthly retirement equal to 2.55% of the firefighter's average salary, multiplied by the member's years of credited service. Benefits are calculated based upon a member's average salary for the 78 consecutive biweekly pay periods which produce the highest average.

Members can receive a service retirement at ages 50 and above with 20 or more years of service. Members are eligible for actuarially reduced early retirement benefits before age 50, provided the employee has accrued at least 20 years of service. The plan also provides death and disability benefits. Members who terminate their service and are nonvested are entitled to the excess of the member's contributions over any benefits previously received.

Contributions

The contribution rate for the firefighters is 12% and the City contributes 11.39%. Both the firefighters and City make contributions bi-weekly. Contribution requirements are not actuarially determined, however, state law requires that each plan of benefits adopted by the Fund must be approved by a qualified actuary. The actuary certifies that the contribution commitments by the firefighters and the City provide an adequate financing arrangement. Using the individual entry age normal cost method, the plan's normal cost is determined as a percentage of payroll.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 8 - PENSION PLANS (CONT'D.)

The actuarial assumptions included (a) 8% investment rate of return, compounded annually (net of trust expenses), (b) projected salary increases for individual members of 4.75% per year, compounded annually, and (c) increases in total payroll of 4.75% per year, compounded annually. Active members are assumed to retire once they have both attained age 57 and completed at least 20 years of service. Benefits for vested terminated members are assumed to start on the date the member attains age 50 or, if later, the date the member would have completed 20 years of service. The actuarial value of assets was determined using a method that is market related and is consistent with the classes of current and anticipated assets. The method is consistent with the assumptions used to develop the actuarial present value of total projected benefits, and actuarial standards for valuation.

Schedule of Actuarial Liabilities and Funding Progress

	<u>Texas Municipal Retirement System</u>	<u>Firemen's Relief and Retirement</u>	<u>Total</u>
Actuarial Valuation Date	12/31/11	12/31/10 *	
Actuarial Value of Assets	\$164,206,444	\$41,107,385	\$205,313,829
Actuarial Accrued Liability (AAL)	201,160,651	60,152,150	261,312,801
Percentage Funded	81.6%	68.3%	78.6%
Unfunded Actuarial Accrued Liability (UAAL)	36,954,207	19,044,765	55,998,972
Annual Covered Payroll	38,791,669	8,527,417	47,319,086
UAAL as a Percentage of Covered Payroll	95.3%	223.3%	118.3%
Net Pension Obligation (NPO) at the Beginning of the Period	-0-	-0-	-0-
Annual Pension Cost:			
Annual Required Contribution (ARC)	\$ 5,177,200	\$ 1,176,541	\$ 6,353,741
Interest on NPO	-0-	-0-	-0-
Adjustment to the ARC	-0-	-0-	-0-
Annual Pension Cost	<u>\$ 5,177,200</u>	<u>\$ 1,176,541</u>	<u>\$ 6,353,741</u>

* The Wichita Falls Firemen's Relief and Retirement Fund has not had an actuarial valuation since this date. A valuation is planned for December 31, 2012.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 8 - PENSION PLANS (CONT'D.)

	Texas Municipal Retirement System	Firemen's Relief and Retirement	Total
Percentage of Annual Pension Costs Contributed	100%	100%	100%
Contributions Made	\$ 5,218,722	\$ 1,174,529	\$ 6,393,251
Increase in NPO	-0-	-0-	-0-
NPO At the End of the Period	-0-	-0-	-0-
Two preceding years:			
2011:			
Annual Pension Cost	\$ 5,300,506	\$ 1,136,628	\$ 6,437,134
Percentage of Annual Pension Costs Contributed	100%	100%	100%
NPO At the End of the Period	-0-	-0-	-0-
2010:			
Annual Pension Cost	\$ 4,997,318	\$ 1,018,126	\$ 6,015,444
Percentage of Annual Pension Costs Contributed	100%	100%	100%
NPO At the End of the Period	-0-	-0-	-0-

Actuarial Assumptions

	Texas Municipal Retirement System	Firemen's Relief and Retirement
Actuarial Cost Method	Projected Unit Credit	Individual Entry Age
Amortization Method	Level Percent of Payroll	Level Percent of Payroll
Amortization Period	Closed	Open
Remaining Amortization Period	26.1 Years	N/A
Amortization Period for New Gains/Losses	30 Years	30 Years
Asset Valuation Method	10-Year Smoothed Market	Smooth Market Value
Investment Rate of Return	7.0%	8%
Projected Salary Increases	Varies by Age & Service	4.75%
Includes Inflation at	3.0%	4.75%
Cost-of-Living Adjustments	2.1% (3.0% CPI)	None

The stand-alone financial reports for both the Texas Municipal Retirement System and Firemen's Relief and Retirement Fund can be obtained from the City's Director of Finance at 1300 7th Street, Wichita Falls, Texas.

A schedule of funding progress is presented as required supplementary information for both the Texas Municipal Retirement System and the Firemen's Relief and Retirement Fund. These schedules provide multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description

The City administers the City of Wichita Falls Retiree Health Care Plan for all permanent employees who retire after satisfying eligibility retirement requirements through a single-employer defined benefit plan. All employees who retire and are actively in one of the City's health plans can continue to receive health care benefits under the City's plan for themselves and any dependents for as long as the retiree and/or dependents live. The plan does not issue a stand-alone financial report.

Retiree Contributions Pre-Medicare Eligibility

Retirees share in the cost of the Plan by paying premiums according to the following schedule:

	<u>BC/BS Core Plan</u>	<u>BC/BS Enhanced Plan</u>
Retiree Only (under 65)	\$171	\$278
Retiree Only (over 65)	N/A	N/A
Retiree/Spouse (both < 65)	\$321	\$492
Retiree/Spouse (both > 65)	N/A	N/A
Retiree/Spouse (1 >, 1 < 65)	\$583	\$690
Retiree/Child	\$294	\$465
Retiree/Family	\$364	\$578

Dental premiums are included in the under 65 premiums above.

Benefits for Spouses of Retired Employees

Spouses of retirees are eligible to participate in a retiree health care program. Spouses are eligible to continue with same coverage after the death of retiree.

Non-Medicare and Medicare-Eligible Provisions

Medicare-eligible retirees and spouses on Medicare are eligible to participate in a Medicare supplement health care plan. Effective January 1, 2009, the following changes will be implemented to Medicare eligible retirees:

For retirees already on Medicare as of January 1, 2009, the City will provide \$250 in premium assistance towards the full premium for a Medicare subsidy program. The \$250 is expected to be a fixed amount. Spouses currently covered in the health plan will also be eligible for the \$250 premium assistance.

For members retired as of January 1, 2009 but not yet Medicare-eligible, the City will provide \$100 in premium assistance towards the full premium for a Medicare subsidy program. The \$100 is expected to be a fixed amount. Spouses can participate in the Medicare subsidy program, but will receive no premium assistance.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D.)

For members who retire on or after January 1, 2009, the City will provide no premium assistance once Medicare-eligible. The retiree premium for post-65 coverage is \$421/month for each covered member as of June 1, 2010.

Vision Coverage

There is no vision coverage provided as of September 30, 2012.

Dental Coverage

Retirees and spouses prior to qualifying for Medicare are eligible to participate in the same dental care program as active employees. There is no dental coverage for retiree or spouses on the Medicare supplement.

Life Insurance Coverage

Life Insurance of \$7,500 is provided to each retiree. There is no Life coverage for spouses of retirees.

Funding Policy and Annual OPEB Cost

The City's annual other post-employment benefits (OPEB) cost is based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's OPEB cost for the year ended September 30, 2012 is as follows:

Annual Required Contribution	\$2,373,230
Interest on OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense) end of year	2,373,230
Net estimated employer contributions	(2,373,230)
Increase (decrease) in net OPEB obligation	-
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	\$ -

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
September 30, 2010	\$2,367,716	\$2,367,716	102.9%	\$ -
September 30, 2011	2,437,686	2,437,686	100.0%	-
September 30, 2012	2,373,230	2,373,230	100.0%	-

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 9 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (CONT'D.)

Schedule of Actuarial Liabilities and Funding Status

Actuarial Valuation Date	12/31/10
Actuarial Value of Assets	\$ 853,478
Actuarial Accrued Liabilities	\$32,409,858
Unfunded Actuarial Accrued Liability (UAAL)	\$31,556,380
Funded Ratio	2.63%
Annual Covered Payroll	\$47,297,531
UAAL as a Percentage of Annual Covered Payroll	66.72%

Actuarial Methods and Assumptions

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

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between Wichita Falls and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation rate	3.00% per annum
Investment rate of return	7.5%, net of expenses
Actuarial cost method	Projected unit credit cost method
Amortization method	Level as a percentage of salary
Amortization period	Open 30 year period
Salary growth	3.0% per annum
Medical trend	9.0% for 2009; decreasing by 0.5% each year until 2018; then 4.5% thereafter

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the profitability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 10 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseen emergency.

Note 11 - AIRPORT LEASE

The Municipal Airport facilities are located on land at Sheppard Air Force Base. The land is leased from the Department of the Air Force for a period of fifty years, beginning May 15, 2009 and expiring May 14, 2059. The City's expense for the year ended September 30, 2012 was \$35,222. The lease payment increases by 3% per year with a final lease payment of \$141,307 in 2059.

Note 12 - DESCRIPTION OF LEASING ARRANGEMENTS

The majority of the City's operating leases contain an option for annual renewal at the end of the initial lease term. In most cases, these leases will be canceled or replaced by other leases. The City leases certain equipment under operating leases expiring at various times through the year ending September 30, 2012.

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

Year ending September 30:	
2013	\$ 147,648
2014	145,446
2015	130,239
2016	103,791
2017	68,651
2018-2022	223,285
2023-2027	258,849
2028-2032	300,076
2033-2037	347,871
2038-2042	403,278
2043-2047	467,509
2048-2052	541,972
2053-2057	628,293
2058-2059	<u>278,497</u>
Total minimum payments required	<u>\$4,045,405</u>

The total rental expenses for all operating leases for the year ended September 30, 2012 was \$146,676. There were no contingent rentals during the year ended September 30, 2012.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 13 - LONG-TERM LIABILITIES

Long-term liabilities transactions for the year ended September 30, 2012 are summarized as follows:

	<u>Balance at</u> <u>October 1,</u> <u>2011</u>	<u>Issued</u>	<u>Retired and</u> <u>Transferred (1)</u>	<u>Balance at</u> <u>September 30,</u> <u>2012</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$ 4,450,000	\$ 4,559,300	\$ 4,893,191	\$ 4,116,109	\$ 434,431
Combination tax and revenue bonds	34,104,161	3,298,494	1,899,532	35,503,123	2,103,793
Accrued vacation and sick leave payable	6,887,020	1,995,974	1,898,884	6,984,110	2,000,000
Capital lease payable	-	1,452,760	-	1,452,760	-
Claims and judgments payable	<u>163,899</u>	<u>401,867</u>	<u>407,923</u>	<u>157,843</u>	<u>77,399</u>
Total governmental activities	<u>45,605,080</u>	<u>11,708,395</u>	<u>9,099,530</u>	<u>48,213,945</u>	<u>4,615,623</u>
<u>Business-type Activities:</u>					
Utility system revenue bonds, net of premium (discount)	105,277,778	-	2,711,685	102,566,093	3,354,224
Combination tax and revenue bonds	23,969,757	-	4,171,415	19,798,342	3,000,443
Accrued vacation and sick leave payable	557,112	562,244	552,822	566,534	525,000
Note payable	577,079	-	33,202	543,877	34,281
Capital leases payable	371,696	1,768,911	436,266	1,704,341	428,365
Landfill closure, post-closure costs	<u>3,574,431</u>	<u>243,762</u>	<u>-</u>	<u>3,818,193</u>	<u>-</u>
Total business-type activities	<u>134,327,853</u>	<u>2,574,917</u>	<u>7,905,390</u>	<u>128,997,380</u>	<u>7,342,313</u>
Total long-term liabilities	<u>\$179,932,933</u>	<u>\$14,283,312</u>	<u>\$17,004,920</u>	<u>\$177,211,325</u>	<u>\$11,957,936</u>

(1) Includes bond premium amortization of \$28,191 related to the general obligation bonds, \$44,532 related to combination tax and revenue bonds (governmental activities), \$836,685 related to revenue bonds, and \$241,414 related to the combination tax and revenue bonds (business-type activities).

For governmental activities, claims and judgments payable and compensated absences are generally liquidated by the General Fund.

Bonds Payable

Bonds payable at September 30, 2012, including net unamortized premium on the revenue bonds, are comprised of the following individual issues:

	<u>Range of</u> <u>Interest</u> <u>Rates</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Annual</u> <u>Serial</u> <u>Payments</u>	<u>Bonds</u> <u>Authorized</u>	<u>Bonds</u> <u>Outstanding</u> <u>at 9/30/12</u>
<u>General Obligation Bonds:</u>					
General Obligation Refunding Bonds, Series 2011	1.50% - 3.00%	9/01/21	\$405,000 to \$485,000	\$ 4,365,000	\$ 3,950,000
Plus bond premium					<u>166,110</u>
Total General Obligation Bonds					<u>4,116,110</u>

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 13 - LONG-TERM LIABILITIES (CONT'D.)

	Range of Interest Rates	Final Maturity Date	Annual Serial Payments	Bonds Authorized	Bonds Outstanding at 9/30/12
Combination Tax and Revenue Bonds:					
Combination Tax and Revenue Certificates of Obligation, Series 2003	3.00% - 4.00%	9/01/18	\$335,000 to \$775,000	7,550,000	2,235,000
Combination Tax and Revenue Refunding Bonds, Series 2005 Plus bond premium	4.90% - 5.00%	8/01/16	\$115,000 to \$2,650,000	14,020,000	9,700,000 257,816
Combination Tax and Revenue Certificates of Obligation, Series 2006A Plus bond premium	3.55% - 5.00%	9/01/26	\$580,000 to \$1,225,000	16,875,000	13,030,000 252,465
Combination Tax and Revenue Certificates of Obligation, Series 2006B Plus bond premium	5.20% - 6.25%	9/01/26	\$130,000 to \$345,000	4,275,000	3,395,000 58,751
Combination Tax and Revenue Certificates of Obligation, Series 2009	2.25% - 4.75%	10/01/28	\$340,000 to \$780,000	10,820,000	9,660,000
Combination Tax and Revenue Certificates of Obligation, Series 2010	5.60%	2/01/25	\$165,000 to \$375,000	3,930,000	3,580,000
Combination Tax and Revenue Refunding Bonds, Series 2010 Plus bond premium	2.00% - 4.00%	8/01/18	\$170,000 to \$3,600,000	9,830,000	9,375,000 465,526
Combination Tax and Revenue Certificates of Obligation, Series 2011 Plus bond premium	2.00% - 4.00%	9/01/31	\$135,000 to \$220,000	3,200,000	3,200,000 <u>91,907</u>
Total Combination Tax and Revenue Bonds					<u>55,301,465</u>
Revenue Bonds:					
Water & Sewer System Priority Lien Refunding Revenue Bonds, Series 2007 Plus bond premium	4.00% - 4.50%	8/01/27	\$225,000 to \$11,070,000	103,495,000	102,290,000 <u>276,092</u>
Total Revenue Bonds					<u>102,566,092</u>
Total All Bonds					<u>\$161,983,667</u>

All of the General Obligation Bonds were issued on the full faith and credit of the City and are secured by ad valorem taxes levied against all taxable property. These bonds are serviced by the Debt Service Fund with an apportionment of the ad valorem tax levy. At September 30, 2012, \$185,412 was available in this fund to service these bonds.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 13 - LONG-TERM LIABILITIES (CONT'D.)

The Combination Tax and Revenue Bonds are secured by ad valorem taxes levied against all taxable property as well as a pledge of surplus net revenues of the City's combined waterworks and sewer system. The Series 2003, 2010 and 2011 Certificates will be serviced by the Debt Service Fund by contributions from the Wichita Falls 4B Economic Development Corporation. The Series 2004 and the Series 2005 Certificates will be serviced by the net revenues of the Water and Sewer Fund, as well as the Series 2010 Combination Tax and Revenue Refunding Certificates.

All of the Water and Sewer Revenue Bonds were issued for purposes of improving the City's water and sewer systems and are serviced by the net revenues of the Water and Sewer Fund.

Notes Payable

The City of Wichita Falls and Wichita County Water Improvement District Number 2, upon the completion of the Lake Kemp reconstruction project in January 1976 by the U.S. Government, are required to reimburse the U.S. Government 22.7% of its reported total cost of \$8,774,705, or \$1,991,858. The City's share of this amount is 66.11%, or \$1,316,817, payable in forty-nine annual installments through January 2025 of \$51,974, which includes interest at the rate of 3.253%.

The City's share of the total costs (\$5,800,957) as well as the U.S. Government funded portion (\$4,484,140) is reflected as capital assets in the Water and Sewer Enterprise Fund.

This contractual arrangement is strictly a cost-sharing agreement and is not considered a joint venture as defined in Section J50 of the Codification of Governmental Accounting and Financial Reporting Standards. The remaining debt payable to the U.S. Government at September 30, 2012 is classified as follows:

Long-term	\$509,596
Current portion	<u>34,281</u>
Total	<u>\$543,877</u>

Capital Leases Payable

The City issued capital leases in 2009 and 2012 for the purchase of fire department equipment in the amount of \$916,548 and \$1,466,854, respectively. The assets are listed under "Motor Vehicles" in the business-type activities. The leases carry interest rates of 2.94% and 1.57% and mature in 2013 and 2016, respectively. These capital leases are recorded in the Fleet Maintenance Internal Service Fund and are included in the business-type activities of the government-wide statements.

The City also entered into a capital lease agreement in 2012 to finance a portion of an energy efficiency project that includes several City facilities. The capital lease is expected to finance \$4,419,310 of the total project that is estimated at \$5,143,427. The project is not complete as of September 30, 2012. Therefore, only the amount incurred to date (\$1,754,817) has been recorded as a capital lease payable as of September 30, 2012. The related construction in progress has been recorded in General Capital Assets (\$1,452,760) and the Water and Sewer Fund (\$302,057). The lease will carry an interest rate of 2.54% and will be for a period of 15 years. The first payment will not be due until the fiscal year ending September 30, 2014.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 13 - LONG-TERM LIABILITIES (CONT'D.)

Aggregate maturities of the long-term debt (principal and interest) for the years subsequent to September 30, 2012 are as follows:

Year Ending September 30,	General Obligation Bonds		Revenue Bonds		Combination Tax and Revenue Bonds		Notes Payable		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 434,431	\$ 61,569	\$ 5,104,236	\$ 2,133,654	\$ 3,354,224	\$ 4,489,701	\$ 34,281	\$ 17,692	\$428,365	\$18,829	\$ 9,355,537	\$ 6,721,445
2014	436,812	56,088	5,159,767	1,958,920	3,488,364	4,357,561	35,397	16,577	353,322	59,989	9,473,662	6,449,135
2015	444,160	50,540	5,338,893	1,778,242	3,637,413	4,211,462	36,548	15,426	360,115	53,196	9,817,129	6,108,866
2016	447,122	46,278	5,530,776	1,585,588	3,791,420	4,059,030	37,737	14,237	366,918	46,411	10,173,973	5,751,544
2017	454,373	40,527	5,845,372	1,380,837	3,940,386	3,900,052	38,964	13,009	373,858	39,451	10,652,953	5,373,876
2018-2022	1,899,212	92,488	14,873,848	4,610,203	38,997,875	15,804,775	214,680	45,188	672,436	128,561	56,658,051	20,681,215
2023-2027	-	-	11,086,867	1,820,760	45,356,410	5,593,988	146,270	9,617	602,086	38,712	57,191,633	7,463,077
2028-2031	-	-	2,361,706	151,161	-	-	-	-	-	-	2,361,706	151,161
Totals	\$4,116,110	\$347,490	\$55,301,465	\$15,419,365	\$102,566,092	\$42,416,569	\$543,877	\$131,746	\$3,157,100	\$385,149	\$165,684,644	\$58,700,319

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 14 - DEFEASED DEBT

On October 15, 2011, the City issued general obligation refunding bonds of \$4,365,000 (par value) with interest rates ranging from 1.50% to 3.00%. The debt was issued to refund revenue bonds with rates ranging from 3.75% to 5.375% and a par value of \$4,450,000. The general obligation bonds to be refunded matured through September 1, 2021.

As a result of the refunding, the City reduced its total debt service by \$855,414, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$788,310.

Note 15 - LANDFILL AND TRANSFER STATION CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the City place a final cover on its landfill when closed, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In accordance with the Texas Administrative Code, Title 30, Part 1, Chapter 7, the City annually submits a financial assurance letter to the Texas Commission on Environmental Quality (TCEQ). In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$3,754,078 as of September 30, 2012, which is based on 18% usage of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$16,893,349 as the remaining estimated capacity is filled. The landfill is expected to be filled to capacity in 2153. Actual costs may be higher due to inflation, change in technology, or changes in regulations.

Note 16 - INTERFUND BALANCES

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$1,176,891	Short-term loan
General Fund	Water and Sewer Fund	88,142	Short-term loan
General Fund	Nonmajor Enterprise Funds	125,083	Short-term loan
General Fund	Internal Service Funds	<u>10,150</u>	Short-term loan
	Total	<u>\$1,400,266</u>	

All amounts due are scheduled to be repaid within one year.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 16 - INTERFUND BALANCES (CONT'D.)

Transfers to and from other funds during the year ended September 30, 2012 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Nonmajor Governmental Funds	\$ 249,682	Supplement operating deficits
General Fund	Nonmajor Enterprise Funds	527,239	Supplement operating grants
General Fund	Nonmajor Governmental Funds	618,180	Supplement operating grants
General Fund	Internal Service Fund	119,135	Purchase capital assets
Nonmajor Governmental Funds	General Fund	49,988	Repay remaining equity
Nonmajor Governmental Funds	Nonmajor Governmental Funds	286,679	Fund debt service payment
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,459,943	Fund operating deficits
Nonmajor Governmental Funds	Nonmajor Enterprise Funds	6,188,156	Purchase capital assets
Nonmajor Governmental Funds	Internal Service Funds	28,439	Purchase capital assets
Nonmajor Governmental Funds	Water and Sewer Fund	648,650	Fund construction projects
Water and Sewer Fund	General Fund	914,779	Administrative overhead
Water and Sewer Fund	Nonmajor Governmental Funds	500,000	Fund debt service payment
Sanitation Fund	General Fund	1,494,751	Administrative overhead
Sanitation Fund	Water and Sewer Fund	95,258	Purchase capital assets
Sanitation Fund	Internal Service Funds	1,172,877	Purchase capital assets
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	74,898	Supplement operating grant
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	450,953	Fund debt service payment
Nonmajor Enterprise Funds	Internal Service Funds	1,098,438	Purchase capital assets
Internal Service Funds	General Fund	<u>312,000</u>	Administrative overhead
	Total	<u>\$16,290,045</u>	

Note 17 - COMMITMENTS AND CONTINGENCIES

Litigation

The City is a defendant in numerous lawsuits. In the opinion of the City's management, any unrecorded liabilities resulting from such suits will not materially affect the financial position of the City.

Accrued Vacation and Sick Leave

The City's liability for accrued vacation and sick leave, excluding the amount recorded in the proprietary funds, was \$6,984,110 at September 30, 2012. This accrual is recorded as a long-term liability in the Government-wide Statement of Net Assets.

Contract Commitment With West Texas Utilities Company

In 1977, the City and Wichita County Water Improvement District Number 2 entered into a sixty-year contract with the West Texas Utilities Company (the Company) and agreed to provide an adequate water supply for the Company's use in generating power upon completion of the Company's construction of a power plant adjacent to the Lake Kemp-Lake Diversion System.

The significant terms of the contract provide for standby charges to be paid to the City and the Wichita County Water Improvement District Number 2 in equal amounts. Minimum charges for

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

the calendar year 1997 and all years thereafter until the end of contract will be \$500,000 per year.

Note 17 - COMMITMENTS AND CONTINGENCIES (CONT'D.)

For water actually consumed, the Company shall pay the City and Wichita County Water Improvement District Number 2 equally, at the base rate of \$0.23 per one thousand gallons, which is adjusted annually. The rate for the year ended September 30, 2012 was \$.404046 per one thousand gallons.

This contract can be terminated at any time by the Company. If the contract is terminated, the Company is required to make a maximum termination payment equal to the minimum charges which would have become due and payable during the following twenty-four month period.

Contract Commitments

At September 30, 2012, the City was committed to various contracts. The amounts for which the various funds are committed to complete these contracts are as follows:

General Fund	\$ 661,415
Nonmajor Governmental Funds	1,377,876
Water and Sewer Fund	4,610,350
Sanitation Fund	253,520
Nonmajor Enterprise Funds	<u>1,003,563</u>
Total contract commitments	<u>\$7,906,724</u>

Federal and State Grants - Compliance Audits

The City participates in numerous Federal and State grants, on both a direct and state pass-through basis, as well as on a service-provider basis. Principal among these are Community Development Block Grants, Section 8 Housing Assistance, Home Investment Partnership Agreement Program, and numerous health-related grants.

In connection with these grants, the City is required to comply with specific terms and agreements as well as applicable Federal and State laws and regulations. Such compliance is subject to review and audit by the grantors and their representatives.

In the opinion of management, the City has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of any disallowance of claimed expenditures, the City expects the resulting liability to be immaterial.

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 18 - CONDENSED FINANCIAL INFORMATION FOR DISCRETELY PRESENTED COMPONENT UNITS

The City has four component units that are discretely presented in the City's basic financial statements. Condensed financial information for the year ended September 30, 2012 is as follows:

	<u>Wichita Falls Economic Development Corporation</u>	<u>Wichita Falls 4B Sales Tax Corporation</u>	<u>Wichita Falls Reinvestment Zone #2</u>	<u>Wichita Falls Reinvestment Zone #3</u>	<u>Totals</u>
Condensed statement of net assets:					
Cash, investments and other current assets	\$15,379,214	\$2,521,199	\$ -	\$112,695	\$18,013,108
Capital assets, net of accumulated depreciation	<u>2,302,553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,302,553</u>
Total assets	<u>17,681,767</u>	<u>2,521,199</u>	<u>-</u>	<u>112,695</u>	<u>20,315,661</u>
Accounts payable and other current liabilities					
	<u>15,153</u>	<u>57,079</u>	<u>-</u>	<u>-</u>	<u>72,232</u>
Total liabilities	<u>15,153</u>	<u>57,079</u>	<u>-</u>	<u>-</u>	<u>72,232</u>
Net assets	<u>\$17,666,614</u>	<u>\$2,464,120</u>	<u>\$ -</u>	<u>\$112,695</u>	<u>\$20,243,429</u>
Condensed statement of activities:					
Expenses:					
Community development	<u>\$ 2,647,369</u>	<u>\$3,500,201</u>	<u>\$305,804</u>	<u>\$ -</u>	<u>\$ 6,453,374</u>
Program revenues:					
Charges for services	106,800	-	-	-	106,800
Operating grants and contributions	<u>-</u>	<u>305,804</u>	<u>-</u>	<u>-</u>	<u>305,804</u>
Total program revenues	<u>106,800</u>	<u>305,804</u>	<u>-</u>	<u>-</u>	<u>412,604</u>
Net program expense	<u>(2,540,569)</u>	<u>(3,194,397)</u>	<u>(305,804)</u>	<u>-</u>	<u>(6,040,770)</u>
General revenues:					
Tax revenues	3,567,804	3,567,804	305,693	39,364	7,480,665
Non-tax general revenues	<u>409,818</u>	<u>4,217</u>	<u>111</u>	<u>98</u>	<u>414,244</u>
Total general revenues	<u>3,977,622</u>	<u>3,572,021</u>	<u>305,804</u>	<u>39,462</u>	<u>7,894,909</u>
Change in net assets	1,437,053	377,624	-	39,462	1,854,139
Beginning net assets	<u>16,229,561</u>	<u>2,086,496</u>	<u>-</u>	<u>73,233</u>	<u>18,389,290</u>
Ending net assets	<u>\$17,666,614</u>	<u>\$2,464,120</u>	<u>\$ -</u>	<u>\$112,695</u>	<u>\$20,243,429</u>

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS (CONT'D.) SEPTEMBER 30, 2012

Note 19 - SUBSEQUENT EVENT

On March 1, 2013, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2013. These certificates totaled \$19,875,000 and will be used to fund a portion of the new airport terminal project at Municipal Airport. The certificates are payable in annual installments ranging from \$530,000 to \$1,315,000 with final maturity on September 1, 2033. The average interest rate for the certificates is 3.075%.

Note 20 - SUBSEQUENT PRONOUNCEMENTS

In July 2011, the GASB issued GASB Statement No. 63 to provide a new statement of net position to report all assets, deferred outflow of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). The Statement is effective for periods beginning after December 15, 2011 and requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. The Statement also amends certain provisions of GASB Statement 34 and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. The GASB also issued GASB Statement No. 65 in April 2012 (effective for periods beginning after December 15, 2012) to limit the recognition of deferred outflows and deferred inflows of resources to those instances specifically identified in authoritative GASB pronouncements. Together these statements will affect the City's reporting of its governmental activities on the government-wide statements as of and for the year ended September 30, 2013, although the impact of applying the statements is not known at this time. These statements will decrease the September 30, 2012 net assets of the City's Water and Sewer Fund and Business-type Activities by \$1,971,513 as bond issuance costs will no longer be considered assets under the new guidance.

Required Supplementary Information

CITY OF WICHITA FALLS, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 55,034,678	\$ 55,034,678	\$ 55,183,869	\$ 149,191
Charges for services	2,857,035	2,857,035	2,842,447	(14,588)
Licenses and permits	2,013,122	2,013,122	2,002,559	(10,563)
Fines and forfeitures	1,928,000	1,928,000	2,211,710	283,710
Intergovernmental revenue	27,850	27,850	9,492	(18,358)
Contributions	40,000	40,000	641,745	601,745
Miscellaneous revenue	1,002,535	1,002,535	1,058,875	56,340
Total revenues	<u>62,903,220</u>	<u>62,903,220</u>	<u>63,950,697</u>	<u>1,047,477</u>
Expenditures:				
Current:				
Administrative services	11,133,840	11,654,278	10,683,914	970,364
Police	20,597,396	20,413,520	20,232,522	180,998
Fire	13,059,789	13,092,590	13,056,554	36,036
Parks and recreation	4,858,165	4,907,451	4,691,686	215,765
Accounting/finance	760,856	839,966	845,076	(5,110)
Community development	1,796,071	1,812,110	1,589,971	222,139
Public works	5,232,797	5,239,127	5,154,672	84,455
Health	2,881,610	2,912,560	2,775,458	137,102
Traffic and transportation	2,063,261	1,928,461	1,907,622	20,839
Capital outlay	3,173,121	3,700,147	3,897,068	(196,921)
Total expenditures	<u>65,556,906</u>	<u>66,500,210</u>	<u>64,834,543</u>	<u>1,665,667</u>
Excess of revenues over (under) expenditures	<u>(2,653,686)</u>	<u>(3,596,990)</u>	<u>(883,846)</u>	<u>2,713,144</u>
Other financing sources (uses):				
Capital lease proceeds	-	-	501,051	501,051
Transfers in	2,721,530	2,721,530	2,771,519	49,989
Transfers out	(917,234)	(1,340,180)	(1,514,237)	(174,057)
Total other financing sources (uses)	<u>1,804,296</u>	<u>1,381,350</u>	<u>1,758,333</u>	<u>376,983</u>
Excess of revenues and other sources over (under) expenditures and other uses	(849,390)	(2,215,640)	874,487	3,090,127
Fund balance - beginning	<u>17,059,999</u>	<u>17,059,999</u>	<u>17,059,999</u>	<u>-</u>
Fund balance - ending	<u>\$ 16,210,609</u>	<u>\$ 14,844,359</u>	<u>\$ 17,934,486</u>	<u>\$ 3,090,127</u>

CITY OF WICHITA FALLS, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2012

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The City and many other governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government's original budget to the current comparison of final budget and actual results.

The City adheres to the following procedures in establishing the operating budget reflected in the basic financial statements:

On or before August 15 of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted. The budget is legally enacted by the City Council through passage of appropriation and tax levying ordinances prior to September 30 and is published under a separate cover.

An annual budget, including debt service requirements, is legally adopted for the General Fund, the Community Development Block Grant Fund, the Section 8 Housing Fund, the HOME Investment Partnership Agreement Fund, the Hotel/Motel Tax Fund, the Golf Fund, the MPEC Fund and the Debt Service Fund, on a basis which is consistent with generally accepted accounting principles.

The City Council must approve any transfer of appropriation balances or portions thereof from one department to another. The City Manager has the authority, without City Council approval, to transfer appropriation balances from one expenditure account to another within a single department of the City. Supplemental appropriations of \$1,366,250 were approved by the City Council. The reported budgetary data includes amendments made during the year.

At the close of each fiscal year, any unencumbered appropriated balance lapses to the unreserved fund balance. The unencumbered appropriation balances in the Capital Projects Funds do not lapse at year end.

CITY OF WICHITA FALLS, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - ANALYSIS OF FUNDING PROGRESS - LAST TEN PLAN YEARS (UNAUDITED)*

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) ÷ (5)
12/31/02	\$ 69,770,838	\$ 93,176,395	74.9%	\$ 23,405,557	\$ 31,065,101	75.3%
12/31/03	72,469,506	98,017,025	73.9%	25,547,519	31,516,130	81.1%
12/31/04	70,462,244	98,405,860	71.6%	27,943,616	33,522,283	83.4%
12/31/05	71,393,893	101,093,789	70.6%	29,699,896	32,846,479	90.4%
12/31/06	69,201,457	100,991,795	68.5%	31,790,338	33,791,762	94.1%
12/31/07 (1)	70,561,545	120,374,701	58.6%	49,813,156	35,873,970	138.9%
12/31/08	68,910,226	122,001,202	56.5%	53,090,976	38,272,312	138.7%
12/31/09	71,505,945	125,325,301	57.1%	53,819,356	39,020,039	137.9%
12/31/10 (2)	155,809,040	193,990,630	80.3%	38,181,590	38,337,008	99.6%
12/31/11	164,206,444	201,160,651	81.6%	36,954,207	38,791,669	95.3%

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the pension plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the City's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the pension plan.

* This City retirement plan is substantially a defined contribution plan. These voluntary disclosures, similar to the disclosures required for a defined benefit plan, are provided for additional analysis of the plan.

(1) TMRS made changes to both the actuarial funding method and actuarial assumptions for the 2007 valuation.

(2) TMRS, with the approval of the Texas Legislature, amended the fund structure of the plan as of December 31, 2010.

CITY OF WICHITA FALLS, TEXAS

WICHITA FALLS FIREMEN'S RELIEF AND RETIREMENT FUND - ANALYSIS OF FUNDING PROGRESS (UNAUDITED)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (4) ÷ (5)
12/31/02	\$ 27,439,565	\$ 37,003,896	74.2%	\$ 9,564,331	\$ 6,609,807	144.7%
12/31/03 (a)	-	-	-	-	-	-
12/31/04	32,240,524	42,178,490	76.4%	9,937,966	7,175,196	138.5%
12/31/05 (a)	-	-	-	-	-	-
12/31/06	35,584,639	47,582,190	74.8%	11,997,551	7,697,370	155.9%
12/31/07 (a)	-	-	-	-	-	-
12/31/08	39,358,309	54,260,301	72.5%	14,901,992	8,915,419	167.1%
12/31/09 (a)	-	-	-	-	-	-
12/31/10	41,107,385	60,152,150	68.3%	19,044,765	8,527,417	223.3%
12/31/11 (a)	-	-	-	-	-	-

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the pension plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the City's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the pension plan.

(a) Historical trend information is presented for as many years as such information about the plan is available. No actuarial valuation or update was performed as of these dates. Texas state law does not require an actuarial valuation to be completed annually.

CITY OF WICHITA FALLS, TEXAS

WICHITA FALLS RETIREE HEALTH CARE PLAN - ANALYSIS OF FUNDING PROGRESS (UNAUDITED)

(1)	(2)	(3)	(4)	(5)	(6)	
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percentage Funded (1) ÷ (2)	Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll (4) ÷ (5)
12/31/06 (a)	\$ -	\$ 29,656,852	0.0%	\$ 29,656,852	\$ 40,021,675	74.1%
12/31/07 (b)	-	-	-	-	-	-
12/31/08	-	32,143,378	0.0%	32,143,378	43,571,340	73.8%
12/31/09 (b)	-	-	-	-	-	-
12/31/10	853,478	32,409,858	2.6%	31,556,380	47,297,531	66.7%
12/31/11 (b)	-	-	-	-	-	-

Analysis of the dollar amounts of the actuarial value of assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the City's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the pension plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the City's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller the percentage, the stronger the pension plan.

(a) The first actuarial valuation was performed as of December 31, 2006 as the City began to prepare for the implementation of GASB 45.

(b) Historical trend information is presented for as many years as such information about the plan is available. No actuarial valuation or update was performed as of these dates. Texas state law does not require an actuarial valuation to be completed annually.

Combining Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

The special revenue funds are used to account for the proceeds from specific revenue sources (other than for major capital projects or proprietary funds) that are either legally restricted to be expended for specified purposes or have revenue sources committed for specific purposes.

Community Development Block Grant Fund

The Community Development Block Grant Fund accounts for federal block grant revenues and related expenditures.

Section 8 Housing Fund

The Section 8 Housing Fund accounts for federal funds received to subsidize rents and housing payments for lower income families within the City.

Home Investment Partnership Agreement Fund

The Home Investment Partnership Agreement Fund accounts for federal funds received to provide home ownership opportunities to low income, first-time homebuyers through the acquisition, rehabilitation and resale of single-family dwellings that are currently owned by governmental agencies.

Hotel/Motel Tax Fund

The Hotel/Motel Tax Fund accounts for revenues derived from an occupancy tax which is expended on programs promoting the growth of the City of Wichita Falls.

Airport Improvement Grant Fund

The Airport Improvement Fund accounts for federal funds received to make capital improvements to the Kickapoo Downtown Airport. This fund is not required to have a legally adopted budget; therefore no budgetary comparison schedule is presented.

Golf Fund

The Golf Fund accounts for the activities at the Weeks Park Golf Course.

MPEC Fund

The MPEC Fund is used to account for the operations of the City's Multi-Purpose Events Center.

Miscellaneous Special Revenue Fund

The Miscellaneous Special Revenue Fund accounts for various revenues generated in the form of contributions, fees, concessions, rents and other charges and their related expenditures. This fund also includes revenues derived from various grants for health and police programs. The revenues in this fund are expended to support the activity generating the revenue or as designated by the contributor. This fund is not required to have a legally adopted budget; therefore no budgetary comparison schedule is presented.

Debt Service Funds

Debt Service Fund

The Debt Service Fund is established by ordinances authorizing the issuance of general obligation bonds to provide for the payment of bond principal and interest. An ad valorem tax rate and tax levy are required to be computed and levied which will be sufficient to produce the funds required to pay principal and interest as they come due. This fund is also used to provide for the payment of paying agent fees.

Excess Sales Tax Fund

The Excess Sales Tax Fund is used to account for and administer the excess sales tax collected related to the property reduction tax. This fund is not required to have a legally adopted budget; therefore no budgetary comparison schedule is presented.

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by federal grants or proprietary funds.

4B Sales Tax Projects

This fund was established to account for projects financed by the Wichita Falls 4B Sales Tax Corporation. Significant projects accounted for in this fund included the construction of three fire stations and the renovation of the second floor of the Wichita Falls Public Library building for recreational purposes.

2011 Bond Fund

This fund was established to account for projects financed by the Combination Tax and Revenue Certificates of Obligation, Series 2011. These funds are being used for the Rhea, Call Field, and Lawrence Road realignment project. This fund was also used to show the activity related to the General Obligation Refunding Bonds, Series 2001, which were issued to refund the General Obligation Bonds, Series 2001.

Miscellaneous Capital Projects Funds

This fund is an accumulation of several projects that have been undertaken over the years including library renovations, street improvements and drainage improvements.

Permanent Fund

The permanent fund is used to account for principal trust amounts received and related interest income. The interest earnings of this fund may be used for maintenance of the City's cemeteries.

CITY OF WICHITA FALLS, TEXAS

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	Special Revenue							Debt Service		Capital Projects			Permanent Fund	Total Nonmajor Governmental Funds	
	Community Development Block Grant	Section 8 Housing	Home Investment Partnership Agreement	Hotel/Motel Tax	Airport Improvement Grant	Golf Fund	MPEC Fund	Miscellaneous Special Revenue	Debt Service	Excess Sales Tax	4B Sales Tax Projects	2011 Bond Fund	Miscellaneous Capital Projects		Perpetual Care
ASSETS															
Cash and cash equivalents	\$ 50	\$ 1,319,332	\$ 111,725	\$ -	\$ -	\$ -	\$ 585,528	\$ 2,404,081	\$ 181,827	\$ 301,431	\$ 2,049,569	\$ 550,880	\$ 3,362,961	\$ 959,114	\$ 11,826,498
Receivables:															
Taxes and assessments	-	-	-	160,708	-	-	-	-	54,354	-	-	-	-	-	215,062
Government agencies	748,033	-	878,799	-	154,848	-	-	726,409	14,882	244,568	-	-	292,429	-	3,059,968
Other	-	-	-	1,546	-	-	74,313	38,198	-	-	-	-	-	-	114,057
Inventory	-	-	-	-	-	-	74,571	-	-	-	-	-	-	-	74,571
Prepaid items	-	-	-	-	-	2,617	12,480	-	-	-	-	-	-	-	15,097
Other assets	-	-	-	-	-	153,351	44,503	3,000	-	-	-	-	-	-	200,854
Total assets	\$ 748,083	\$ 1,319,332	\$ 990,524	\$ 162,254	\$ 154,848	\$ 155,968	\$ 791,395	\$ 3,171,688	\$ 251,063	\$ 545,999	\$ 2,049,569	\$ 550,880	\$ 3,655,390	\$ 959,114	\$ 15,506,107
LIABILITIES AND FUND BALANCE															
Liabilities:															
Accounts payable - trade	\$ 74,731	\$ 8,973	\$ 9,550	\$ -	\$ 31,741	\$ 79,220	\$ 87,028	\$ 187,008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478,251
Accrued payroll	3,288	5,515	-	-	-	-	33,326	49,663	-	-	-	-	-	-	91,792
Payable to other City funds	119,769	-	-	27,850	160,642	44,286	-	823,582	-	-	-	-	762	-	1,176,891
Payable to government agencies	-	73,264	-	-	-	-	14,725	2,302	-	-	-	-	-	-	90,291
Other liabilities	7,936	430	44,744	-	231,753	682	190,318	174,994	-	-	-	45,680	-	-	696,537
Deferred revenue	-	-	-	-	-	-	-	37,236	65,651	-	-	-	-	-	102,887
Total liabilities	205,724	88,182	54,294	27,850	424,136	124,188	325,397	1,274,785	65,651	-	-	45,680	762	-	2,636,649
Fund balance:															
Nonspendable:															
Inventory and prepaid items	-	-	-	-	-	2,617	87,051	-	-	-	-	-	-	-	89,668
Restricted for:															
Perpetual care	-	-	-	-	-	-	-	-	-	-	-	-	-	959,114	959,114
Debt service	-	-	-	-	-	-	-	-	185,412	545,999	-	-	-	-	731,411
Capital projects	-	-	-	-	-	-	-	-	-	-	2,049,569	505,200	3,654,628	-	6,209,397
Federal and state grant programs	542,359	1,231,150	936,230	-	-	-	-	-	-	-	-	-	-	-	2,709,739
Tourism	-	-	-	134,404	-	-	-	-	-	-	-	-	-	-	134,404
Committed for:															
Golf course	-	-	-	-	-	29,163	-	-	-	-	-	-	-	-	29,163
Multi-Purpose Events Center	-	-	-	-	-	-	378,947	-	-	-	-	-	-	-	378,947
Local projects	-	-	-	-	-	-	-	1,896,903	-	-	-	-	-	-	1,896,903
Unassigned	-	-	-	-	(269,288)	-	-	-	-	-	-	-	-	-	(269,288)
Total fund balance	542,359	1,231,150	936,230	134,404	(269,288)	31,780	465,998	1,896,903	185,412	545,999	2,049,569	505,200	3,654,628	959,114	12,869,458
Total liabilities and fund balance	\$ 748,083	\$ 1,319,332	\$ 990,524	\$ 162,254	\$ 154,848	\$ 155,968	\$ 791,395	\$ 3,171,688	\$ 251,063	\$ 545,999	\$ 2,049,569	\$ 550,880	\$ 3,655,390	\$ 959,114	\$ 15,506,107

CITY OF WICHITA FALLS, TEXAS

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

	Special Revenue							Debt Service		Capital Projects			Permanent Fund	Total Nonmajor Governmental Funds	
	Community Development Block Grant	Section 8 Housing	Home Investment Partnership Agreement	Hotel/Motel Tax	Airport Improvement Grant	Golf Fund	MPEC Fund	Miscellaneous Special Revenue	Debt Service	Excess Sales Tax	4B Sales Tax Projects	2011 Bond Fund	Miscellaneous Capital Projects		Perpetual Care
Revenues:															
Taxes	\$ -	\$ -	\$ -	\$ 1,626,194	\$ -	\$ -	\$ -	\$ -	\$ 552,681	\$ 244,568	\$ -	\$ -	\$ -	\$ -	\$ 2,423,443
Charges for services	14,435	-	-	-	-	520,204	186,578	146,707	-	-	-	-	-	-	867,924
Fines and forfeitures	-	-	-	-	-	-	-	198,082	-	-	-	-	-	-	198,082
Intergovernmental revenue	1,285,144	2,461,816	487,069	-	5,943,616	-	-	2,664,224	-	-	-	-	1,636,875	-	14,478,744
Contributions	-	-	-	-	-	-	-	166,254	2,078,314	-	560,000	-	-	-	2,804,568
Miscellaneous revenue	-	12,047	10,503	-	-	260,086	1,451,436	422,837	220	540	-	6,577	4,033	33,895	2,202,174
Total revenues	1,299,579	2,473,863	497,572	1,626,194	5,943,616	780,290	1,638,014	3,598,104	2,631,215	245,108	560,000	6,577	1,640,908	33,895	22,974,935
Expenditures:															
Current:															
Administrative services	135,772	-	-	91,256	-	1,029,973	-	217,866	-	-	-	-	-	-	1,474,867
Police	-	-	-	-	-	-	-	313,443	-	-	-	-	-	-	313,443
Fire	-	-	-	-	-	-	-	55,324	-	-	165,998	-	-	-	221,322
Parks and recreation	-	-	-	-	-	-	-	85,584	-	-	50,901	-	3,322	2,250	142,057
Community development	812,911	3,731,301	300,518	-	-	-	-	394,317	-	-	-	-	-	-	5,239,047
Public works	100,000	-	-	-	-	-	-	19,143	-	-	3,171	498,578	1,685	-	622,577
Health	-	-	-	-	-	-	-	2,115,764	-	-	-	-	3,129	-	2,118,893
Traffic and transportation	-	-	-	-	156,358	-	-	130,982	-	-	-	-	-	-	287,340
Multi-Purpose Events Center	-	-	-	-	-	-	3,062,507	-	-	-	-	-	-	-	3,062,507
Capital outlay	49,283	-	-	-	-	-	958,011	192,977	-	-	403,007	918,232	2,118,471	-	4,639,981
Debt service:															
Principal retirement	-	-	-	-	-	-	-	-	2,270,000	-	-	-	-	-	2,270,000
Interest and paying agent fees	-	-	-	-	-	-	-	-	1,603,982	-	-	-	410	-	1,604,392
Bond issuance costs	-	-	-	-	-	-	-	-	-	-	-	137,461	-	-	137,461
Total expenditures	1,097,966	3,731,301	300,518	91,256	156,358	1,029,973	4,020,518	3,525,400	3,873,982	-	623,077	1,554,271	2,127,017	2,250	22,133,887
Excess of revenues over (under) expenditures	201,613	(1,257,438)	197,054	1,534,938	5,787,258	(249,683)	(2,382,504)	72,704	(1,242,767)	245,108	(63,077)	(1,547,694)	(486,109)	31,645	841,048
Other financing sources (uses):															
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	3,200,000	-	-	3,200,000
Premium on bond proceeds	-	-	-	-	-	-	-	-	-	-	-	77,038	-	-	77,038
Bond proceeds - refunding bonds	-	-	-	-	-	-	-	-	-	-	-	4,365,000	-	-	4,365,000
Premium on refunding bond proceeds	-	-	-	-	-	-	-	-	-	-	-	194,300	-	-	194,300
Capital lease proceeds	-	-	-	-	-	-	951,709	-	-	-	-	-	-	-	951,709
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	(4,484,698)	-	-	-	(4,484,698)
Transfers in	-	-	-	-	74,898	249,682	1,427,189	650,935	1,237,632	-	-	-	-	-	3,640,336
Transfers out	(639,231)	-	-	(1,459,943)	(6,107,026)	-	-	(168,975)	-	(286,679)	-	-	-	-	(8,661,854)
Total other financing sources (uses)	(639,231)	-	-	(1,459,943)	(6,032,128)	249,682	2,378,898	481,960	1,237,632	(286,679)	-	3,351,640	-	-	(718,169)
Net change in fund balance	(437,618)	(1,257,438)	197,054	74,995	(244,870)	(1)	(3,606)	554,664	(5,135)	(41,571)	(63,077)	1,803,946	(486,109)	31,645	122,879
Fund balance - beginning	979,977	2,488,588	739,176	59,409	(24,418)	31,781	469,604	1,342,239	190,547	587,570	2,112,646	(1,298,746)	4,140,737	927,469	12,746,579
Fund balance - ending	\$ 542,359	\$ 1,231,150	\$ 936,230	\$ 134,404	\$ (269,288)	\$ 31,780	\$ 465,998	\$ 1,896,903	\$ 185,412	\$ 545,999	\$ 2,049,569	\$ 505,200	\$ 3,654,628	\$ 959,114	\$ 12,869,458

CITY OF WICHITA FALLS, TEXAS

BUDGETARY COMPARISON SCHEDULE - COMMUNITY DEVELOPMENT BLOCK GRANT FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ -	\$ -	\$ 14,435	\$ 14,435
Intergovernmental revenue	1,285,144	1,285,144	1,285,144	-
Total revenues	<u>1,285,144</u>	<u>1,285,144</u>	<u>1,299,579</u>	<u>14,435</u>
Expenditures:				
Administrative services	187,772	135,772	135,772	-
Community development	889,029	1,126,464	812,911	313,553
Public works	100,000	100,000	100,000	-
Capital outlay	557,252	1,077,208	49,283	1,027,925
Total expenditures	<u>1,734,053</u>	<u>2,439,444</u>	<u>1,097,966</u>	<u>1,341,478</u>
Excess of revenues over (under) expenditures	<u>(448,909)</u>	<u>(1,154,300)</u>	<u>201,613</u>	<u>1,355,913</u>
Other financing sources (uses):				
Transfers out	-	-	(639,231)	(639,231)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(639,231)</u>	<u>(639,231)</u>
Excess of revenues and other sources over (under) expenditures and other uses	(448,909)	(1,154,300)	(437,618)	716,682
Fund balance - beginning	<u>979,977</u>	<u>979,977</u>	<u>979,977</u>	<u>-</u>
Fund balance - ending	<u>\$ 531,068</u>	<u>\$ (174,323)</u>	<u>\$ 542,359</u>	<u>\$ 716,682</u>

CITY OF WICHITA FALLS, TEXAS

BUDGETARY COMPARISON SCHEDULE - SECTION 8 HOUSING FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 3,804,860	\$ 3,804,860	\$ 2,461,816	\$ (1,343,044)
Miscellaneous revenue	-	-	12,047	12,047
Total revenues	<u>3,804,860</u>	<u>3,804,860</u>	<u>2,473,863</u>	<u>(1,330,997)</u>
Expenditures:				
Community development	3,803,660	3,803,660	3,731,301	72,359
Capital outlay	<u>1,200</u>	<u>1,200</u>	<u>-</u>	<u>1,200</u>
Total expenditures	<u>3,804,860</u>	<u>3,804,860</u>	<u>3,731,301</u>	<u>73,559</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1,257,438)</u>	<u>(1,257,438)</u>
Fund balance - beginning	<u>2,488,588</u>	<u>2,488,588</u>	<u>2,488,588</u>	<u>-</u>
Fund balance - ending	<u><u>\$ 2,488,588</u></u>	<u><u>\$ 2,488,588</u></u>	<u><u>\$ 1,231,150</u></u>	<u><u>\$ (1,257,438)</u></u>

CITY OF WICHITA FALLS, TEXAS

BUDGETARY COMPARISON SCHEDULE - HOME INVESTMENT PARTNERSHIP AGREEMENT FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 487,069	\$ 487,069	\$ 487,069	\$ -
Miscellaneous revenue	-	-	10,503	10,503
Total revenues	<u>487,069</u>	<u>487,069</u>	<u>497,572</u>	<u>10,503</u>
Expenditures:				
Community development	487,069	1,101,878	300,518	801,360
Total expenditures	<u>487,069</u>	<u>1,101,878</u>	<u>300,518</u>	<u>801,360</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(614,809)</u>	<u>197,054</u>	<u>811,863</u>
Fund balance - beginning	<u>739,176</u>	<u>739,176</u>	<u>739,176</u>	<u>-</u>
Fund balance - ending	<u>\$ 739,176</u>	<u>\$ 124,367</u>	<u>\$ 936,230</u>	<u>\$ 811,863</u>

CITY OF WICHITA FALLS, TEXAS

BUDGETARY COMPARISON SCHEDULE - HOTEL/MOTEL TAX FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,472,000	\$ 1,472,000	\$ 1,626,194	\$ 154,194
Total revenues	<u>1,472,000</u>	<u>1,472,000</u>	<u>1,626,194</u>	<u>154,194</u>
Expenditures:				
Administrative services	87,500	87,500	91,256	(3,756)
Total expenditures	<u>87,500</u>	<u>87,500</u>	<u>91,256</u>	<u>(3,756)</u>
Excess of revenues over expenditures	<u>1,384,500</u>	<u>1,384,500</u>	<u>1,534,938</u>	<u>150,438</u>
Other financing sources (uses):				
Transfers out	(1,383,163)	(1,383,163)	(1,459,943)	(76,780)
Total other financing sources (uses)	<u>(1,383,163)</u>	<u>(1,383,163)</u>	<u>(1,459,943)</u>	<u>(76,780)</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,337	1,337	74,995	73,658
Fund balance - beginning	<u>59,409</u>	<u>59,409</u>	<u>59,409</u>	<u>-</u>
Fund balance - ending	<u>\$ 60,746</u>	<u>\$ 60,746</u>	<u>\$ 134,404</u>	<u>\$ 73,658</u>

CITY OF WICHITA FALLS, TEXAS

BUDGETARY COMPARISON SCHEDULE - GOLF FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 750,000	\$ 750,000	\$ 520,204	\$ (229,796)
Miscellaneous revenue	-	-	260,086	260,086
Total revenues	<u>750,000</u>	<u>750,000</u>	<u>780,290</u>	<u>30,290</u>
Expenditures:				
Administrative services	900,000	1,005,259	1,029,973	(24,714)
Total expenditures	<u>900,000</u>	<u>1,005,259</u>	<u>1,029,973</u>	<u>(24,714)</u>
Excess of revenues over (under) expenditures	<u>(150,000)</u>	<u>(255,259)</u>	<u>(249,683)</u>	<u>5,576</u>
Other financing sources (uses):				
Transfers in	150,000	255,259	249,682	(5,577)
Total other financing sources (uses)	<u>150,000</u>	<u>255,259</u>	<u>249,682</u>	<u>(5,577)</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	-	(1)	(1)
Fund balance - beginning	<u>31,781</u>	<u>31,781</u>	<u>31,781</u>	-
Fund balance - ending	<u>\$ 31,781</u>	<u>\$ 31,781</u>	<u>\$ 31,780</u>	<u>\$ (1)</u>

CITY OF WICHITA FALLS, TEXAS

BUDGETARY COMPARISON SCHEDULE - MPEC FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 180,320	\$ 180,320	\$ 186,578	\$ 6,258
Miscellaneous revenue	1,643,028	1,643,028	1,451,436	(191,592)
Total revenues	<u>1,823,348</u>	<u>1,823,348</u>	<u>1,638,014</u>	<u>(185,334)</u>
Expenditures:				
MPEC	3,198,764	3,697,569	3,062,507	635,062
Capital outlay	-	6,302	958,011	(951,709)
Total expenditures	<u>3,198,764</u>	<u>3,703,871</u>	<u>4,020,518</u>	<u>(316,647)</u>
Excess of revenues over (under) expenditures	<u>(1,375,416)</u>	<u>(1,880,523)</u>	<u>(2,382,504)</u>	<u>(501,981)</u>
Other financing sources (uses):				
Capital lease proceeds	-	-	951,709	951,709
Transfers in	1,375,416	1,375,416	1,427,189	51,773
Total other financing sources (uses)	<u>1,375,416</u>	<u>1,375,416</u>	<u>2,378,898</u>	<u>1,003,482</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	(505,107)	(3,606)	501,501
Fund balance - beginning	<u>705,051</u>	<u>705,051</u>	<u>469,604</u>	<u>(235,447)</u>
Fund balance - ending	<u>\$ 705,051</u>	<u>\$ 199,944</u>	<u>\$ 465,998</u>	<u>\$ 266,054</u>

CITY OF WICHITA FALLS, TEXAS

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget - Positive (Negative)
Revenues:				
Taxes	\$ 556,529	\$ 556,529	\$ 552,681	\$ (3,848)
Contributions	3,367,427	3,367,427	2,078,314	(1,289,113)
Miscellaneous revenue	-	-	220	220
Total revenues	<u>3,923,956</u>	<u>3,923,956</u>	<u>2,631,215</u>	<u>(1,292,741)</u>
Expenditures:				
Debt service - principal	2,228,980	2,228,980	2,270,000	(41,020)
Debt service - interest and paying agent fees	<u>1,764,976</u>	<u>1,764,976</u>	<u>1,603,982</u>	<u>160,994</u>
Total expenditures	<u>3,993,956</u>	<u>3,993,956</u>	<u>3,873,982</u>	<u>119,974</u>
Excess of revenues over (under) expenditures	<u>(70,000)</u>	<u>(70,000)</u>	<u>(1,242,767)</u>	<u>(1,172,767)</u>
Other financing sources (uses):				
Transfers in	-	-	1,237,632	1,237,632
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,237,632</u>	<u>1,237,632</u>
Excess of revenues and other sources over (under) expenditures and other uses	(70,000)	(70,000)	(5,135)	64,865
Fund balance - beginning	<u>313,439</u>	<u>313,439</u>	<u>190,547</u>	<u>(122,892)</u>
Fund balance - ending	<u>\$ 243,439</u>	<u>\$ 243,439</u>	<u>\$ 185,412</u>	<u>\$ (58,027)</u>

Nonmajor Enterprise Funds

Nonmajor enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the cost of providing the service to the general public on a continuing basis be recovered primarily through user charges.

Municipal Airport Fund

The Municipal Airport Fund was established to account for the operating revenues and expenses of the Wichita Falls Municipal Airport. The airport is operated on land leased from the Department of Defense. Commercial and private aviation share airport facilities and runways owned by Sheppard Air Force Base.

Kickapoo Airport Fund

During the year ended September 30, 2000, the City acquired Kickapoo Downtown Airport, a private airport. The Kickapoo Airport Fund was established to account for the operating revenues and expenses of the airport.

Transit Fund

The Transit Fund accounts for the operation of the Wichita Falls transit system. This system is supported from passenger fees, subsidies from the General Fund and subsidies from the Federal Transit Administration.

Stormwater Drainage Fund

The Stormwater Drainage Fund was established to account for operating revenues and expenses associated with the Storm Water Drainage Utility System (System). The System was established effective May 1, 2001 and provides a funding mechanism for drainage improvements in the City.

Waterpark Fund

The Waterpark Fund was established to account for the operating revenues and expenses of the Castaway Cove Waterpark. The waterpark was purchased on February 4, 2010.

CITY OF WICHITA FALLS, TEXAS

COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2012

	Municipal Airport	Kickapoo Airport	Transit	Stormwater Drainage	Waterpark	Total Nonmajor Enterprise Funds
<u>ASSETS</u>						
Current assets:						
Cash and cash equivalents	\$ 201,957	\$ 206,010	\$ -	\$ 3,996,328	\$ 931,899	\$ 5,336,194
Restricted cash and cash equivalents	552,549	-	-	-	-	552,549
Receivables (net of allowance for uncollectible accounts):						
Customer and trade	-	-	-	271,681	-	271,681
Government agencies	-	-	700,291	-	-	700,291
Other	17,467	39,836	-	-	-	57,303
Inventory	-	62,364	-	-	-	62,364
Prepaid items	26,158	4,074	-	-	-	30,232
Total current assets	<u>798,131</u>	<u>312,284</u>	<u>700,291</u>	<u>4,268,009</u>	<u>931,899</u>	<u>7,010,614</u>
Capital assets, net of accumulated depreciation	<u>11,546,609</u>	<u>10,573,406</u>	<u>1,196,078</u>	<u>15,679,301</u>	<u>3,385,766</u>	<u>42,381,160</u>
Total assets	<u>12,344,740</u>	<u>10,885,690</u>	<u>1,896,369</u>	<u>19,947,310</u>	<u>4,317,665</u>	<u>49,391,774</u>
<u>LIABILITIES</u>						
Current liabilities payable from current assets:						
Accounts payable - trade	10,810	6,901	109,677	340,593	10	467,991
Accrued payroll	1,505	4,365	19,297	2,238	1,448	28,853
Accrued vacation and sick leave	2,707	7,953	16,878	5,594	4,828	37,960
Payable to other City funds	-	-	125,083	-	-	125,083
Payable to government agencies	217	104	-	-	4,635	4,956
Other liabilities	15,000	21,983	15,753	42,907	439	96,082
Total current liabilities payable from current assets	<u>30,239</u>	<u>41,306</u>	<u>286,688</u>	<u>391,332</u>	<u>11,360</u>	<u>760,925</u>
Net assets:						
Invested in capital assets	11,546,609	10,573,406	1,196,078	15,679,301	3,385,766	42,381,160
Unrestricted	767,892	270,978	413,603	3,876,677	920,539	6,249,689
Total net assets	<u>\$ 12,314,501</u>	<u>\$ 10,844,384</u>	<u>\$ 1,609,681</u>	<u>\$ 19,555,978</u>	<u>\$ 4,306,305</u>	<u>\$ 48,630,849</u>

CITY OF WICHITA FALLS, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Municipal Airport	Kickapoo Airport	Transit	Stormwater Drainage	Waterpark	Total Nonmajor Enterprise Funds
Operating revenues:						
Charges for services	\$ -	\$ 1,897	\$ 393,155	\$ 2,552,075	\$ 1,093,675	\$ 4,040,802
Rents, concessions and other	716,608	1,151,141	12,697	575	382,167	2,263,188
Total operating revenues	<u>716,608</u>	<u>1,153,038</u>	<u>405,852</u>	<u>2,552,650</u>	<u>1,475,842</u>	<u>6,303,990</u>
Operating expenses:						
Personnel services	90,660	211,479	977,924	124,831	445,184	1,850,078
Supplies and materials	3,034	703,795	441,876	1,376	201,613	1,351,694
Maintenance and repairs	17,412	4,127	236,412	40,375	36,113	334,439
Utilities and other services	111,829	113,590	95,134	22,173	418,827	761,553
Insurance and contract support	4,282	15,358	41,019	100	53,946	114,705
Other expenses	82,733	37,676	35,817	18,166	33,560	207,952
Depreciation and amortization	260,509	359,633	32,169	199,686	186,976	1,038,973
Total operating expenses	<u>570,459</u>	<u>1,445,658</u>	<u>1,860,351</u>	<u>406,707</u>	<u>1,376,219</u>	<u>5,659,394</u>
Operating income (loss)	<u>146,149</u>	<u>(292,620)</u>	<u>(1,454,499)</u>	<u>2,145,943</u>	<u>99,623</u>	<u>644,596</u>
Nonoperating revenues (expenses):						
Interest income	890	200	-	4,228	572	5,890
Loss on sale of capital assets	(1,189)	(52,789)	(672)	(111,871)	-	(166,521)
Intergovernmental operating grants	-	-	2,371,658	-	-	2,371,658
Total nonoperating revenues (expenses)	<u>(299)</u>	<u>(52,589)</u>	<u>2,370,986</u>	<u>(107,643)</u>	<u>572</u>	<u>2,211,027</u>
Income (loss) before contributions and transfers	<u>145,850</u>	<u>(345,209)</u>	<u>916,487</u>	<u>2,038,300</u>	<u>100,195</u>	<u>2,855,623</u>
Capital contributions	-	-	-	-	-	-
Transfers in	4,834,183	1,272,842	608,369	-	-	6,715,394
Transfers out	(106,603)	-	(764,464)	(753,221)	-	(1,624,288)
Net transfers	<u>4,727,580</u>	<u>1,272,842</u>	<u>(156,095)</u>	<u>(753,221)</u>	<u>-</u>	<u>5,091,106</u>
Net income	<u>4,873,430</u>	<u>927,633</u>	<u>760,392</u>	<u>1,285,079</u>	<u>100,195</u>	<u>7,946,729</u>
Net assets - beginning	<u>7,441,071</u>	<u>9,916,751</u>	<u>849,289</u>	<u>18,270,899</u>	<u>4,206,110</u>	<u>40,684,120</u>
Net assets - ending	<u>\$ 12,314,501</u>	<u>\$ 10,844,384</u>	<u>\$ 1,609,681</u>	<u>\$ 19,555,978</u>	<u>\$ 4,306,305</u>	<u>\$ 48,630,849</u>

CITY OF WICHITA FALLS, TEXAS

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Municipal Airport	Kickapoo Airport	Transit	Stormwater Drainage	Waterpark	Total Nonmajor Enterprise Funds
Cash flows from operating activities:						
Receipts from customers and users	\$ 716,715	\$ 1,174,443	\$ 405,852	\$ 2,553,051	\$ 1,475,842	\$ 6,325,903
Payments to suppliers	(414,482)	(966,742)	(964,976)	(165,682)	(804,566)	(3,316,448)
Payments to employees	(69,058)	(153,481)	(740,779)	(95,778)	(382,604)	(1,441,700)
Net cash provided (used) by operating activities	<u>233,175</u>	<u>54,220</u>	<u>(1,299,903)</u>	<u>2,291,591</u>	<u>288,672</u>	<u>1,567,755</u>
Cash flows from noncapital financing activities:						
Intergovernmental operating grants	-	-	1,911,654	-	-	1,911,654
Interfund loan received	-	-	53,769	-	-	53,769
Transfers out to other funds	(106,603)	-	(764,464)	(753,221)	-	(1,624,288)
Transfers from other funds	4,834,183	1,272,842	608,369	-	-	6,715,394
Net cash provided (used) by noncapital financing activities	<u>4,727,580</u>	<u>1,272,842</u>	<u>1,809,328</u>	<u>(753,221)</u>	<u>-</u>	<u>7,056,529</u>
Cash flows from capital and related financing activities:						
Capital contributions	-	-	-	-	-	-
Acquisition and construction of capital assets	(4,943,419)	(1,272,842)	(509,425)	(987,610)	-	(7,713,296)
Net cash used for capital and related financing activities	<u>(4,943,419)</u>	<u>(1,272,842)</u>	<u>(509,425)</u>	<u>(987,610)</u>	<u>-</u>	<u>(7,713,296)</u>
Cash flows from investing activities:						
Interest on investments	890	200	-	4,228	572	5,890
Net cash provided by investing activities	<u>890</u>	<u>200</u>	<u>-</u>	<u>4,228</u>	<u>572</u>	<u>5,890</u>
Net Increase in Cash and Cash Equivalents	18,226	54,420	-	554,988	289,244	916,878
Cash and Cash Equivalents - Beginning	736,280	151,590	-	3,441,340	642,655	4,971,865
Cash and Cash Equivalents - Ending	<u>\$ 754,506</u>	<u>\$ 206,010</u>	<u>\$ -</u>	<u>\$ 3,996,328</u>	<u>\$ 931,899</u>	<u>\$ 5,888,743</u>

CITY OF WICHITA FALLS, TEXAS

**COMBINING STATEMENT OF CASH FLOWS (CONT'D.)
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Municipal Airport	Kickapoo Airport	Transit	Stormwater Drainage	Waterpark	Totals
Cash flows from operating activities:						
Operating income (loss)	\$ 146,149	\$ (292,620)	\$ (1,454,499)	\$ 2,145,943	\$ 99,623	\$ 644,596
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	260,509	359,633	32,169	199,686	186,976	1,038,973
(Increase) decrease in current assets:						
Receivables:						
Customer and trade	-	-	-	401	-	401
Other	107	21,405	-	-	-	21,512
Inventory	-	(9,697)	-	-	-	(9,697)
Prepaid items	(24,785)	(13)	-	-	-	(24,798)
Increase (decrease) in current liabilities:						
Accounts payable - trade	(127,125)	(43,911)	106,762	(45,659)	10	(109,923)
Accrued payroll	(1,639)	(1,883)	173	43	67	(3,239)
Accrued vacation and sick leave	143	(182)	-	1,064	1,269	2,294
Payable to government agencies	(13,867)	12	-	-	288	(13,567)
Other liabilities	(6,317)	21,476	15,492	(9,887)	439	21,203
Total adjustments	87,026	346,840	154,596	145,648	189,049	923,159
Net cash provided by (used in) operating activities	<u>\$ 233,175</u>	<u>\$ 54,220</u>	<u>\$ (1,299,903)</u>	<u>\$ 2,291,591</u>	<u>\$ 288,672</u>	<u>\$ 1,567,755</u>

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

Fleet Maintenance Fund

The Fleet Maintenance Fund accounts for the costs associated with the operation, maintenance and replacement of the City's vehicle and equipment fleet. City departments which use the vehicles and equipment are charged a monthly rental fee based upon actual operating costs associated with each class of vehicle or equipment.

Duplicating Services Fund

The Duplicating Services Fund accounts for the costs associated with the operation and maintenance of the City's duplicating equipment. City departments which use the duplicating services are charged a fee based upon actual usage.

Employee Benefit Trust Fund

The Employee Benefit Trust Fund is used to account for and administer group health insurance, which is self-insured by the City, and life insurance for employees and covered dependents.

Information Technology Fund

The Information Technology Fund accounts for the costs associated with the operation and maintenance of the City's Information Technology assets. City departments which use information technology are charged a fee based on usage.

CITY OF WICHITA FALLS, TEXAS

COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS SEPTEMBER 30, 2012

<u>ASSETS</u>	Fleet Maintenance	Duplicating Services	Employee Benefit Trust	Information Technology Fund	Totals
Current assets:					
Cash and cash equivalents	\$ 457,475	\$ 692	\$ 1,268,498	\$ 1,107,217	\$ 2,833,882
Restricted cash and cash equivalents	-	-	1,616,971	-	1,616,971
Receivables:					
Other	340,315	-	20,610	-	360,925
Inventory	814,418	-	-	-	814,418
Prepaid items	-	467	-	-	467
Total current assets	<u>1,612,208</u>	<u>1,159</u>	<u>2,906,079</u>	<u>1,107,217</u>	<u>5,626,663</u>
Capital assets, net of accumulated depreciation	<u>21,144,631</u>	<u>5,210</u>	<u>-</u>	<u>190,434</u>	<u>21,340,275</u>
Total assets	<u>22,756,839</u>	<u>6,369</u>	<u>2,906,079</u>	<u>1,297,651</u>	<u>26,966,938</u>
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable - trade	108,620	3,179	25,859	53,983	191,641
Accrued payroll	35,116	692	1,701	18,842	56,351
Accrued vacation and sick leave	80,687	2,550	-	-	83,237
Payable to other City funds	-	-	10,150	-	10,150
Estimated health claims payable	-	-	594,291	-	594,291
Other liabilities	1,155	-	-	-	1,155
Capital leases - current maturities	428,365	-	-	-	428,365
Total current liabilities	<u>653,943</u>	<u>6,421</u>	<u>632,001</u>	<u>72,825</u>	<u>1,365,190</u>
Long-term liabilities:					
Capital leases, less current maturities	<u>973,919</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>973,919</u>
Total liabilities	<u>1,627,862</u>	<u>6,421</u>	<u>632,001</u>	<u>72,825</u>	<u>2,339,109</u>
<u>NET ASSETS</u>					
Invested in capital assets	19,742,347	5,210	-	190,434	19,937,991
Unrestricted	1,386,630	(5,262)	2,274,078	1,034,392	4,689,838
Total net assets	<u>\$ 21,128,977</u>	<u>\$ (52)</u>	<u>\$ 2,274,078</u>	<u>\$ 1,224,826</u>	<u>\$ 24,627,829</u>

CITY OF WICHITA FALLS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Fleet Maintenance	Duplicating Services	Employee Benefit Trust	Information Technology Fund	Totals
Operating revenues:					
Charges for services	\$ 9,819,329	\$ 234,101	\$ 8,521	\$ 2,759,309	\$ 12,821,260
Rents, concessions and other	47,128	-	507,077	65,000	619,205
Contributions	-	-	10,124,446	-	10,124,446
Total operating revenues	<u>9,866,457</u>	<u>234,101</u>	<u>10,640,044</u>	<u>2,824,309</u>	<u>23,564,911</u>
Operating expenses:					
Personnel services	1,868,016	43,327	94,035	1,032,898	3,038,276
Supplies and materials	4,110,044	19,946	12,702	101,973	4,244,665
Maintenance and repairs	1,716,595	981	47,796	480,889	2,246,261
Utilities and other services	88,518	2,774	75,500	151,818	318,610
Insurance and contract support	41,267	-	8,966,862	-	9,008,129
Other expenses	175,671	126,647	1,530,728	5,746	1,838,792
Depreciation and amortization	3,493,385	1,462	-	21,159	3,516,006
Total operating expenses	<u>11,493,496</u>	<u>195,137</u>	<u>10,727,623</u>	<u>1,794,483</u>	<u>24,210,739</u>
Operating income (loss)	<u>(1,627,039)</u>	<u>38,964</u>	<u>(87,579)</u>	<u>1,029,826</u>	<u>(645,828)</u>
Nonoperating revenues (expenses):					
Interest income	-	-	209,582	-	209,582
Interest expense	(10,928)	-	-	-	(10,928)
Gain on sale of capital assets	128,487	(3,200)	-	-	125,287
Total nonoperating revenues (expenses)	<u>117,559</u>	<u>(3,200)</u>	<u>209,582</u>	<u>-</u>	<u>323,941</u>
Income (loss) before contributions and transfers	<u>(1,509,480)</u>	<u>35,764</u>	<u>122,003</u>	<u>1,029,826</u>	<u>(321,887)</u>
Capital contributions	116,000	-	-	-	116,000
Transfers in	2,418,889	-	-	-	2,418,889
Transfers out	(312,000)	-	-	-	(312,000)
Change in net assets	713,409	35,764	122,003	1,029,826	1,901,002
Net assets - beginning	<u>20,415,568</u>	<u>(35,816)</u>	<u>2,152,075</u>	<u>195,000</u>	<u>22,726,827</u>
Net assets - ending	<u>\$ 21,128,977</u>	<u>\$ (52)</u>	<u>\$ 2,274,078</u>	<u>\$ 1,224,826</u>	<u>\$ 24,627,829</u>

CITY OF WICHITA FALLS, TEXAS

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Fleet Maintenance	Duplicating Services	Employee Benefit Trust	Information Technology Fund	Totals
Cash flows from operating activities:					
Received from customers and users	\$ 9,548,896	\$ 234,101	\$ 10,632,641	\$ 2,824,309	\$ 23,239,947
Payments to suppliers	(6,747,207)	(151,438)	(10,868,996)	(946,918)	(18,714,559)
Payments to employees	(1,375,678)	(30,440)	(68,385)	(753,581)	(2,228,084)
Net cash provided (used) by operating activities	<u>1,426,011</u>	<u>52,223</u>	<u>(304,740)</u>	<u>1,123,810</u>	<u>2,297,304</u>
Cash flows from noncapital financing activities:					
Interfund loans received	-	-	10,150	-	10,150
Interfund loans repaid	-	(46,409)	-	-	(46,409)
Transfers in from other funds	2,418,889	-	-	-	2,418,889
Transfers out to other funds	(312,000)	-	-	-	(312,000)
Net cash provided (used) by noncapital financing activities	<u>2,106,889</u>	<u>(46,409)</u>	<u>10,150</u>	<u>-</u>	<u>2,070,630</u>
Cash flows from capital and related financing activities:					
Capital contributions	116,000	-	-	-	116,000
Acquisition of capital assets	(3,619,550)	(5,122)	-	(211,593)	(3,836,265)
Proceeds from sale of capital assets	129,072	-	-	-	129,072
Principal paid on long-term debt	(436,266)	-	-	-	(436,266)
Interest and fees paid on long-term debt	(10,928)	-	-	-	(10,928)
Net cash used for capital and related financing activities	<u>(3,821,672)</u>	<u>(5,122)</u>	<u>-</u>	<u>(211,593)</u>	<u>(4,038,387)</u>
Cash flows from investing activities:					
Interest on investments	-	-	209,582	-	209,582
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>209,582</u>	<u>-</u>	<u>209,582</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(288,772)	692	(85,008)	912,217	539,129
Cash and Cash Equivalents - Beginning	746,247	-	2,970,477	195,000	3,911,724
Cash and Cash Equivalents - Ending	<u>\$ 457,475</u>	<u>\$ 692</u>	<u>\$ 2,885,469</u>	<u>\$ 1,107,217</u>	<u>\$ 4,450,853</u>
Cash flows from operating activities:					
Operating income (loss)	\$ (1,627,039)	\$ 38,964	\$ (87,579)	\$ 1,029,826	\$ (645,828)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	3,493,385	1,462	-	21,159	3,516,006
(Increase) decrease in current assets:					
Receivables:					
Other	(313,013)	-	(7,403)	-	(320,416)
Inventory	(52,754)	11,209	-	-	(41,545)
Prepaid items	-	185	-	-	185
Increase (decrease) in current liabilities:					
Accounts payable - trade	(70,627)	(437)	(59,141)	53,983	(76,222)
Accrued payroll	1,947	22	74	18,842	20,885
Accrued vacation and sick leave	(1,340)	818	-	-	(522)
Estimated health claims payable	-	-	(150,691)	-	(150,691)
Other liabilities	(4,548)	-	-	-	(4,548)
Total adjustments	<u>3,053,050</u>	<u>13,259</u>	<u>(217,161)</u>	<u>93,984</u>	<u>2,943,132</u>
Net cash provided (used) by operating activities	<u>\$ 1,426,011</u>	<u>\$ 52,223</u>	<u>\$ (304,740)</u>	<u>\$ 1,123,810</u>	<u>\$ 2,297,304</u>

Agency Fund

Escheatment Fund - The agency fund is used to account for assets held by the City of Wichita Falls in a custodial capacity. The assets in this fund have been abandoned or remain unclaimed pending escheatment to the State of Texas.

CITY OF WICHITA FALLS, TEXAS

AGENCY FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance 10/1/2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/2012</u>
<u>ESCHEATMENT FUND</u>				
Assets				
Cash and cash equivalents	\$ 126,830	\$ 11,453	\$ 57,057	\$ 81,226
Liabilities				
Other liabilities	\$ 126,830	\$ 11,453	\$ 57,057	\$ 81,226

Component Units

Discretely Presented Component Units of the City of Wichita Falls are legally separate entities; however, the City is considered to be financially accountable for their operations. The four discretely presented component units are as follows:

Wichita Falls Economic Development Corporation

The Wichita Falls Economic Development Corporation is a nonprofit corporation formed in May 1997 for the purpose of increasing employment opportunities, primarily through assisting qualified enterprises with funds provided by a portion of the local sales tax. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4A.

Wichita Falls 4B Sales Tax Corporation

The Wichita Falls 4B Sales Tax Corporation is a nonprofit corporation formed in May 1997 for the purpose of increasing employment opportunities and for public improvement projects such as parks, auditoriums, learning centers, open space improvements, athletic and exhibition facilities and the related maintenance and operating costs of such projects. These projects are funded by a portion of the local sales tax. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B.

Wichita Falls Reinvestment Zone #2

The Wichita Falls Reinvestment Zone #2 was created in August 2005 by the City, with the advice and consent of the Wichita Falls Independent School District and Wichita County. The purpose of the Wichita Falls Reinvestment Zone #2 is to capture increments of growth in real property values in the designated zone area from base values established in January 2004 and use the ad valorem taxes derived from the increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the zoned area or for payment of debt service on bonds issued to provide funds for public improvements.

Wichita Falls Reinvestment Zone #3

The Wichita Falls Reinvestment Zone #3 was created in September 2009 by the City, with the advice and consent of the Wichita Falls Independent School District and Wichita County. The purpose of the Wichita Falls Reinvestment Zone #3 is to capture increments of growth in real property values in the designated zone area from base values established in January 2009 and use the ad valorem taxes derived from the increments to contribute to the zoned area. Tax funds derived from the increment can only be spent for public improvements in the zoned area or for payment of debt service on bonds issued to provide funds for public improvements.

CITY OF WICHITA FALLS, TEXAS

COMBINING STATEMENT OF NET ASSETS COMPONENT UNITS SEPTEMBER 30, 2012

	Wichita Falls Economic Development Corporation	Wichita Falls 4B Sales Tax Corporation	Wichita Falls Reinvestment Zone #2	Wichita Falls Reinvestment Zone #3	Totals
Assets					
Cash and cash equivalents	\$ 14,768,826	\$ 1,910,811	\$ -	\$ 112,695	\$ 16,792,332
Receivables:					
Government agencies	610,388	610,388	-	-	1,220,776
Prepaid items	-	-	-	-	-
Capital assets, net of accumulated depreciation	2,302,553	-	-	-	2,302,553
Total assets	17,681,767	2,521,199	-	112,695	20,315,661
Liabilities					
Accounts payable - trade	15,153	42,962	-	-	58,115
Other liabilities	-	14,117	-	-	14,117
Total liabilities	15,153	57,079	-	-	72,232
Net assets					
Investment in capital assets, net of related debt	2,302,553	-	-	-	2,302,553
Unrestricted	15,364,061	2,464,120	-	112,695	17,940,876
Total net assets	\$ 17,666,614	\$ 2,464,120	\$ -	\$ 112,695	\$ 20,243,429

CITY OF WICHITA FALLS, TEXAS

**COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets				Totals
		Charges for Services	Operating Grants and Contributions	Wichita Falls Economic Development Corporation	Wichita Falls 4B Sales Tax Corporation	Wichita Falls Reinvestment Zone #2	Wichita Falls Reinvestment Zone #3	
Community development								
Wichita Falls Economic Development Corporation	\$ 2,647,369	\$ 106,800	\$ -	\$ (2,540,569)	\$ -	\$ -	\$ -	\$ (2,540,569)
Wichita Falls 4B Sales Tax Corporation	3,500,201	-	305,804	-	(3,194,397)	-	-	(3,194,397)
Wichita Falls Reinvestment Zone #2	305,804	-	-	-	-	(305,804)	-	(305,804)
Wichita Falls Reinvestment Zone #3	-	-	-	-	-	-	-	-
Total component units	<u>\$ 6,453,374</u>	<u>\$ 106,800</u>	<u>\$ 305,804</u>	<u>(2,540,569)</u>	<u>(3,194,397)</u>	<u>(305,804)</u>	<u>-</u>	<u>(6,040,770)</u>
General revenues:								
Taxes:								
Property tax				-	-	305,693	39,364	345,057
Sales tax				3,567,804	3,567,804	-	-	7,135,608
Investment earnings				16,143	4,217	111	98	20,569
Miscellaneous				393,675	-	-	-	393,675
Total general revenues				<u>3,977,622</u>	<u>3,572,021</u>	<u>305,804</u>	<u>39,462</u>	<u>7,894,909</u>
Change in net assets				1,437,053	377,624	-	39,462	1,854,139
Net assets - beginning				16,229,561	2,086,496	-	73,233	18,389,290
Net assets - ending				<u>\$ 17,666,614</u>	<u>\$ 2,464,120</u>	<u>\$ -</u>	<u>\$ 112,695</u>	<u>\$ 20,243,429</u>

Supporting Schedules

CITY OF WICHITA FALLS, TEXAS

**COMBINED SCHEDULE OF BONDED DEBT AND INTEREST MATURITIES
SEPTEMBER 30, 2012**

Fiscal Year Ending September 30,	General Obligation Bonds			Combination Tax and Revenue Bonds			Water and Sewer Priority Lien Revenue Bonds			Totals - All Bonded Debt		
	Serial Bond Maturities (1)	Interest on Bonds	Total Bonds and Interest	Serial Bond Maturities (2)	Interest on Bonds	Total Bonds and Interest	Serial Bond Maturities (3)	Interest on Bonds	Total Bonds and Interest	Serial Bond Maturities	Interest on Bonds	Total Bonds and Interest
2013	\$ 434,431	\$ 61,569	\$ 496,000	\$ 5,104,236	\$ 2,133,654	\$ 7,237,890	\$ 3,354,224	\$ 4,489,701	\$ 7,843,925	\$ 8,892,891	\$ 6,684,924	\$ 15,577,815
2014	436,812	56,088	492,900	5,159,767	1,958,920	7,118,687	3,488,364	4,357,561	7,845,925	9,084,943	6,372,569	15,457,512
2015	444,160	50,540	494,700	5,338,893	1,778,242	7,117,135	3,637,413	4,211,462	7,848,875	9,420,466	6,040,244	15,460,710
2016	447,122	46,278	493,400	5,530,776	1,585,588	7,116,364	3,791,420	4,059,030	7,850,450	9,769,318	5,690,896	15,460,214
2017	454,373	40,527	494,900	5,845,372	1,380,837	7,226,209	3,940,386	3,900,052	7,840,438	10,240,131	5,321,416	15,561,547
2018	461,559	34,641	496,200	6,021,379	1,190,082	7,211,461	4,114,310	3,734,740	7,849,050	10,597,248	4,959,463	15,556,711
2019	468,681	28,619	497,300	2,075,881	989,580	3,065,461	8,163,252	3,572,198	11,735,450	10,707,814	4,590,397	15,298,211
2020	479,266	19,384	498,650	2,163,328	903,966	3,067,294	8,520,949	3,218,376	11,739,325	11,163,543	4,141,726	15,305,269
2021	489,706	9,844	499,550	2,255,618	812,236	3,067,854	8,903,475	2,838,350	11,741,825	11,648,799	3,660,430	15,309,229
2022	-	-	-	2,357,642	714,339	3,071,981	9,295,889	2,441,111	11,737,000	11,653,531	3,155,450	14,808,981
2023	-	-	-	2,464,121	603,523	3,067,644	9,713,189	2,026,211	11,739,400	12,177,310	2,629,734	14,807,044
2024	-	-	-	2,575,432	486,370	3,061,802	10,150,366	1,592,534	11,742,900	12,725,798	2,078,904	14,804,702
2025	-	-	-	2,706,572	362,328	3,068,900	10,602,415	1,139,185	11,741,600	13,308,987	1,501,513	14,810,500
2026	-	-	-	2,437,507	242,118	2,679,625	11,074,332	665,493	11,739,825	13,511,839	907,611	14,419,450
2027	-	-	-	903,235	126,421	1,029,656	3,816,108	170,565	3,986,673	4,719,343	296,986	5,016,329
2028	-	-	-	942,632	85,312	1,027,944	-	-	-	942,632	85,312	1,027,944
2029	-	-	-	987,014	41,911	1,028,925	-	-	-	987,014	41,911	1,028,925
2030	-	-	-	211,364	15,836	227,200	-	-	-	211,364	15,836	227,200
2031	-	-	-	220,696	8,102	228,798	-	-	-	220,696	8,102	228,798
	<u>\$ 4,116,110</u>	<u>\$ 347,490</u>	<u>\$ 4,463,600</u>	<u>\$ 55,301,465</u>	<u>\$ 15,419,365</u>	<u>\$ 70,720,830</u>	<u>\$ 102,566,092</u>	<u>\$ 42,416,569</u>	<u>\$ 144,982,661</u>	<u>\$ 161,983,667</u>	<u>\$ 58,183,424</u>	<u>\$ 220,167,091</u>

(1) Includes amortization of bond premium of \$166,110.

(2) Includes amortization of bond premium of \$1,126,465.

(2) Includes amortization of bond premium of \$276,092.

CITY OF WICHITA FALLS, TEXAS

**COMBINED SCHEDULE OF BONDS PAYABLE
SEPTEMBER 30, 2012**

	Interest Rates and (Dates)	Issue Date	Final Maturity Date	Annual Serial Payments	Bonds			
					Authorized	Issued	Retired or Refunded	Outstanding
General Obligation Bonds:								
General Obligation Refunding Bonds, Series 2011	1.50, 2.00, 3.00 (3/1, 9/1)	10/15/11	09/01/21	415,000 (2012) 405,000 (2013) 410,000 (2014) 420,000 (2015) 425,000 (2016) 435,000 (2017) 445,000 (2018) 455,000 (2019) 470,000 (2020) 485,000 (2021)	\$ 4,365,000	\$ 4,365,000	\$ 415,000	\$ 3,950,000
General Obligation Refunding Bonds, Series 2011 - Premium					-	194,300	28,190	166,110
Total General Obligation Bonds					4,365,000	4,559,300	443,190	4,116,110
Combination Tax and Revenue Bonds:								
Combination Tax and Revenue Certificates of Obligation, Series 2003	3.00, 3.10, 3.30, 3.40 3.55, 3.65, 3.75, 3.90, 4.00 (3/1, 9/1)	11/15/03	09/01/18	740,000 (2004) 715,000 (2005) 735,000 (2006) 755,000 (2007) 775,000 (2008) 380,000 (2009) 390,000 (2010) 405,000 (2011) 420,000 (2012) 435,000 (2013) 335,000 (2014) 345,000 (2015) 360,000 (2016) 375,000 (2017) 385,000 (2018)	7,550,000	7,550,000	5,315,000	2,235,000
Combination Tax and Revenue Refunding Bonds, Series 2005	4.90, 5.00 (2/1, 8/1)	09/01/05	08/01/16	115,000 (2005) 2,055,000 (2006) 2,150,000 (2007) 2,210,000 (2013) 2,350,000 (2014) 2,490,000 (2015) 2,650,000 (2016)	14,020,000	14,020,000	4,320,000	9,700,000
Combination Tax and Revenue Refunding Bonds, Series 2005 - Premium					-	1,050,891	793,075	257,816

CITY OF WICHITA FALLS, TEXAS
COMBINED SCHEDULE OF BONDS PAYABLE (CONT'D.)
SEPTEMBER 30, 2012

	Interest Rates and (Dates)	Issue Date	Final Maturity Date	Annual Serial Payments	Bonds			
					Authorized	Issued	Retired or Refunded	Outstanding
Combination Tax and Revenue Certificates of Obligation, Series 2006A	3.55, 3.60, 3.90, 4.00 4.10, 4.20, 4.25, 5.00 (3/1, 9/1)	11/15/06	09/01/26	705,000 (2007) 580,000 (2008) 605,000 (2009) 625,000 (2010) 650,000 (2011) 680,000 (2012) 705,000 (2013) 735,000 (2014) 760,000 (2015) 795,000 (2016) 825,000 (2017) 855,000 (2018) 890,000 (2019) 930,000 (2020) 965,000 (2021) 1,010,000 (2022) 1,060,000 (2023) 1,110,000 (2024) 1,165,000 (2025) 1,225,000 (2026)	16,875,000	16,875,000	3,845,000	13,030,000
Combination Tax and Revenue Certificates of Obligation, Series 2006A - Premium					-	448,769	196,304	252,465
Combination Tax and Revenue Certificates of Obligation, Series 2006B	5.20, 5.30, 6.00, 6.25 (3/1, 9/1)	11/15/06	09/01/26	170,000 (2007) 130,000 (2008) 135,000 (2009) 140,000 (2010) 150,000 (2011) 155,000 (2012) 165,000 (2013) 175,000 (2014) 185,000 (2015) 190,000 (2016) 205,000 (2017) 215,000 (2018) 230,000 (2019) 240,000 (2020) 255,000 (2021) 270,000 (2022) 290,000 (2023) 305,000 (2024) 325,000 (2025) 345,000 (2026)	4,275,000	4,275,000	880,000	3,395,000
Combination Tax and Revenue Certificates of Obligation, Series 2006B - Premium					-	103,279	44,528	58,751

CITY OF WICHITA FALLS, TEXAS
COMBINED SCHEDULE OF BONDS PAYABLE (CONT'D.)
SEPTEMBER 30, 2012

	Interest Rates and (Dates)	Issue Date	Final Maturity Date	Annual Serial Payments	Bonds			
					Authorized	Issued	Retired or Refunded	Outstanding
Combination Tax and Revenue Certificates of Obligation, Series 2009	2.25, 2.50, 2.75, 3.00, 3.25, 3.50, 4.00, 4.125, 4.25, 4.50, 4.625, 4.75 (4/1, 10/1)	01/15/09	10/01/28	340,000 (2010) 405,000 (2011) 415,000 (2012) 425,000 (2013) 435,000 (2014) 450,000 (2015) 460,000 (2016) 475,000 (2017) 490,000 (2018) 505,000 (2019) 525,000 (2020) 550,000 (2021) 570,000 (2022) 595,000 (2023) 620,000 (2024) 650,000 (2025) 675,000 (2026) 710,000 (2027) 745,000 (2028) 780,000 (2029)	10,820,000	10,820,000	1,160,000	9,660,000
Combination Tax and Revenue Certificates of Obligation, Series 2010	5.60 (2/1, 8/1)	01/01/10	02/01/25	165,000 (2011) 185,000 (2012) 195,000 (2013) 205,000 (2014) 215,000 (2015) 230,000 (2016) 240,000 (2017) 255,000 (2018) 270,000 (2019) 285,000 (2020) 300,000 (2021) 320,000 (2022) 335,000 (2023) 355,000 (2024) 375,000 (2025)	3,930,000	3,930,000	350,000	3,580,000
Combination Tax and Revenue Refunding Bonds, Series 2010	2.00, 3.00, 3.50, 4.00 (2/1, 8/1)	05/01/10	08/01/18	170,000 (2010) 285,000 (2012) 595,000 (2013) 580,000 (2014) 575,000 (2015) 555,000 (2016) 3,470,000 (2017) 3,600,000 (2018)	9,830,000	9,830,000	455,000	9,375,000
Combination Tax and Revenue Refunding Bonds, Series 2010 - Premium					-	685,333	219,807	465,526

CITY OF WICHITA FALLS, TEXAS
COMBINED SCHEDULE OF BONDS PAYABLE (CONT'D.)
SEPTEMBER 30, 2012

	Interest Rates and (Dates)	Issue Date	Final Maturity Date	Annual Serial Payments	Bonds			
					Authorized	Issued	Retired or Refunded	Outstanding
Combination Tax and Revenue Certificates of Obligation, Series 2011	2.00, 3.00, 4.00 (3/1, 9/1)	10/15/11	09/01/31	135,000 (2013) 135,000 (2014) 140,000 (2015) 145,000 (2016) 145,000 (2017) 150,000 (2018) 150,000 (2019) 155,000 (2020) 160,000 (2021) 165,000 (2022) 165,000 (2023) 170,000 (2024) 180,000 (2025) 185,000 (2026) 190,000 (2027) 195,000 (2028) 205,000 (2029) 210,000 (2030) 220,000 (2031)	\$ 3,200,000	\$ 3,200,000	\$ -	\$ 3,200,000
Combination Tax and Revenue Certificates of Obligation, Series 2011 - Premium					-	98,494	6,587	91,907
Total Combination Tax and Revenue Bonds					70,500,000	72,886,766	17,585,301	55,301,465
Water and Sewer System Priority Lien Refunding Revenue Bonds, Series 2007	4.00, 4.25, 4.375, 4.50 (2/1, 8/1)	02/01/07	08/01/27	225,000 (2008) 230,000 (2009) 240,000 (2010) 250,000 (2011) 260,000 (2012) 3,325,000 (2013) 3,460,000 (2014) 3,610,000 (2015) 3,765,000 (2016) 3,915,000 (2017) 4,090,000 (2018) 8,140,000 (2019) 8,500,000 (2020) 8,885,000 (2021) 9,280,000 (2022) 9,700,000 (2023) 10,140,000 (2024) 10,595,000 (2025) 11,070,000 (2026) 3,815,000 (2027)	103,495,000	103,495,000	1,205,000	102,290,000

CITY OF WICHITA FALLS, TEXAS
COMBINED SCHEDULE OF BONDS PAYABLE (CONT'D.)
SEPTEMBER 30, 2012

	Interest Rates and (Dates)	Issue Date	Final Maturity Date	Annual Serial Payments	Bonds			
					Authorized	Issued	Retired or Refunded	Outstanding
Water and Sewer System Priority Lien Refunding Revenue Bonds, Series 2007 - Premium					-	437,938	161,846	276,092
Total Priority Lien Revenue Bonds					<u>103,495,000</u>	<u>103,932,938</u>	<u>1,366,846</u>	<u>102,566,092</u>
Total All Bonds					<u>\$ 178,360,000</u>	<u>\$ 181,379,004</u>	<u>\$ 19,395,337</u>	<u>\$ 161,983,667</u>

CITY OF WICHITA FALLS, TEXAS

DEBT SERVICE COVERAGE - REVENUE BONDS SEPTEMBER 30, 2012

Water and Sewer Revenue Bonds:		
Change in net assets (Exhibit A-8)		\$ 6,502,008
Add:		
Depreciation and amortization	\$ 5,552,648	
Interest expense and paying agent fees	4,851,051	
Transfers out	<u>1,414,779</u>	11,818,478
Subtract:		
West Texas Utilities water revenues	365,087	
Gain (loss) on sale/abandonment of capital assets	95,109	
Capital contributions from developers	181,759	
Transfers in	<u>743,908</u>	<u>(1,385,863)</u>
Net earnings for determining debt service coverage		<u><u>\$ 16,934,623</u></u>

	Priority Lien Bonds	Subordinate Lien Bonds	
Net earnings for determining debt service coverage			\$ 16,934,623
Principal and interest requirements to maturity	\$ 144,982,661	\$ -	
Number of years remaining to pay bonds	<u>15</u>	<u>N/A</u>	
Average annual principal and interest requirement	9,665,511	N/A	
Minimum bond covenant debt service coverage	<u>1.25</u>	<u>1.10</u>	
Minimum debt service coverage requirement	<u><u>\$ 12,081,888</u></u>	<u><u>\$ -</u></u>	<u>12,081,888</u>
Excess over debt service coverage requirements			<u><u>\$ 4,852,735</u></u>

CITY OF WICHITA FALLS, TEXAS

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2012**

	Land and Betterments	Buildings and Improvements	Machinery and Equipment	Furniture and Fixtures	Infrastructure	Construction in Progress	Totals
Administrative services:							
Mayor and City Council	\$ -	\$ -	\$ -	\$ 5,218	\$ -	\$ -	\$ 5,218
City Manager	-	265,898	2,019	13,644	-	-	281,561
Personnel/Risk Management	-	-	9,432	4,660	-	-	14,092
Martin Luther King Center	-	786,763	6,206	9,120	-	-	802,089
Library	477,942	4,522,939	453,534	89,052	-	-	5,543,467
General Public Information	-	-	289,561	3,184	-	-	292,745
Building Maintenance	-	1,125,905	42,256	-	-	-	1,168,161
Nondepartmental	44,080	380,755	59,560	-	-	501,051	985,446
Municipal Court	230,000	316,527	198,823	1,435	-	-	746,785
Legal	-	-	1,869	-	-	-	1,869
City Clerk	-	-	1,411	-	-	-	1,411
Homeland security	-	-	802,766	-	-	-	802,766
Training Center	-	-	536,255	-	-	-	536,255
Golf course	3,808,375	531,686	45,151	-	-	-	4,385,212
Total administrative services	4,560,397	7,930,473	2,448,843	126,313	-	501,051	15,567,077
Police	1,131,749	10,231,506	15,736,651	8,760	-	205,700	27,314,366
Fire	194,065	7,079,019	250,214	-	-	-	7,523,298
Parks and recreation:							
Recreation	683,155	1,714,368	220,501	1,727	-	-	2,619,751
Park maintenance	12,085,368	913,482	33,209	-	-	-	13,032,059
Cemetery	131,619	-	9,423	-	-	-	141,042
Total parks and recreation	12,900,142	2,627,850	263,133	1,727	-	-	15,792,852
Accounting/finance:							
Accounting/finance	-	-	-	-	-	-	-
Information Systems	-	-	2,233,148	-	-	-	2,233,148
Total accounting/finance	-	-	2,233,148	-	-	-	2,233,148
Community development:							
Planning	-	-	28,465	-	-	-	28,465
Inspection	-	-	5,998	-	-	-	5,998
Property management	2,777,391	420,892	29,590	-	-	-	3,227,873
Weed and Seed program	-	-	7,504	-	-	-	7,504
Hazard Mitigation grant	170,800	-	-	-	-	-	170,800
Total community development	2,948,191	420,892	71,557	-	-	-	3,440,640
Public works:							
Engineering	125,806	29,665	128,701	-	-	-	284,172
Street maintenance	10,147	100,108	32,367	-	-	-	142,622
Infrastructure	1,300,172	-	-	-	155,296,058	-	156,596,230
Total public works	1,436,125	129,773	161,068	-	155,296,058	-	157,023,024
Health:							
Administration	34,820	2,877,755	355,243	14,573	-	-	3,282,391
General City nursing	76,411	1,123	20,878	-	-	-	98,412
Environmental health	-	8,956	11,042	-	-	-	19,998
Lab water pollution	-	-	44,229	-	-	-	44,229
Animal reclaim center	150,737	3,321,311	12,143	-	-	-	3,484,191
Total health	261,968	6,209,145	443,535	14,573	-	-	6,929,221
Traffic and transportation	-	31,045	130,070	-	9,305,062	-	9,466,177
Multi-Purpose Events Center	9,560,212	34,068,238	400,083	22,116	-	988,824	45,039,473
Wichita Falls Business Park	1,099,507	-	-	-	-	-	1,099,507
Total capital assets used in the operation of governmental funds	\$ 34,092,356	\$ 68,727,941	\$ 22,138,302	\$ 173,489	\$ 164,601,120	\$ 1,695,575	\$ 291,428,783

CITY OF WICHITA FALLS, TEXAS

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Beginning Balance 10/1/2011	Additions	Deletions	Ending Balance 9/30/2012
Administrative services:				
Mayor and City Council	\$ 5,218	\$ -	\$ -	\$ 5,218
City Manager	281,561	-	-	281,561
Personnel/Risk Management	12,244	2,964	1,116	14,092
Martin Luther King Center	802,089	-	-	802,089
Library	5,530,185	28,567	15,285	5,543,467
General Public Information	288,379	4,366	-	292,745
Building Maintenance	1,115,694	52,467	-	1,168,161
Nondepartmental	495,274	506,172	16,000	985,446
Municipal Court	750,358	7,214	10,787	746,785
Legal	1,869	-	-	1,869
City Clerk	1,411	-	-	1,411
Homeland security	802,766	-	-	802,766
Training center	536,255	-	-	536,255
Golf course	4,385,212	-	-	4,385,212
Total administrative services	<u>15,008,515</u>	<u>601,750</u>	<u>43,188</u>	<u>15,567,077</u>
Police	<u>27,209,153</u>	<u>138,385</u>	<u>33,172</u>	<u>27,314,366</u>
Fire	<u>7,523,298</u>	<u>-</u>	<u>-</u>	<u>7,523,298</u>
Parks and recreation:				
Recreation	2,602,442	35,730	18,421	2,619,751
Park maintenance	13,024,353	9,050	1,344	13,032,059
Cemetery	141,042	-	-	141,042
Total parks and recreation	<u>15,767,837</u>	<u>44,780</u>	<u>19,765</u>	<u>15,792,852</u>
Accounting/finance:				
Accounting/finance	1,192	-	1,192	-
Information Systems	2,093,928	233,562	94,342	2,233,148
Total accounting/finance	<u>2,095,120</u>	<u>233,562</u>	<u>95,534</u>	<u>2,233,148</u>
Community development:				
Planning	28,465	-	-	28,465
Inspection	7,447	-	1,449	5,998
Property management	3,210,543	17,330	-	3,227,873
Weed and Seed program	7,504	-	-	7,504
Hazard Mitigation Grant	170,800	-	-	170,800
Total community development	<u>3,424,759</u>	<u>17,330</u>	<u>1,449</u>	<u>3,440,640</u>
Public works:				
Engineering	280,371	8,796	4,995	284,172
Street maintenance	138,170	4,452	-	142,622
Infrastructure	150,637,326	6,196,686	237,782	156,596,230
Total public works	<u>151,055,867</u>	<u>6,209,934</u>	<u>242,777</u>	<u>157,023,024</u>
Health:				
Administration	3,288,864	4,394	10,867	3,282,391
General city nursing	108,492	-	10,080	98,412
Environmental health	19,998	-	-	19,998
Lab water pollution	31,044	13,185	-	44,229
Animal reclaim center	3,481,691	2,500	-	3,484,191
Total health	<u>6,930,089</u>	<u>20,079</u>	<u>20,947</u>	<u>6,929,221</u>
Traffic and transportation	<u>9,160,732</u>	<u>627,507</u>	<u>322,062</u>	<u>9,466,177</u>
Multi-Purpose Events Center	<u>44,222,119</u>	<u>958,011</u>	<u>140,657</u>	<u>45,039,473</u>
Wichita Falls Business Park	<u>1,099,507</u>	<u>-</u>	<u>-</u>	<u>1,099,507</u>
Total capital assets	<u>\$ 283,496,996</u>	<u>\$ 8,851,338</u>	<u>\$ 919,551</u>	<u>\$ 291,428,783</u>

CITY OF WICHITA FALLS, TEXAS

MUNICIPAL AIRPORT FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance 10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2012</u>
<u>Capital Assets:</u>				
Land and betterments	\$ 7,229,618	\$ 49,101	\$ -	\$ 7,278,719
Buildings and improvements	1,698,058	-	-	1,698,058
Machinery and equipment	34,871	1,499	3,964	32,406
Furniture and fixtures	36,705	-	-	36,705
Construction in progress	<u>704,082</u>	<u>4,941,921</u>	<u>49,101</u>	<u>5,596,902</u>
Total capital assets	<u>9,703,334</u>	<u>4,992,521</u>	<u>53,065</u>	<u>14,642,790</u>
<u>Accumulated Depreciation:</u>				
Land and betterments	1,667,953	232,882	-	1,900,835
Buildings and improvements	1,106,720	25,765	-	1,132,485
Machinery and equipment	27,115	1,816	2,775	26,156
Furniture and fixtures	<u>36,659</u>	<u>46</u>	<u>-</u>	<u>36,705</u>
Total accumulated depreciation	<u>2,838,447</u>	<u>260,509</u>	<u>2,775</u>	<u>3,096,181</u>
Net capital assets	<u><u>\$ 6,864,887</u></u>	<u><u>\$ 4,732,012</u></u>	<u><u>\$ 50,290</u></u>	<u><u>\$ 11,546,609</u></u>

CITY OF WICHITA FALLS, TEXAS

KICKAPOO AIRPORT FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance 10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2012</u>
<u>Capital Assets:</u>				
Land and betterments	\$ 6,526,882	\$ 2,269,776	\$ 102,572	\$ 8,694,086
Buildings and improvements	3,259,730	-	-	3,259,730
Machinery and equipment	610,925	-	19,600	591,325
Construction in progress	<u>1,032,180</u>	<u>-</u>	<u>996,933</u>	<u>35,247</u>
Total capital assets	<u>11,429,717</u>	<u>2,269,776</u>	<u>1,119,105</u>	<u>12,580,388</u>
<u>Accumulated Depreciation:</u>				
Land and betterments	1,068,028	220,569	61,543	1,227,054
Buildings and improvements	445,451	107,301	-	552,752
Machinery and equipment	<u>203,253</u>	<u>31,762</u>	<u>7,839</u>	<u>227,176</u>
Total accumulated depreciation	<u>1,716,732</u>	<u>359,632</u>	<u>69,382</u>	<u>2,006,982</u>
Net capital assets	<u><u>\$ 9,712,985</u></u>	<u><u>\$ 1,910,144</u></u>	<u><u>\$1,049,723</u></u>	<u><u>\$ 10,573,406</u></u>

CITY OF WICHITA FALLS, TEXAS

TRANSIT FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance 10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2012</u>
<u>Capital Assets:</u>				
Land and betterments	\$ 159,925	\$ 33,600	\$ -	\$ 193,525
Buildings and improvements	680,718	13,384	-	694,102
Machinery and equipment	262,339	72,492	19,421	315,410
Construction in progress	<u>-</u>	<u>389,950</u>	<u>-</u>	<u>389,950</u>
Total capital assets	<u>1,102,982</u>	<u>509,426</u>	<u>19,421</u>	<u>1,592,987</u>
<u>Accumulated Depreciation:</u>				
Buildings and improvements	226,499	10,791	-	237,290
Machinery and equipment	<u>156,991</u>	<u>21,377</u>	<u>18,749</u>	<u>159,619</u>
Total accumulated depreciation	<u>383,490</u>	<u>32,168</u>	<u>18,749</u>	<u>396,909</u>
Net capital assets	<u><u>\$ 719,492</u></u>	<u><u>\$477,258</u></u>	<u><u>\$ 672</u></u>	<u><u>\$ 1,196,078</u></u>

CITY OF WICHITA FALLS, TEXAS

STORMWATER DRAINAGE FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance 10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2012</u>
<u>Capital Assets:</u>				
Drainage	\$ 14,376,510	\$ 122,013	\$ -	\$ 14,498,523
Land betterments	24,800	-	-	24,800
Machinery and equipment	73,376	7,532	8,400	72,508
Construction in progress	<u>776,907</u>	<u>1,133,565</u>	<u>103,695</u>	<u>1,806,777</u>
Total capital assets	<u>15,251,593</u>	<u>1,263,110</u>	<u>112,095</u>	<u>16,402,608</u>
<u>Accumulated Depreciation:</u>				
Drainage	461,255	192,444	-	653,699
Land betterments	402	115	-	517
Machinery and equipment	<u>62,188</u>	<u>7,127</u>	<u>224</u>	<u>69,091</u>
Total accumulated depreciation	<u>523,845</u>	<u>199,686</u>	<u>224</u>	<u>723,307</u>
Net capital assets	<u><u>\$ 14,727,748</u></u>	<u><u>\$ 1,063,424</u></u>	<u><u>\$ 111,871</u></u>	<u><u>\$ 15,679,301</u></u>

CITY OF WICHITA FALLS, TEXAS

SANITATION FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance 10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2012</u>
<u>Capital Assets:</u>				
Land and betterments	\$ 5,796,258	\$ 349,937	\$ -	\$ 6,146,195
Buildings and improvements	2,287,861	671,234	290,000	2,669,095
Machinery and equipment	340,457	17,857	-	358,314
Construction in progress	<u>347,695</u>	<u>127,196</u>	<u>347,695</u>	<u>127,196</u>
Total capital assets	<u>8,772,271</u>	<u>1,166,224</u>	<u>637,695</u>	<u>9,300,800</u>
<u>Accumulated Depreciation:</u>				
Land and betterments	452,665	113,741	-	566,406
Buildings and improvements	1,348,891	48,283	174,000	1,223,174
Machinery and equipment	<u>104,660</u>	<u>24,377</u>	<u>-</u>	<u>129,037</u>
Total accumulated depreciation	<u>1,906,216</u>	<u>186,401</u>	<u>174,000</u>	<u>1,918,617</u>
Net capital assets	<u><u>\$ 6,866,055</u></u>	<u><u>\$ 979,823</u></u>	<u><u>\$ 463,695</u></u>	<u><u>\$ 7,382,183</u></u>

CITY OF WICHITA FALLS, TEXAS

WATER AND SEWER FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Balance 10/1/2011	Additions	Deletions	Balance 9/30/2012
<u>Capital Assets:</u>				
Land and betterments	\$ 24,345,465	\$ -	\$ -	\$ 24,345,465
Buildings, systems and improvements	253,188,406	3,300,200	389,000	256,099,606
Machinery and equipment	4,841,964	78,243	15,000	4,905,207
Furniture and fixtures	1,164	-	-	1,164
Motor vehicles	1,235	-	-	1,235
Construction in progress	43,639,367	5,580,196	945,497	48,274,066
Total capital assets	<u>326,017,601</u>	<u>8,958,639</u>	<u>1,349,497</u>	<u>333,626,743</u>
<u>Accumulated Depreciation:</u>				
Land and betterments	9,822,719	243,632	-	10,066,351
Buildings, systems and improvements	83,645,676	4,960,074	389,000	88,216,750
Machinery and equipment	3,746,066	160,405	15,000	3,891,471
Furniture and fixtures	1,164	-	-	1,164
Motor vehicles	1,235	-	-	1,235
Total accumulated depreciation	<u>97,216,860</u>	<u>5,364,111</u>	<u>404,000</u>	<u>102,176,971</u>
Net capital assets	<u>\$ 228,800,741</u>	<u>\$ 3,594,528</u>	<u>\$ 945,497</u>	<u>\$ 231,449,772</u>

CITY OF WICHITA FALLS, TEXAS

WATERPARK FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Balance 10/1/2011	Additions	Deletions	Balance 9/30/2012
<u>Capital Assets:</u>				
Land and betterments	\$ 389,894	\$ -	\$ -	\$ 389,894
Buildings and improvements	3,362,609	-	-	3,362,609
Machinery and equipment	188,457	-	-	188,457
Total capital assets	<u>3,940,960</u>	<u>-</u>	<u>-</u>	<u>3,940,960</u>
<u>Accumulated Depreciation:</u>				
Buildings and improvements	332,026	168,130	-	500,156
Machinery and equipment	36,192	18,846	-	55,038
Total accumulated depreciation	<u>368,218</u>	<u>186,976</u>	<u>-</u>	<u>555,194</u>
Net capital assets	<u>\$ 3,572,742</u>	<u>\$ (186,976)</u>	<u>\$ -</u>	<u>\$ 3,385,766</u>

CITY OF WICHITA FALLS, TEXAS

FLEET MAINTENANCE FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Balance 10/1/2011	Additions	Deletions	Balance 9/30/2012
<u>Capital Assets:</u>				
Land and betterments	\$ 436,269	\$ -	\$ -	\$ 436,269
Buildings and improvements	4,140,027	7,418	-	4,147,445
Machinery and equipment	991,592	386,270	7,374	1,370,488
Furniture and fixtures	2,950	-	-	2,950
Motor vehicles	48,113,636	5,017,955	1,584,880	51,546,711
Construction in progress	6,706	-	6,706	-
Total capital assets	<u>53,691,180</u>	<u>5,411,643</u>	<u>1,598,960</u>	<u>57,503,863</u>
<u>Accumulated Depreciation:</u>				
Land and betterments - other	1,175	261	-	1,436
Buildings and improvements	2,075,378	87,046	-	2,162,424
Machinery and equipment	584,064	163,849	6,789	741,124
Furniture and fixtures	2,950	-	-	2,950
Motor vehicles	31,475,415	3,297,205	1,321,323	33,451,297
Total accumulated depreciation	<u>34,138,982</u>	<u>3,548,361</u>	<u>1,328,112</u>	<u>36,359,231</u>
Net capital assets	<u>\$ 19,552,198</u>	<u>\$ 1,863,282</u>	<u>\$ 270,848</u>	<u>\$ 21,144,632</u>

CITY OF WICHITA FALLS, TEXAS

DUPLICATING SERVICES FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Balance 10/1/2011	Additions	Deletions	Balance 9/30/2012
<u>Capital Assets:</u>				
Machinery and equipment	\$ 24,925	\$ 5,122	\$ 16,000	\$ 14,047
<u>Accumulated Depreciation:</u>				
Machinery and equipment	20,175	1,462	12,800	8,837
Net capital assets	\$ 4,750	\$ 3,660	\$ 3,200	\$ 5,210

CITY OF WICHITA FALLS, TEXAS

INFORMATION TECHNOLOGY FUND CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance 10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2012</u>
<u>Capital Assets:</u>				
Machinery and equipment	\$ -	\$ 211,593	\$ -	\$ 211,593
<u>Accumulated Depreciation:</u>				
Machinery and equipment	-	21,159	-	21,159
Net capital assets	<u>\$ -</u>	<u>\$ 190,434</u>	<u>\$ -</u>	<u>\$ 190,434</u>

CITY OF WICHITA FALLS, TEXAS

WICHITA FALLS ECONOMIC DEVELOPMENT CORPORATION CAPITAL ASSETS AND ACCUMULATED DEPRECIATION FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Balance 10/1/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2012</u>
<u>Capital Assets:</u>				
Land and betterments	\$ 1,469,797	\$ -	\$ -	\$ 1,469,797
Buildings and improvements	<u>957,191</u>	<u>-</u>	<u>-</u>	<u>957,191</u>
Total capital assets	<u>2,426,988</u>	<u>-</u>	<u>-</u>	<u>2,426,988</u>
 <u>Accumulated Depreciation:</u>				
Buildings and improvements	<u>105,291</u>	<u>19,144</u>	<u>-</u>	<u>124,435</u>
Net capital assets	<u><u>\$ 2,321,697</u></u>	<u><u>\$ (19,144)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,302,553</u></u>

Statistical Section (Unaudited)

This part of the City of Wichita Falls, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	104
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	110
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	114
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	119
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	121

CITY OF WICHITA FALLS, TEXAS

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 64,632,911	\$ 90,045,882	\$ 127,366,654	\$ 132,958,014	\$ 133,737,880	\$ 139,868,969	\$ 138,550,295	\$ 135,957,279	\$ 138,876,124	\$ 139,058,565
Restricted	597,966	626,256	1,200,845	1,373,786	1,541,859	1,631,963	1,186,730	5,006,079	6,048,238	6,931,511
Unrestricted	16,561,287	25,286,103	20,500,308	20,689,055	27,487,733	21,189,932	14,880,792	9,263,524	7,189,782	7,453,791
Total governmental activities net assets	<u>\$ 81,792,164</u>	<u>\$ 115,958,241</u>	<u>\$ 149,067,807</u>	<u>\$ 155,020,855</u>	<u>\$ 162,767,472</u>	<u>\$ 162,690,864</u>	<u>\$ 154,617,817</u>	<u>\$ 150,226,882</u>	<u>\$ 152,114,144</u>	<u>\$ 153,443,867</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 89,683,262	\$ 99,419,642	\$ 112,568,870	\$ 120,263,391	\$ 132,852,246	\$ 143,023,239	\$ 156,170,924	\$ 172,590,416	\$ 172,634,321	\$ 185,087,683
Restricted	15,483,121	15,436,872	15,679,474	16,234,804	12,681,053	12,945,497	12,958,909	12,942,163	11,734,924	11,374,316
Unrestricted	14,109,004	10,631,269	7,698,134	11,962,104	12,513,454	12,810,854	10,712,005	10,734,533	23,006,940	28,157,150
Total business-type activities net assets	<u>\$ 119,275,387</u>	<u>\$ 125,487,783</u>	<u>\$ 135,946,478</u>	<u>\$ 148,460,299</u>	<u>\$ 158,046,753</u>	<u>\$ 168,779,590</u>	<u>\$ 179,841,838</u>	<u>\$ 196,267,112</u>	<u>\$ 207,376,185</u>	<u>\$ 224,619,149</u>
Primary government										
Invested in capital assets, net of related debt	\$ 154,316,173	\$ 189,465,524	\$ 239,935,524	\$ 253,221,405	\$ 266,590,126	\$ 282,892,208	\$ 294,721,219	\$ 308,547,695	\$ 311,510,445	\$ 324,146,248
Restricted	16,081,087	16,063,128	16,880,319	17,608,590	14,222,912	14,577,460	14,145,639	17,948,242	17,783,162	18,305,827
Unrestricted	30,670,291	35,917,372	28,198,442	32,651,159	40,001,187	34,000,786	25,592,797	19,998,057	30,196,722	35,610,941
Total primary government net assets	<u>\$ 201,067,551</u>	<u>\$ 241,446,024</u>	<u>\$ 285,014,285</u>	<u>\$ 303,481,154</u>	<u>\$ 320,814,225</u>	<u>\$ 331,470,454</u>	<u>\$ 334,459,655</u>	<u>\$ 346,493,994</u>	<u>\$ 359,490,329</u>	<u>\$ 378,063,016</u>

CITY OF WICHITA FALLS, TEXAS

**CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Expenses										
Governmental activities:										
Administrative services	\$ 9,816,232	\$ 9,524,291	\$ 9,174,786	\$ 10,648,044	\$ 10,363,134	\$ 11,662,086	\$ 12,026,311	\$ 10,043,369	\$ 10,881,691	\$ 11,934,804
Police	16,082,473	16,283,542	17,107,502	17,733,480	18,587,210	20,527,967	21,008,696	21,133,526	21,822,371	22,103,892
Fire	9,742,147	10,058,363	10,337,851	10,825,964	11,295,623	12,492,842	13,028,146	13,065,768	13,291,048	13,523,616
Parks and recreation	4,112,071	4,164,247	4,220,079	4,210,463	4,478,311	5,107,579	5,757,363	5,687,527	5,405,955	5,152,616
Accounting/finance	1,721,239	1,851,988	1,841,475	1,843,810	1,893,389	2,231,952	2,473,024	2,428,055	2,534,141	975,863
Community development	7,536,269	7,897,167	7,181,397	6,293,156	6,573,917	6,921,352	7,584,142	7,243,744	7,084,165	6,777,614
Public works	5,627,020	6,404,132	6,742,355	7,706,209	8,616,348	8,314,596	8,282,184	8,035,626	7,613,089	7,956,752
Health	4,632,486	4,523,907	4,435,702	4,409,374	4,736,162	4,873,643	4,995,764	4,931,859	4,911,165	5,021,625
Traffic and transportation	2,138,240	1,983,322	2,181,799	2,527,270	2,590,309	2,679,026	2,499,869	2,525,097	2,451,154	2,510,936
Multi-Purpose Events Center	622,406	1,589,670	2,015,329	2,166,331	4,291,434	4,335,968	4,027,612	4,181,379	4,295,871	3,895,665
Interest and fees on long-term debt	905,959	921,705	843,358	721,762	1,308,748	1,405,383	1,620,854	1,781,245	1,765,406	1,711,328
Total governmental activities expenses	62,936,542	65,202,334	66,081,633	69,085,863	74,734,585	80,552,394	83,303,965	81,057,195	82,056,056	81,564,711
Business-type activities:										
Golf	747,356	760,705	779,151	901,454	-	-	-	-	-	-
Municipal Airport	220,970	250,807	243,414	281,117	276,368	310,980	289,195	337,946	435,774	529,827
Kickapoo Airport	295,987	338,957	377,299	574,929	966,961	1,245,021	1,354,624	1,108,515	1,262,976	1,419,681
Transit	1,101,145	1,028,491	1,240,131	1,280,540	1,373,283	1,793,369	1,616,322	1,602,362	1,847,362	1,903,560
Sanitation	7,087,574	7,418,146	7,715,572	8,059,991	8,638,374	9,199,341	8,509,153	9,152,130	8,959,973	8,904,795
Water and Sewer	25,076,194	24,721,561	25,604,413	26,380,183	26,764,879	28,126,920	30,165,844	30,250,390	32,969,719	28,996,520
Stormwater drainage	10,633	112,082	125,989	328,833	355,697	407,035	477,415	785,543	533,715	406,570
Waterpark	-	-	-	-	-	-	-	1,253,557	1,399,255	1,375,832
Total business-type activities expenses	34,539,859	34,630,749	36,085,969	37,807,047	38,375,562	41,082,666	42,412,553	44,490,443	47,408,774	43,536,785
Total primary government expenses	\$ 97,476,401	\$ 99,833,083	\$ 102,167,602	\$ 106,892,910	\$ 113,110,147	\$ 121,635,060	\$ 125,716,518	\$ 125,547,638	\$ 129,464,830	\$ 125,101,496
Program Revenues										
Governmental activities:										
Charges for services:										
Administrative services	\$ 3,259,315	\$ 3,631,020	\$ 3,640,715	\$ 3,691,411	\$ 3,327,519	\$ 3,211,546	\$ 4,267,891	\$ 4,414,667	\$ 4,499,281	\$ 4,390,463
Police	401,168	372,510	361,201	402,583	700,216	600,020	470,020	495,459	527,007	541,201
Fire	2,062	3,233	1,458	5,195	5,434	2,612	4,369	2,042	11,400	14,613
Parks and recreation	513,109	479,204	455,861	473,121	443,827	517,707	513,682	515,008	513,746	525,505
Accounting/finance	-	-	-	-	-	-	-	-	65,000	-
Community development	771,418	1,265,897	1,078,293	1,195,203	1,138,671	1,124,534	891,803	1,042,574	1,017,718	942,649
Public works	-	-	-	48,871	7,286	100,000	165,363	2,600	2,740	24,420
Health	590,441	668,491	711,399	807,002	803,115	864,874	888,890	908,415	965,741	1,075,277
Traffic and transportation	202,392	214,266	195,585	292,234	212,911	154,941	164,350	201,961	184,138	217,262
Multi-Purpose Events Center	-	-	-	-	2,215,411	2,141,584	1,789,269	1,767,398	1,644,569	1,656,358
Operating grants and contributions	11,519,398	11,968,460	14,734,689	11,109,618	12,298,595	11,468,654	10,891,021	14,606,807	13,268,583	9,868,484
Capital grants and contributions	2,608,168	6,970,138	1,176,107	2,667,389	3,218,003	3,097,319	1,631,109	6,145,852	2,315,245	8,066,065
Total governmental activities program revenues	19,867,471	25,573,219	22,355,308	20,692,627	24,370,988	23,283,791	21,677,767	30,102,783	25,015,168	27,322,297

CITY OF WICHITA FALLS, TEXAS

CHANGES IN NET ASSETS (CONT'D.)
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Business-type activities:										
Charges for services:										
Golf	687,153	677,498	622,434	828,055	-	-	-	-	-	-
Municipal Airport	359,006	416,573	446,388	448,384	441,471	430,561	544,332	624,298	681,639	716,608
Kickapoo Airport	348,512	385,871	270,194	347,761	789,522	1,025,300	745,444	798,034	988,457	1,153,038
Transit	160,749	194,388	162,018	214,771	206,109	224,856	229,483	274,577	367,374	405,852
Sanitation	8,783,064	8,920,801	9,133,955	9,517,673	9,917,386	10,939,617	12,025,478	11,826,882	11,911,026	12,807,160
Water and Sewer	28,488,384	27,857,286	30,208,286	33,436,585	30,031,969	33,042,845	33,888,553	33,264,688	40,679,751	36,771,008
Stormwater drainage	1,035,683	1,036,450	1,042,278	1,209,196	1,267,533	1,318,340	1,252,544	1,272,430	2,485,346	2,552,650
Waterpark	-	-	-	-	-	-	-	1,283,919	1,633,155	1,475,842
Operating grants and contributions	817,451	937,025	926,088	1,251,770	1,026,685	1,389,202	1,142,191	2,312,062	1,323,581	2,371,658
Capital grants and contributions	879,222	376,437	862,398	455,217	580,729	1,021,644	456,743	108,471	192,620	181,759
Total business-type activities program revenues:	<u>41,559,224</u>	<u>40,802,329</u>	<u>43,674,039</u>	<u>47,709,412</u>	<u>44,261,404</u>	<u>49,392,365</u>	<u>50,284,768</u>	<u>51,765,361</u>	<u>60,262,949</u>	<u>58,435,575</u>
Total primary government program revenues	<u>\$ 61,426,695</u>	<u>\$ 66,375,548</u>	<u>\$ 66,029,347</u>	<u>\$ 68,402,039</u>	<u>\$ 68,632,392</u>	<u>\$ 72,676,156</u>	<u>\$ 71,962,535</u>	<u>\$ 81,868,144</u>	<u>\$ 85,278,117</u>	<u>\$ 85,757,872</u>
Net (Expense)/Revenue										
Governmental activities	\$ (43,069,071)	\$ (39,629,115)	\$ (43,726,325)	\$ (48,393,236)	\$ (50,363,597)	\$ (57,268,603)	\$ (61,626,198)	\$ (50,954,412)	\$ (57,040,888)	\$ (54,242,414)
Business-type activities	7,019,365	6,171,580	7,588,070	9,902,365	5,885,842	8,309,699	7,872,215	7,274,918	12,854,175	14,898,790
Total primary government net expense	<u>\$ (36,049,706)</u>	<u>\$ (33,457,535)</u>	<u>\$ (36,138,255)</u>	<u>\$ (38,490,871)</u>	<u>\$ (44,477,755)</u>	<u>\$ (48,958,904)</u>	<u>\$ (53,753,983)</u>	<u>\$ (43,679,494)</u>	<u>\$ (44,186,713)</u>	<u>\$ (39,343,624)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Property tax	\$ 20,890,964	\$ 21,404,857	\$ 22,578,788	\$ 23,522,746	\$ 24,975,158	\$ 26,160,116	\$ 27,869,849	\$ 27,570,092	\$ 28,556,762	\$ 28,625,696
Sales tax	16,598,733	17,192,703	17,845,505	19,272,204	20,068,529	21,353,896	20,451,906	20,033,820	21,082,993	21,406,823
Franchise fees	5,286,038	5,218,860	5,191,741	5,740,202	5,780,311	5,598,406	5,570,399	5,593,573	5,593,781	5,574,882
Hotel occupancy tax	1,221,620	1,278,102	1,262,518	1,333,747	1,417,397	1,560,353	1,506,423	1,553,674	1,572,105	1,677,100
Beverage tax	196,663	202,841	204,727	234,075	236,367	251,386	249,121	246,541	248,350	207,735
Bingo tax	230,280	209,825	164,128	178,666	166,223	168,864	109,739	77,883	70,747	61,696
Investment earnings	404,146	379,150	754,935	1,409,188	2,684,388	1,727,671	415,156	129,653	49,239	54,579
Gain (loss) on sale of capital assets	3,045	(24,061)	-	-	-	(397,404)	-	-	-	-
Miscellaneous	309,168	482,908	166,648	172,500	712,358	242,811	134,983	160,949	-	326,861
Transfers	3,698,431	2,241,628	473,644	2,482,958	1,972,819	525,898	(2,439,625)	(8,802,705)	1,754,171	(2,363,233)
Total governmental activities	<u>48,839,088</u>	<u>48,586,813</u>	<u>48,642,634</u>	<u>54,346,286</u>	<u>58,013,550</u>	<u>57,191,997</u>	<u>53,867,951</u>	<u>46,563,480</u>	<u>58,928,148</u>	<u>55,572,139</u>
Business-type activities:										
Investment earnings	2,238,809	1,764,311	3,417,875	5,094,418	5,575,703	2,949,036	602,872	194,428	50,858	39,865
Miscellaneous	1,167,155	518,133	(73,611)	-	199,174	-	147,536	153,223	(41,792)	(58,924)
Transfers	(3,698,431)	(2,241,628)	(473,644)	(2,482,958)	(1,972,819)	(525,898)	2,439,625	8,802,705	(1,754,171)	2,363,233
Total business-type activities	<u>(292,467)</u>	<u>40,816</u>	<u>2,870,620</u>	<u>2,611,460</u>	<u>3,802,058</u>	<u>2,423,138</u>	<u>3,190,033</u>	<u>9,150,356</u>	<u>(1,745,105)</u>	<u>2,344,174</u>
Total primary government	<u>\$ 48,546,621</u>	<u>\$ 48,627,629</u>	<u>\$ 51,513,254</u>	<u>\$ 56,957,746</u>	<u>\$ 61,815,608</u>	<u>\$ 59,615,135</u>	<u>\$ 57,057,984</u>	<u>\$ 55,713,836</u>	<u>\$ 57,183,043</u>	<u>\$ 57,916,313</u>
Change in Net Assets										
Governmental activities	\$ 5,770,017	\$ 8,957,698	\$ 4,916,309	\$ 5,953,050	\$ 7,649,953	\$ (76,606)	\$ (7,758,247)	\$ (4,390,932)	\$ 1,887,260	\$ 1,329,725
Business-type activities	6,726,898	6,212,396	10,458,690	12,513,825	9,687,900	10,732,837	11,062,248	16,425,274	11,109,070	17,242,964
Total primary government	<u>\$ 12,496,915</u>	<u>\$ 15,170,094</u>	<u>\$ 15,374,999</u>	<u>\$ 18,466,875</u>	<u>\$ 17,337,853</u>	<u>\$ 10,656,231</u>	<u>\$ 3,304,001</u>	<u>\$ 12,034,342</u>	<u>\$ 12,996,330</u>	<u>\$ 18,572,689</u>

CITY OF WICHITA FALLS, TEXAS

**FUND BALANCES, GOVERNMENTAL FUNDS -
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
General Fund										
Reserved	\$ 1,914,615	\$ 1,516,079	\$ 2,439,595	\$ 2,393,129	\$ 3,161,776	\$ 2,686,432	\$ 1,499,613	\$ 1,392,329	\$ -	\$ -
Unreserved	8,368,357	9,507,595	10,608,472	11,503,795	15,569,840	14,500,836	13,042,044	14,294,519	-	-
Nonspendable	-	-	-	-	-	-	-	-	478,617	352,835
Assigned	-	-	-	-	-	-	-	-	579,022	1,010,976
Unassigned	-	-	-	-	-	-	-	-	16,002,361	16,570,675
Total general fund	<u>\$ 10,282,972</u>	<u>\$ 11,023,674</u>	<u>\$ 13,048,067</u>	<u>\$ 13,896,924</u>	<u>\$ 18,731,616</u>	<u>\$ 17,187,268</u>	<u>\$ 14,541,657</u>	<u>\$ 15,686,848</u>	<u>\$ 17,060,000</u>	<u>\$ 17,934,486</u>
All other Governmental Funds										
Reserved	\$ 3,240,727	\$ 11,092,483	\$ 5,102,543	\$ 3,179,513	\$ 2,371,514	\$ 2,888,944	\$ 6,254,620	\$ 11,753,749	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	4,163,834	4,673,755	4,299,100	4,746,615	7,089,584	6,180,559	4,808,127	1,713,168	-	-
Capital projects funds	3,205,633	3,394,688	3,738,484	4,857,539	23,458,510	15,033,333	10,963,970	1,850,806	-	-
Nonspendable	-	-	-	-	-	-	-	-	81,376	89,668
Restricted	-	-	-	-	-	-	-	-	10,927,373	10,744,065
Committed	-	-	-	-	-	-	-	-	1,762,248	2,305,013
Unassigned	-	-	-	-	-	-	-	-	(24,418)	(269,288)
Total all other governmental funds	<u>\$ 10,610,194</u>	<u>\$ 19,160,926</u>	<u>\$ 13,140,127</u>	<u>\$ 12,783,667</u>	<u>\$ 32,919,608</u>	<u>\$ 24,102,836</u>	<u>\$ 22,026,717</u>	<u>\$ 15,317,723</u>	<u>\$ 12,746,579</u>	<u>\$ 12,869,458</u>

CITY OF WICHITA FALLS, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS -
LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Revenues										
Taxes	\$ 44,425,106	\$ 45,512,949	\$ 47,236,518	\$ 50,228,509	\$ 52,637,318	\$ 55,155,574	\$ 55,752,982	\$ 55,006,901	\$ 57,122,006	\$ 57,607,312
Charges for services	2,338,678	2,452,353	2,480,148	2,597,044	3,202,699	3,270,930	3,689,717	3,715,832	3,886,160	3,710,371
Licenses and permits	2,001,117	2,292,695	2,218,119	2,206,023	2,215,813	2,116,140	1,887,434	1,990,328	2,064,972	2,002,559
Fines and forfeitures	1,773,449	2,189,001	2,161,782	2,481,816	2,127,062	1,964,391	1,970,612	2,214,884	2,209,026	2,409,792
Intergovernmental revenue	9,469,723	11,444,840	13,003,816	9,682,237	11,136,433	8,428,310	9,287,371	14,783,860	11,041,679	14,488,236
Contributions	2,698,930	7,493,758	2,906,980	4,094,770	4,366,961	6,137,663	3,234,759	5,711,904	4,542,149	3,446,313
Miscellaneous revenue	1,539,063	2,007,303	1,985,383	2,816,865	6,664,315	5,369,689	3,804,438	3,597,927	3,216,734	3,261,049
Total revenues	<u>64,246,066</u>	<u>73,392,899</u>	<u>71,992,746</u>	<u>74,107,264</u>	<u>82,350,601</u>	<u>82,442,697</u>	<u>79,627,313</u>	<u>87,021,636</u>	<u>84,082,726</u>	<u>86,925,632</u>
Expenditures										
Administrative services	9,169,430	9,330,631	8,701,521	10,103,642	9,965,494	10,873,576	11,315,351	9,694,632	10,235,720	12,158,781
Police	15,586,666	15,996,964	16,731,373	17,228,066	18,068,168	19,524,824	20,182,150	20,182,168	20,235,012	20,545,965
Fire	9,456,869	9,851,203	10,196,605	10,739,651	11,238,422	12,206,774	12,833,183	12,671,757	12,897,810	13,277,876
Parks and recreation	3,920,357	4,016,394	4,106,476	4,110,013	4,373,460	4,841,597	5,457,410	5,359,692	4,966,060	4,833,743
Accounting/finance	1,604,484	1,757,006	1,754,186	1,765,350	1,811,690	2,087,572	2,327,608	2,279,241	2,367,814	845,076
Community development	7,569,296	8,137,672	7,282,012	6,355,136	6,652,162	6,925,581	7,433,617	7,315,631	7,124,851	6,829,018
Public works	5,311,740	4,488,704	4,653,539	5,128,384	6,038,790	5,606,784	5,452,172	5,355,585	5,170,624	5,777,249
Health	4,513,769	4,452,507	4,391,270	4,407,758	4,728,414	4,775,418	4,950,213	4,896,841	4,796,934	4,894,351
Traffic and transportation	1,923,176	1,768,336	1,937,424	2,309,854	2,355,249	2,459,070	2,292,890	2,245,038	2,233,311	2,194,962
Multi-Purpose Events Center	57,848	783,244	1,205,153	1,355,846	3,498,189	3,506,091	3,208,713	3,358,470	3,436,052	3,062,507
Capital outlay	10,333,520	8,235,652	10,171,128	7,244,115	7,093,636	15,219,394	12,088,928	8,758,421	7,600,491	8,537,049
Debt service - principal	2,120,000	2,970,000	3,050,000	3,190,000	2,510,000	2,395,000	2,065,000	2,240,000	2,115,000	2,270,000
Debt service - interest	924,557	900,526	852,624	731,921	1,271,106	1,456,540	1,364,831	1,781,176	1,934,935	1,604,392
Debt service - bond issuance costs	-	-	-	-	-	-	-	-	-	137,461
Total expenditures	<u>72,491,712</u>	<u>72,688,839</u>	<u>75,033,311</u>	<u>74,669,736</u>	<u>79,604,780</u>	<u>91,878,221</u>	<u>90,972,066</u>	<u>86,138,652</u>	<u>85,114,614</u>	<u>86,968,430</u>
Excess of revenues over (under) expenditures	<u>(8,245,646)</u>	<u>704,060</u>	<u>(3,040,565)</u>	<u>(562,472)</u>	<u>2,745,821</u>	<u>(9,435,524)</u>	<u>(11,344,753)</u>	<u>882,984</u>	<u>(1,031,888)</u>	<u>(42,798)</u>
Other Financing Sources (Uses)										
Proceeds from general obligation bonds	2,450,000	7,549,000	-	-	21,702,048	-	10,840,779	3,930,000	-	7,836,338
Capital lease proceeds	-	-	-	-	-	-	-	-	-	1,452,760
Payment to refunded bonds escrow agent	(2,450,000)	-	-	-	-	-	-	-	-	(4,484,698)
Transfers in	6,805,264	7,142,007	6,922,585	3,282,459	5,922,091	7,268,938	5,530,309	5,676,896	6,239,483	6,411,855
Transfer out	(2,437,133)	(6,393,643)	(7,878,421)	(2,227,586)	(5,401,565)	(8,194,534)	(9,433,265)	(16,053,685)	(6,405,589)	(10,176,091)
Total other financing sources (uses)	<u>4,368,131</u>	<u>8,297,364</u>	<u>(955,836)</u>	<u>1,054,873</u>	<u>22,222,574</u>	<u>(925,596)</u>	<u>6,937,823</u>	<u>(6,446,789)</u>	<u>(166,106)</u>	<u>1,040,164</u>
Net change in fund balances	<u>\$ (3,877,515)</u>	<u>\$ 9,001,424</u>	<u>\$ (3,996,401)</u>	<u>\$ 492,401</u>	<u>\$ 24,968,395</u>	<u>\$ (10,361,120)</u>	<u>\$ (4,406,930)</u>	<u>\$ (5,563,805)</u>	<u>\$ (1,197,994)</u>	<u>\$ 997,366</u>
Debt service as a percentage of noncapital expenditures	4.90%	6.01%	6.02%	5.82%	5.21%	5.02%	4.35%	5.20%	5.22%	4.94%

CITY OF WICHITA FALLS, TEXAS

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS - LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Property	Sales	Franchise	Hotel Occupancy	Beverage	Bingo	Total
2002-2003	\$ 20,891,772	\$ 16,598,733	\$ 5,286,038	\$ 1,221,620	\$ 196,663	\$ 230,280	\$ 44,425,106
2003-2004	21,410,615	17,192,706	5,218,860	1,278,102	202,841	209,825	45,512,949
2004-2005	22,567,902	17,845,502	5,191,741	1,262,518	204,727	164,128	47,236,518
2005-2006	23,469,615	19,272,204	5,740,202	1,333,747	234,075	178,666	50,228,509
2006-2007	24,968,481	20,068,529	5,780,311	1,417,397	236,367	166,233	52,637,318
2007-2008	26,217,499	21,353,896	5,598,406	1,565,523	251,386	168,864	55,155,574
2008-2009	27,865,394	20,451,906	5,570,399	1,506,423	249,121	109,739	55,752,982
2009-2010	27,501,412	20,033,820	5,593,573	1,513,484	246,541	77,883	54,966,713
2010-2011	28,554,029	21,082,994	5,593,781	1,572,105	248,350	70,747	57,122,006
2011-2012	28,679,076	21,406,823	5,574,882	1,677,100	207,735	61,696	57,607,312

CITY OF WICHITA FALLS, TEXAS

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY - LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
2002-2003	\$ 2,775,175,780	\$ 652,625,915	\$ 3,427,801,695	\$0.55194	\$ 3,427,801,695	100.00%
2003-2004	2,901,708,013	629,284,576	3,530,992,589	0.59246	3,530,992,589	100.00%
2004-2005	3,047,463,928	632,056,253	3,679,520,181	0.59246	3,679,520,181	100.00%
2005-2006	2,992,717,987	726,512,178	3,719,230,165	0.59246	3,719,230,165	100.00%
2006-2007	3,208,236,037	744,353,082	3,952,589,119	0.59246	3,952,589,119	100.00%
2007-2008	3,389,094,572	802,449,151	4,191,543,723	0.59246	4,191,543,723	100.00%
2008-2009	3,553,825,553	877,030,381	4,430,855,934	0.59526	4,430,855,934	100.00%
2009-2010	3,622,501,148	803,697,677	4,426,198,825	0.60526	4,426,198,825	100.00%
2010-2011	3,693,399,778	728,642,824	4,422,042,602	0.62526	4,422,042,602	100.00%
2011-2012	3,714,449,662	716,365,316	4,430,814,978	0.62526	4,430,814,978	100.00%

CITY OF WICHITA FALLS, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES - LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	<u>Tax Rates Per \$100 Valuation</u>									Grand Total
	City of Wichita Falls			Wichita County			Burkburnett ISD (1)			
	M&O	I&S	Total	M&O	I&S	Total	M&O	I&S	Total	
2002-2003	\$ 0.53	\$ 0.06	\$ 0.59	\$ 0.40	\$ 0.02	\$ 0.42	\$ 1.49	\$ 0.14	\$ 1.63	
2003-2004	0.53	0.06	0.59	0.43	0.02	0.45	1.50	0.14	1.64	
2004-2005	0.54	0.05	0.59	0.44	0.02	0.46	1.50	0.14	1.64	
2005-2006	0.55	0.04	0.59	0.44	0.02	0.46	1.50	0.13	1.63	
2006-2007	0.57	0.02	0.59	0.43	0.02	0.45	1.37	0.13	1.50	
2007-2008	0.57	0.02	0.59	0.43	0.01	0.44	1.17	0.11	1.28	
2008-2009	0.58	0.02	0.60	0.43	-	0.43	1.17	0.14	1.31	
2009-2010	0.59	0.02	0.61	0.48	-	0.48	1.17	0.14	1.31	
2010-2011	0.61	0.01	0.62	0.52	-	0.52	1.17	0.14	1.31	
2011-2012	0.61	0.01	0.62	0.53	-	0.53	1.17	0.14	1.31	
	City View ISD (2)			Iowa Park CISD (3)			Wichita Falls ISD (4)			
	M&O	I&S	Total	M&O	I&S	Total	M&O	I&S	Total	Grand Total
2002-2003	\$ 1.50	\$ 0.19	\$ 1.69	\$ 1.50	\$ 0.11	\$ 1.61	\$ 1.50	\$ 0.06	\$ 1.56	\$ 7.50
2003-2004	1.50	0.19	1.69	1.50	0.08	1.58	1.50	0.06	1.56	7.51
2004-2005	1.50	0.23	1.73	1.49	0.09	1.58	1.50	0.06	1.56	7.56
2005-2006	1.50	0.25	1.75	1.49	0.09	1.58	1.50	0.06	1.56	7.57
2006-2007	1.50	0.23	1.73	1.36	0.09	1.45	1.33	0.06	1.39	7.11
2007-2008	1.37	0.23	1.60	1.04	0.08	1.12	1.04	0.15	1.19	6.22
2008-2009	1.04	0.22	1.26	1.04	0.08	1.12	1.04	0.16	1.20	5.92
2009-2010	1.17	0.23	1.40	1.04	0.11	1.15	1.04	0.16	1.20	6.15
2010-2011	1.17	0.25	1.42	1.04	0.10	1.14	1.04	0.16	1.20	6.21
2011-2012	1.17	0.25	1.42	1.04	0.09	1.13	1.04	0.17	1.21	6.22

Notes:

- (1) Burkburnett Independent School District - 25% in Wichita Falls city limits
- (2) City View Independent School District - 90% in Wichita Falls city limits
- (3) Iowa Park Consolidated Independent School District - 2% in Wichita Falls city limits
- (4) Wichita Falls Independent School District - 99% in Wichita Falls city limits

CITY OF WICHITA FALLS, TEXAS

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO SEPTEMBER 30, 2012

Taxpayer	2011-2012			2002-2003		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
GGP - Sikes Senter LLC	\$ 49,506,348	1	1.12%	\$ 42,045,000	3	1.23%
Oncor Electric Delivery Co	36,786,078	2	0.83%	42,843,090	2	1.25%
Wal-Mart Stores Texas LP	24,597,829	3	0.56%	36,064,620	4	1.05%
Southwestern Bell	19,089,579	4	0.43%	45,872,012	1	1.34%
Wal-Mart Stores East Inc	17,932,134	5	0.40%	-	N/A	0.00%
Quail Creek Crossing Ltd	15,358,000	6	0.35%	-	N/A	0.00%
North American Pipe Corp	12,987,822	7	0.29%	-	N/A	0.00%
Kell West Regional Hospital	12,847,161	8	0.29%	13,829,399	6	0.40%
Lowe's Home Centers, Inc.	12,087,569	9	0.27%	13,746,383	7	0.40%
Atmos Energy / Mid-Tex Division	11,721,246	10	0.26%	-	N/A	0.00%
Clinics of North Texas	-	N/A	0.00%	13,992,264	5	0.41%
Time Warner	-	N/A	0.00%	12,972,531	8	0.38%
Southwestern Bell Wireless LLC	-	N/A	0.00%	12,969,900	9	0.38%
Sams East Inc	-	N/A	0.00%	9,830,788	10	0.29%
Totals	<u>\$ 212,913,766</u>		<u>4.81%</u>	<u>\$ 244,165,987</u>		<u>7.13%</u>

CITY OF WICHITA FALLS, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS - LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002-2003	\$ 19,439,511	\$ 18,962,880	97.55%	\$ 410,689	\$ 19,373,569	99.66%
2003-2004	20,039,039	19,646,529	98.04%	314,740	19,961,269	99.61%
2004-2005	20,919,473	20,494,272	97.97%	312,867	20,807,139	99.46%
2005-2006	22,034,951	21,612,888	98.08%	301,651	21,914,539	99.45%
2006-2007	23,421,270	23,043,185	98.39%	272,878	23,316,063	99.55%
2007-2008	24,833,219	24,408,683	98.29%	269,868	24,678,551	99.38%
2008-2009	26,375,113	25,905,854	98.22%	306,224	26,212,078	99.38%
2009-2010	26,752,242	26,166,043	97.81%	288,413	26,454,456	98.89%
2010-2011	27,649,264	27,179,642	98.30%	165,507	27,345,149	98.90%
2011-2012	27,704,114	27,306,706	98.57%	-	27,306,706	98.57%

CITY OF WICHITA FALLS, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Combination Tax and Revenue Bonds	Note Payable	Capital Lease Payable	Utility System Revenue Bonds	Combination Tax and Revenue Bonds	Note Payable	Capital Leases Payable			
2002-2003	\$ 15,290,000	\$ -	\$ 54,561	\$ -	\$ 168,368,339	\$ -	\$ 807,674	\$ -	\$ 184,520,574	4.70%	\$ 1,762.17
2003-2004	13,060,000	6,810,000	234,186	-	144,747,898	19,900,889	781,974	-	185,534,947	4.56%	1,769.98
2004-2005	10,725,000	6,095,000	178,149	-	126,538,189	33,975,588	755,438	-	178,267,364	4.16%	1,667.98
2005-2006	8,270,000	5,360,000	120,443	-	124,824,242	30,961,933	728,039	-	170,264,657	3.81%	1,581.87
2006-2007	7,390,000	25,396,016	61,093	-	123,869,328	27,864,844	699,748	-	185,281,029	4.01%	1,721.38
2007-2008	6,480,000	23,867,228	-	-	121,887,613	24,479,232	670,537	-	177,384,610	3.71%	1,644.78
2008-2009	5,535,000	33,524,726	-	-	119,841,741	21,004,768	640,377	722,464	181,269,076	7.34%	1,711.13
2009-2010	4,790,000	35,918,687	-	-	107,501,744	27,744,748	609,234	549,621	177,114,034	8.03%	1,694.01
2010-2011	4,450,000	34,104,162	-	-	105,277,778	23,969,757	577,079	371,696	168,750,472	6.10%	1,614.02
2011-2012	4,116,110	35,503,123	-	1,452,760	102,566,093	19,798,342	543,877	1,704,341	165,684,646	7.11%	1,594.18

CITY OF WICHITA FALLS, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING - LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Governmental Activities			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Combination Tax and Revenue Bonds	Total		
2002-2003	\$ 15,290,000	\$ -	\$ 15,290,000	0.45%	\$ 146.02
2003-2004	13,060,000	6,810,000	19,870,000	0.56%	189.56
2004-2005	10,725,000	6,095,000	16,820,000	0.46%	157.38
2005-2006	8,270,000	5,360,000	13,630,000	0.37%	126.63
2006-2007	7,390,000	25,396,016	32,786,016	0.83%	304.60
2007-2008	6,480,000	23,867,228	30,347,228	0.72%	281.39
2008-2009	5,535,000	33,524,726	39,059,726	0.88%	368.71
2009-2010	4,790,000	35,918,687	40,708,687	0.92%	389.36
2010-2011	4,450,000	34,104,162	38,554,162	0.87%	368.75
2011-2012	4,116,110	35,503,123	39,619,233	0.89%	381.21

CITY OF WICHITA FALLS, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (UNAUDITED) SEPTEMBER 30, 2012

	<u>Gross General Bonded Debt (1)</u>	<u>Percentage Applicable to City of Wichita Falls (2)</u>	<u>Amount Applicable to City of Wichita Falls</u>
Direct:			
City of Wichita Falls	<u>\$ 39,619,233</u>	100%	<u>\$ 39,619,233</u>
Overlapping:			
Wichita County	700,000	100%	700,000
Burkburnett Independent School District	8,353,718	25%	2,088,430
City View Independent School District	8,120,665	90%	7,308,599
Iowa Park Consolidated Independent School District	18,373,247	2%	367,465
Wichita Falls Independent School District	<u>59,009,000</u>	99%	<u>58,418,910</u>
Total overlapping	<u>94,556,630</u>		<u>68,883,403</u>
Total direct and overlapping bonded debt	<u><u>\$ 134,175,863</u></u>		<u><u>\$ 108,502,636</u></u>

Sources:

- (1) Listed taxing jurisdictions
- (2) City of Wichita Falls Planning Department calculated based on percentage of taxing entity within the City of Wichita Falls city limits.

CITY OF WICHITA FALLS, TEXAS

**COMPUTATION OF LEGAL DEBT MARGIN -
LAST TEN FISCAL YEARS (UNAUDITED)**

Total assessed property value per 2011 tax roll		\$ 4,430,814,978
Maximum tax rate *	\$ 2.25/\$100	
Current tax rate for 2011 tax year	<u>.62526/\$100</u>	
Maximum tax rate in excess of 2011 tax rate		<u>1.62474/\$100</u>
Total legal debt margin		<u>\$ 71,989,223</u>

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Assessed value	\$ 3,427,801,695	\$ 3,530,992,589	\$ 3,679,520,181	\$ 3,719,230,165	\$ 3,952,589,119	\$ 4,191,543,723	\$ 4,430,855,934	\$ 4,426,198,825	\$ 4,422,042,602	\$ 4,430,814,978
Maximum tax rate	\$ 2.25/\$100	\$ 2.25/\$100	\$ 2.25/\$100	\$ 2.25/\$100	\$ 2.25/\$100	\$ 2.25/\$100	\$ 2.25/\$100	\$ 2.25/\$100	\$ 2.25/\$100	\$ 2.25/\$100
Current tax rate	.59246/\$100	.59246/\$100	.59246/\$100	.59246/\$100	.59246/\$100	.59246/\$100	.59526/\$100	.60526/\$100	.62526/\$100	.62526/\$100
Maximum tax rate in excess of current rate	<u>1.65754/\$100</u>	<u>1.65754/\$100</u>	<u>1.65754/\$100</u>	<u>1.65754/\$100</u>	<u>1.65754/\$100</u>	<u>1.65754/\$100</u>	<u>1.65474/\$100</u>	<u>1.64474/\$100</u>	<u>1.62474/\$100</u>	<u>1.62474/\$100</u>
Total legal debt margin	<u>\$ 56,817,184</u>	<u>\$ 58,527,615</u>	<u>\$ 60,989,519</u>	<u>\$ 61,647,728</u>	<u>\$ 65,515,746</u>	<u>\$ 69,476,514</u>	<u>\$ 73,319,145</u>	<u>\$ 72,799,463</u>	<u>\$ 71,846,695</u>	<u>\$ 71,989,223</u>

There is no debt limit established by law. The limit is, therefore, governed by the City's ability to levy and collect taxes to service the outstanding indebtedness. The City's maximum legal tax rate established under its Charter is \$2.25 per \$100 assessed valuation. The 2011 tax rate is \$.62526 per \$100 assessed valuation.

* Maximum tax levy established by City Charter

CITY OF WICHITA FALLS, TEXAS

PLEDGED REVENUE COVERAGE - WATER AND SEWER REVENUE BONDS - LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirement			Coverage
				Principal (3)	Interest	Total	
2002-2003	\$ 30,052,619	\$ 14,105,694	\$ 15,946,925	\$ 3,895,000	\$ 8,412,955	\$ 12,307,955	1.30
2003-2004	29,021,062	14,100,412	14,920,650	4,070,000	8,403,349	12,473,349	1.20
2004-2005	29,680,713	15,693,788	13,986,925	4,385,000	8,078,748	12,463,748	1.12
2005-2006	32,976,347	16,986,210	15,990,137	4,505,000	7,600,831	12,105,831	1.32
2006-2007	29,598,709	17,273,862	12,324,847	4,985,000	6,608,627	11,593,627	1.06
2007-2008	33,514,257	17,896,263	15,617,994	5,165,000	6,424,544	11,589,544	1.35
2008-2009	33,662,220	19,546,745	14,115,475	5,410,000	6,185,216	11,595,216	1.22
2009-2010	33,264,688	19,924,687	13,340,001	5,615,000	5,879,680	11,494,680	1.16
2010-2011	40,084,478	22,422,525	17,661,953	5,805,000	5,646,250	11,451,250	1.54
2011-2012	36,405,921	19,501,942	16,903,979	6,130,000	5,364,300	11,494,300	1.47

Notes:

- (1) Includes operating revenues exclusive of water sales to West Texas Utilities and capital contributions from developers of the Water and Sewer Fund (see Exhibit H-3).
- (2) Includes operating expenses of the Water and Sewer Fund exclusive of depreciation and amortization (see Exhibit H-3).
- (3) Excludes bond premium amortization.

CITY OF WICHITA FALLS, TEXAS

DEMOGRAPHIC STATISTICS - LAST TEN FISCAL YEARS (UNAUDITED)

Fiscal Year	Estimated Population (1)	Personal Income	Per Capita Personal Income (2)	Median Age	Education Level (3)	School Enrollment (3)	Unemployment Rate (4)
2002-2003	104,712	\$ 3,929,158,919	\$ 37,523	35.4	13.1	13,765	5.5%
2003-2004	104,823	4,067,057,042	38,799	35.4	13.1	13,857	3.6%
2004-2005	106,876	4,287,700,173	40,118	35.4	13.1	13,755	4.8%
2005-2006	107,635	4,464,967,184	41,482	35.4	13.1	13,743	4.2%
2006-2007	107,635	4,616,776,069	42,893	34.9	13.1	14,707	4.1%
2007-2008	107,847	4,783,148,919	44,351	34.9	13.3	14,533	5.5%
2008-2009	105,935	2,470,050,408	23,317	33.2	13.5	15,473	8.2%
2009-2010	104,553	2,205,022,770	21,090	32.3	13.3	16,217	7.3%
2010-2011	104,553	2,766,263,274	26,458	32.8	13.2	15,539	6.6%
2011-2012	103,931	2,330,756,606	22,426	32.4	13.2	14,569	6.9%

Sources:

- (1) City of Wichita Falls Planning Department for all years, except for 2009-10 and 2010-11 from US Bureau of Census.
- (2) C.A.C.I. Marketing Services
- (3) Wichita Falls I.S.D. - Educational level is grade equivalent of graduating senior
- (4) Texas Workforce Commission

CITY OF WICHITA FALLS, TEXAS

PRINCIPAL EMPLOYERS CURRENT YEAR AND TEN YEARS AGO (UNAUDITED) SEPTEMBER 30, 2012

Employer	2011-2012			2001-2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Sheppard Air Force Base	10,015	1	14.01%	13,088	1	18.30%
Wichita Falls ISD	2,574	2	3.60%	1,700	3	2.38%
North Texas State Hospital	1,987	3	2.78%	1,055	5	1.48%
United Regional Health Care System	1,668	4	2.33%	1,700	2	2.38%
City of Wichita Falls	1,499	5	2.10%	1,477	4	2.07%
Midwestern State University	1,309	6	1.83%	-	N/A	-
Wal-Mart - 3 locations	1,251	7	1.75%	-	N/A	-
Howmet Corporation	1,084	8	1.52%	903	8	1.26%
James B. Allred Prison Unit	980	9	1.37%	930	7	1.30%
Cryovac Division - Sealed Air Corp	780	10	1.09%	738	9	1.03%
Vetrotex America	-	N/A	-	1,000	6	1.40%
Stanley Works, Mechanics Division	-	N/A	-	550	10	0.77%
Totals	<u>23,147</u>		<u>32.37%</u>	<u>23,141</u>		<u>32.37%</u>

Sources:

2001-2002 data is from Texas Workforce Commission. 2010-2011 data is from Wichita Falls Chamber of Commerce.

2002-2003 data was not available; therefore the City used 2001-2002 data.

CITY OF WICHITA FALLS, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS (UNAUDITED)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Administrative services	91.6	92.3	95.5	99.9	103.0	105.1	104.6	102.0	97.0	94.6
Police	278.5	285.5	286.5	286.5	294.0	293.0	294.0	295.0	296.5	298.5
Fire	156.0	156.0	156.0	156.0	162.0	164.0	164.0	164.0	162.0	162.0
Parks and recreation	74.7	75.8	75.8	75.8	75.8	82.9	82.9	84.8	88.7	89.7
Accounting/finance	22.6	22.4	22.4	22.4	24.5	25.5	26.0	26.0	25.0	27.0
Community development	39.4	38.7	38.7	38.7	40.7	40.5	41.0	40.1	40.0	40.0
Public works	79.6	80.0	80.2	80.2	80.2	80.2	80.8	80.8	79.2	78.5
Health	80.0	84.1	76.9	77.1	74.9	72.5	69.0	68.4	71.5	72.0
Traffic and transportation	51.4	51.3	51.5	51.5	52.6	52.6	50.6	51.7	52.6	53.6
Multi-Purpose Events Center	-	-	-	-	22.4	22.8	23.0	23.0	22.8	22.8
Water and sewer	166.9	169.2	172.0	177.5	179.5	179.5	179.9	180.1	179.6	180.2
Sanitation	81.0	81.0	81.0	81.0	81.0	82.0	82.5	82.5	82.5	82.5
Golf	20.3	19.8	19.7	19.2	19.4	-	-	-	-	-
Municipal Airport	1.0	1.0	1.0	1.0	1.6	1.6	1.6	1.6	1.6	1.6
Kickapoo Airport	6.5	4.8	5.0	5.0	4.4	4.4	4.4	5.4	5.4	5.6
Transit	17.0	19.3	19.3	19.3	19.2	19.6	22.1	21.6	21.6	22.2
Stormwater Drainage	-	0.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3

CITY OF WICHITA FALLS, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS (UNAUDITED)

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
General government										
Building permits issued	10,270	10,159	8,904	7,553	7,813	7,420	6,769	6,802	8,130	7,303
Building inspections conducted	12,276	12,600	13,092	12,591	12,048	11,425	9,565	11,038	13,321	11,834
Police										
Physical arrests	7,927	7,847	8,284	8,571	7,279	6,752	7,186	6,235	5,845	6,182
Parking violations	558	1,284	1,615	327	383	197	-	109	125	529
Traffic violations	19,946	23,385	21,075	24,126	17,904	16,236	23,253	25,558	23,780	21,660
Fire										
Emergency responses	7,040	7,535	7,677	8,234	8,634	8,684	8,687	8,693	9,139	9,027
Fires extinguished	775	668	757	792	554	1,340	718	654	703	583
Inspections	850	850	850	850	900	2,647	3,250	3,281	3,114	3,221
Refuse collection										
Refuse collected (tons)	74,426	82,973	79,555	78,165	182,855	168,681	161,243	156,630	141,251	116,961
Recyclables collected	-	1,926	2,328	2,018	19,034	21,624	22,010	16,923	16,780	18,743
Library										
Volumes in collection	157,641	210,976	225,941	172,391	179,728	184,231	185,009	185,009	193,064	177,229
Total volumes borrowed	292,359	304,644	295,088	293,884	302,565	352,408	368,685	368,685	344,107	327,336
Water										
New connections	327	335	312	325	310	212	146	48	64	119
Water main breaks	737	691	573	881	741	898	872	724	1,250	1,028
Average daily consumption (thousands of gallons)	21,900	20,400	22,100	23,680	19,936	22,511	19,200	19,851	25,798	20,269
Wastewater										
Average daily sewage treatment (thousands of gallons)	12,348	11,026	12,404	11,097	13,930	11,410	7,670	12,435	10,080	10,551
Transit										
Total route miles	407,121	-	450,938	435,446	476,758	488,842	530,771	536,181	552,238	586,893
Passengers	245,908	-	247,303	229,601	294,670	324,666	327,463	340,181	374,277	485,101

Notes:

Data was not available for all items for all years. The City will provide more data as it becomes available.

CITY OF WICHITA FALLS, TEXAS

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS (UNAUDITED)**

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	-	-	-	114	114	103	105	115	114	114
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	-	-	-	34	34	36	36	36	36	36
Other public works										
Streets (miles)	542	542	585	585	587	515	529	514	514	515
Streetlights	7,600	7,738	7,825	7,926	7,922	7,976	8,203	7,958	8,084	7,931
Traffic signals	109	111	111	102	98	102	104	104	104	104
Parks and recreation										
Acreage	1,200	1,100	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200
Playgrounds	43	45	47	47	47	47	40	39	39	39
Golf courses	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	720	714	566	830	846	720	720	572	572	577
Fire hydrants	-	-	-	6,000	6,019	2,264	2,264	2,545	2,547	2,579
Storage capacity (thousands of gallons)	-	-	-	14,000	21,500	21,000	22,500	37,000	37,000	37,000
Wastewater										
Sanitary sewers (miles)	506	508	529	529	531	538	550	543	543	545
Storm sewers (miles)	41	41	96	96	96	117	117	97	97	97
Treatment capacity (thousands of gallons)	-	-	-	56,600	21,410	21,410	22,800	21,410	24,410	24,410
Transit										
Buses	12	12	12	12	12	12	12	14	14	14

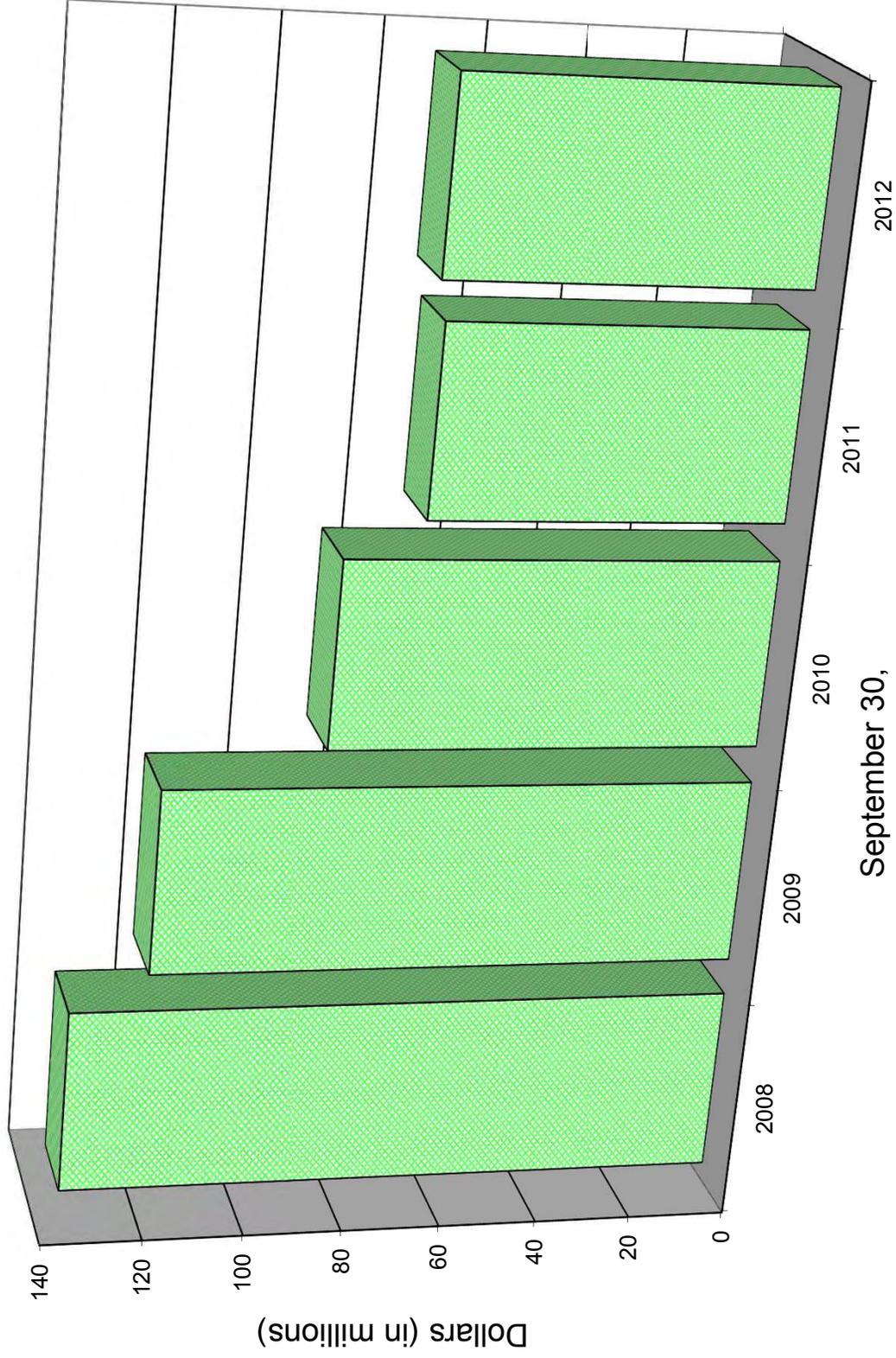
Notes:

Data was not available for all items for all years. The City will provide more data as it becomes available.

Graphics

CITY OF WICHITA FALLS, TEXAS

CASH AND INVESTMENTS

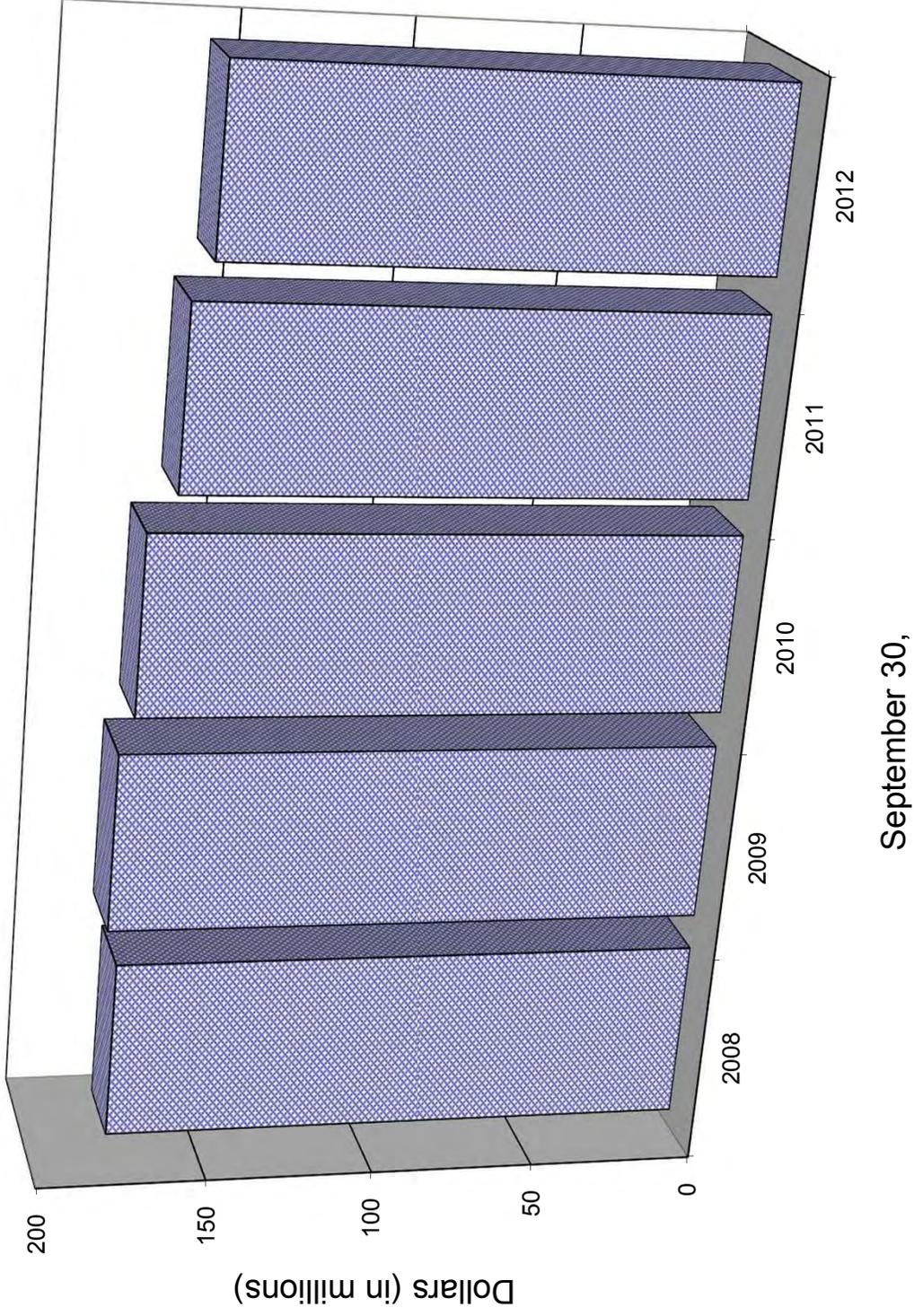


September 30,

(UNAUDITED)

CITY OF WICHITA FALLS, TEXAS

TOTAL BONDS PAYABLE

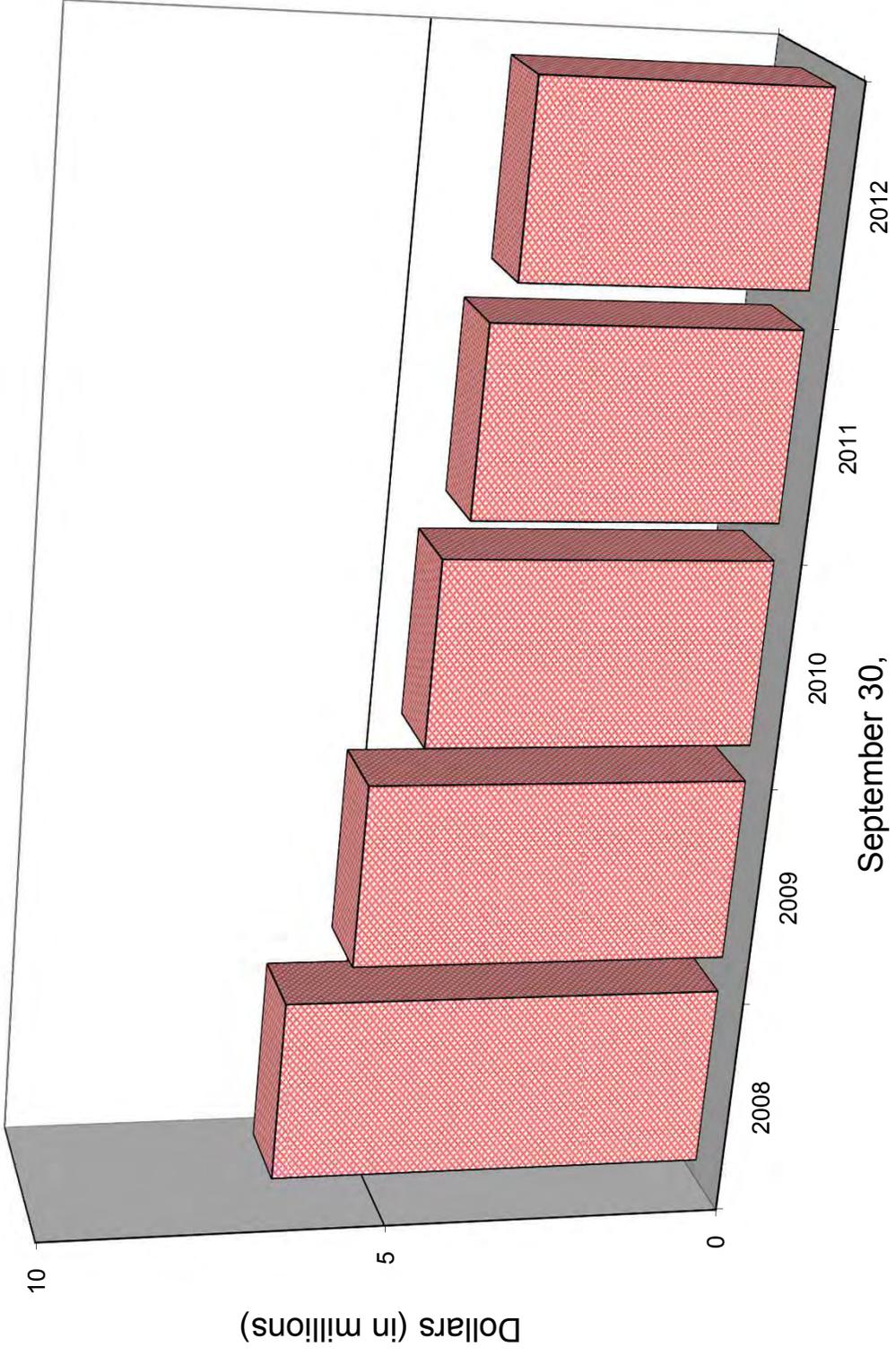


September 30,

(UNAUDITED)

CITY OF WICHITA FALLS, TEXAS

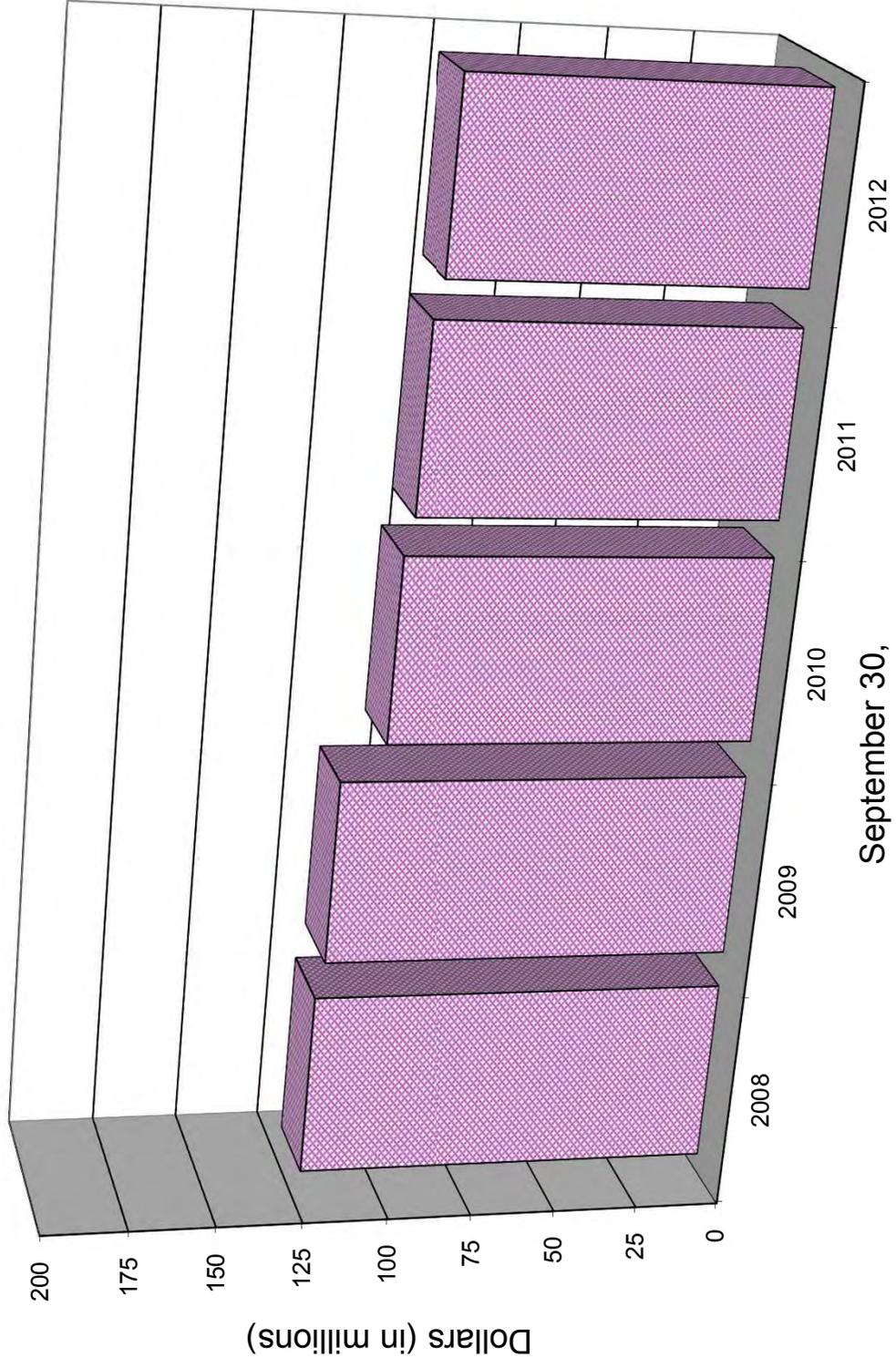
GENERAL OBLIGATION BONDS PAYABLE



(UNAUDITED)

CITY OF WICHITA FALLS, TEXAS

REVENUE BONDS PAYABLE

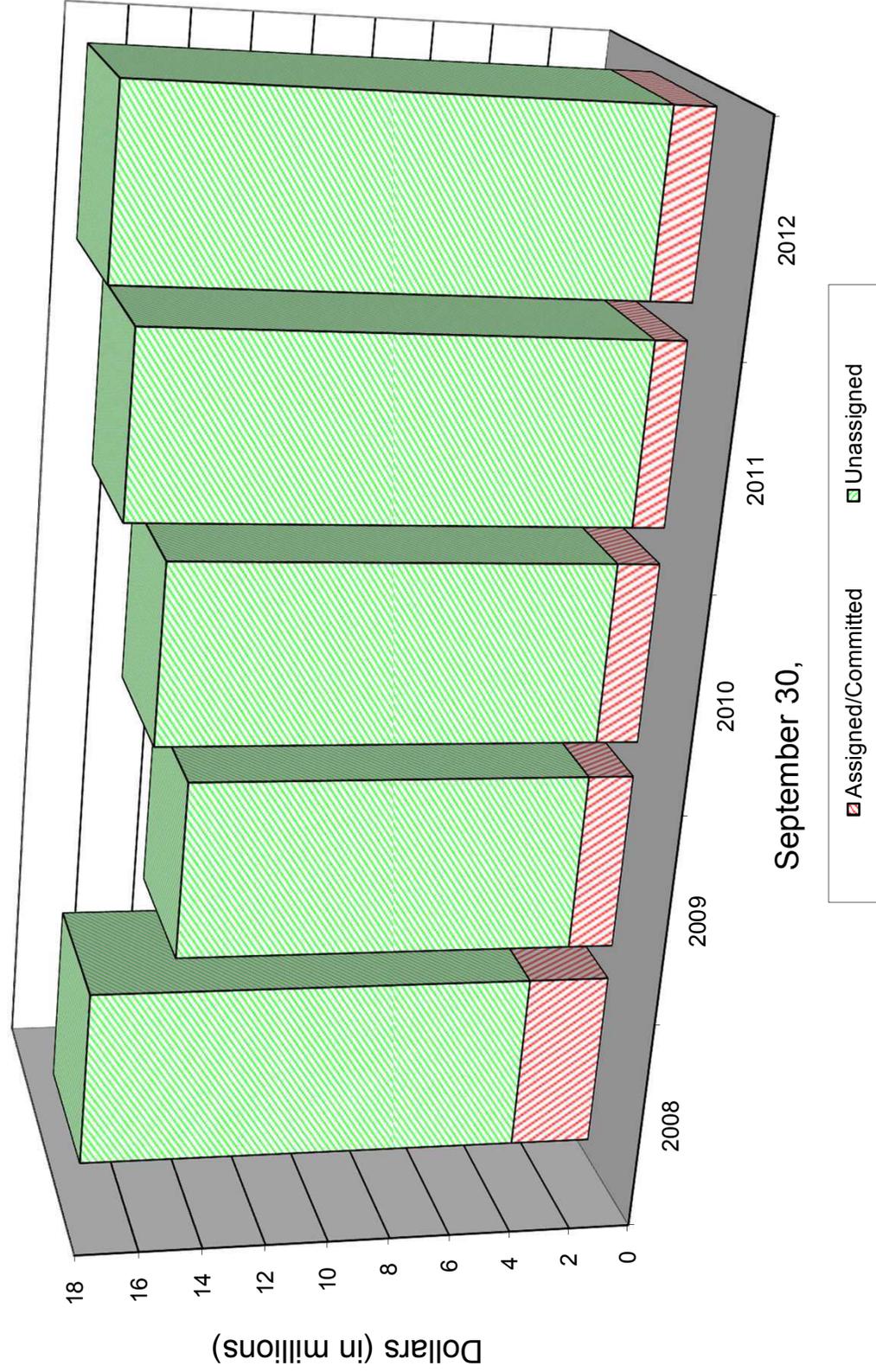


September 30,

(UNAUDITED)

CITY OF WICHITA FALLS, TEXAS

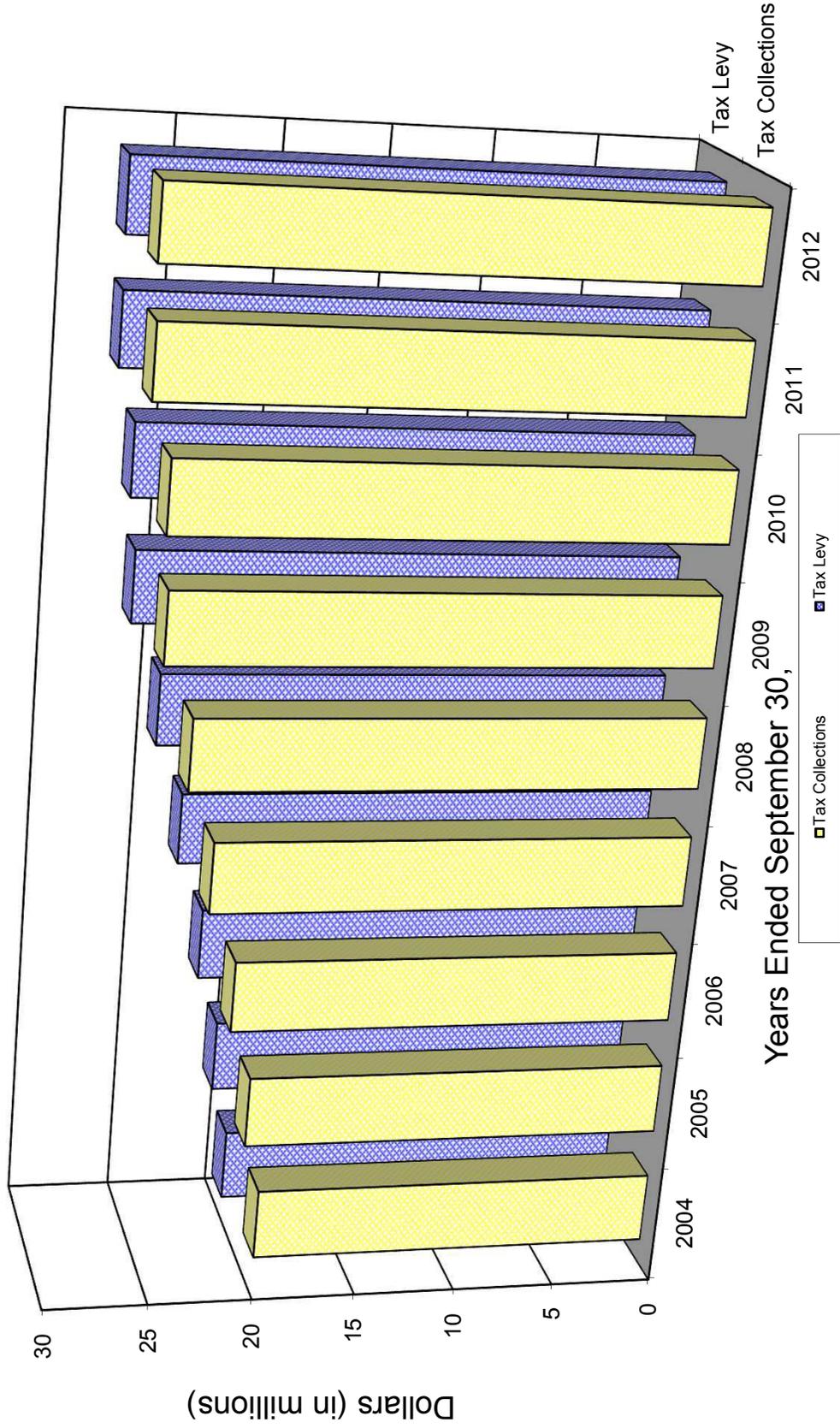
GENERAL FUND EQUITY



(UNAUDITED)

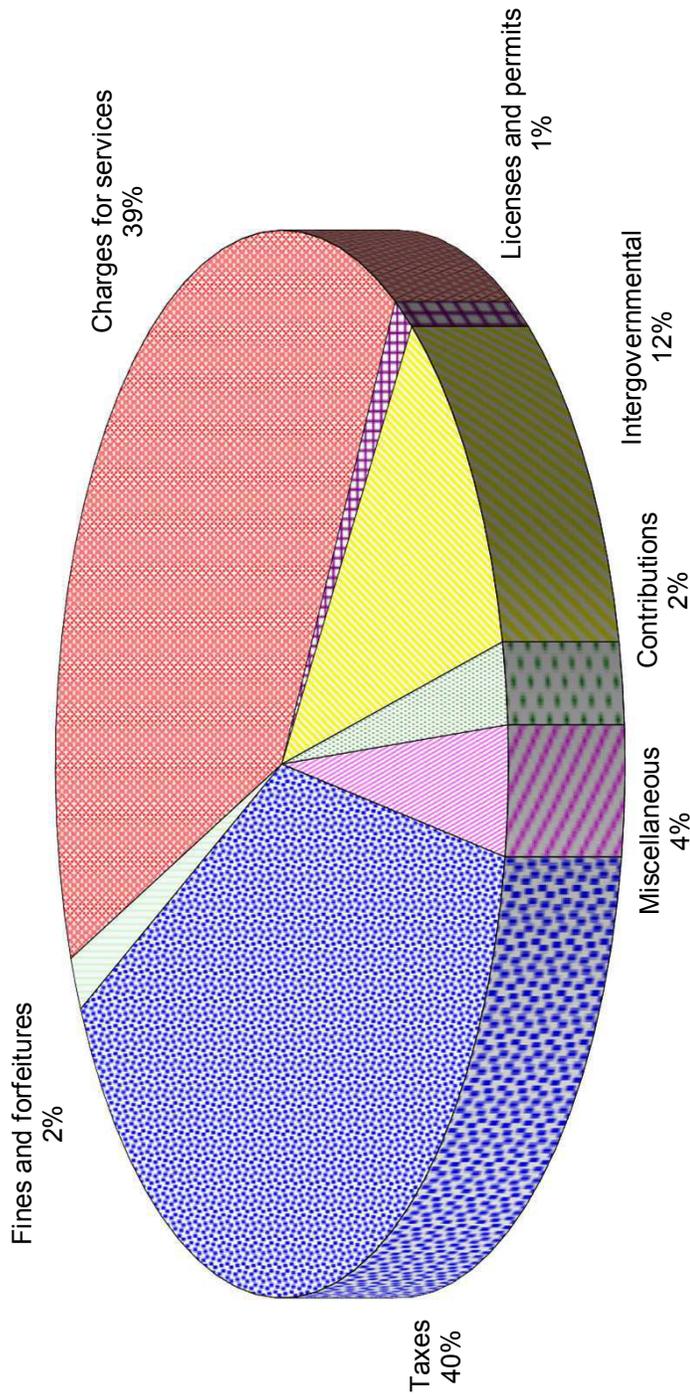
CITY OF WICHITA FALLS, TEXAS

COMPARISON OF TAX LEVY AND COLLECTIONS



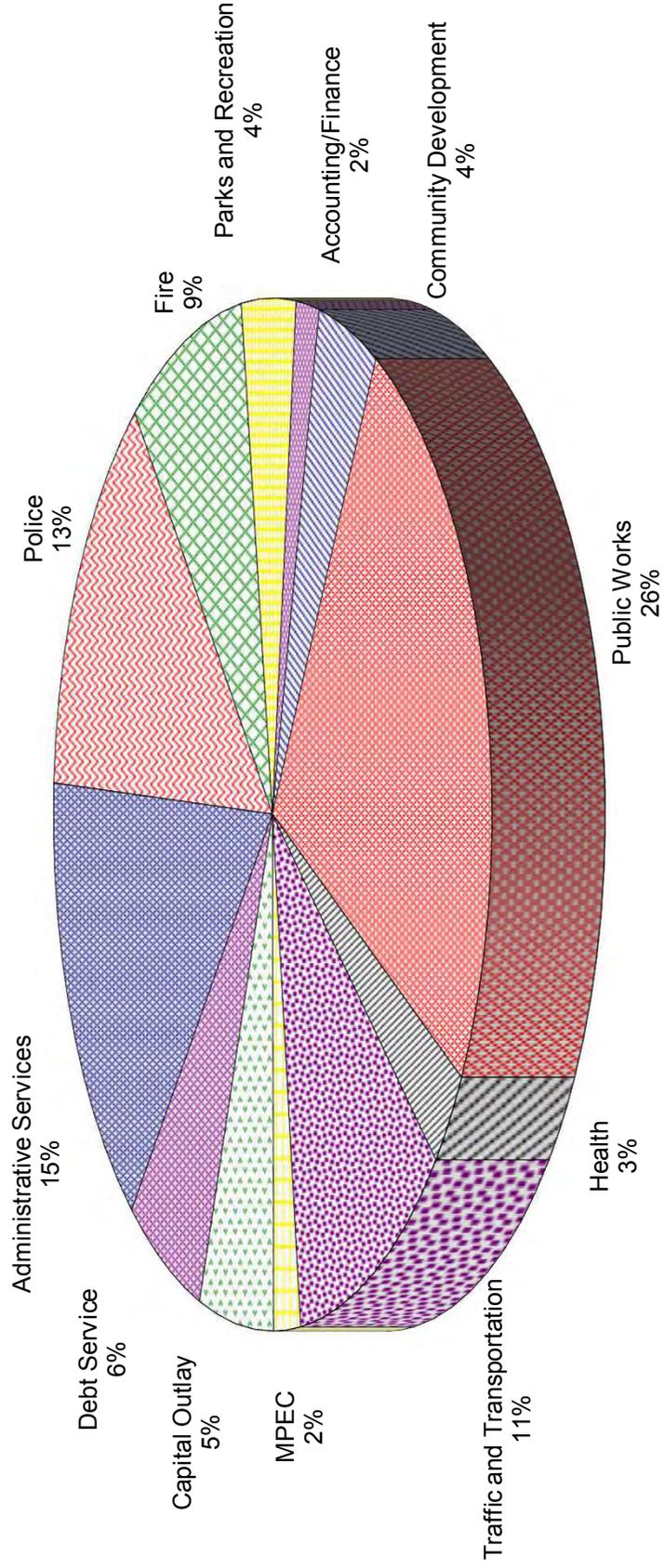
(UNAUDITED)

**CITY OF WICHITA FALLS, TEXAS
REVENUES BY SOURCE - FYE 9/30/12**



(UNAUDITED)

**CITY OF WICHITA FALLS, TEXAS
EXPENDITURES BY FUNCTION - FYE 9/30/12**



(UNAUDITED)

CITY OF WICHITA FALLS, TEXAS

GENERAL GOVERNMENTAL REVENUES (GENERAL FUND ONLY)

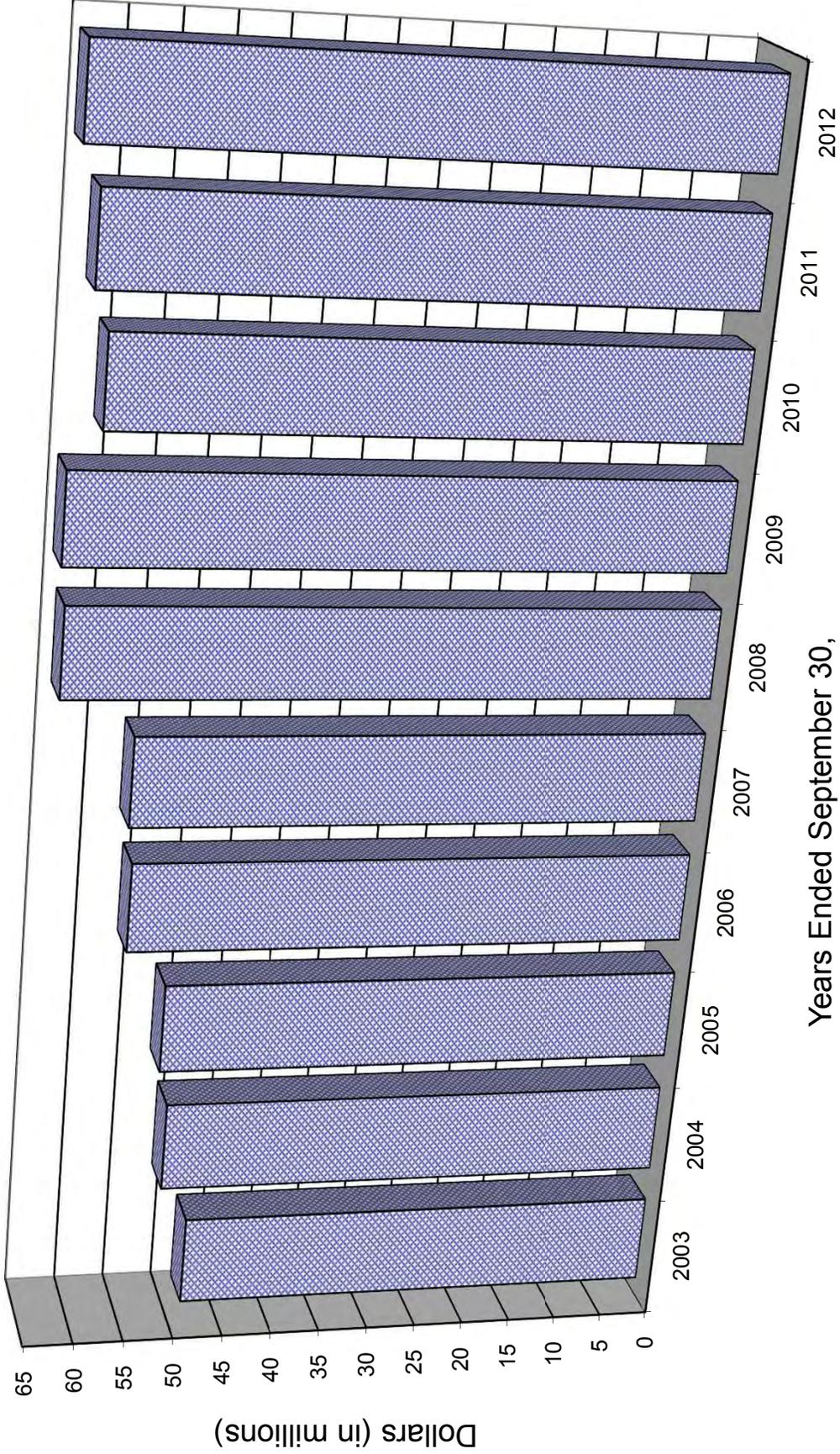


Years Ended September 30,

(UNAUDITED)

CITY OF WICHITA FALLS, TEXAS

GENERAL GOVERNMENTAL EXPENDITURES (GENERAL FUND ONLY)



Years Ended September 30,

(UNAUDITED)

