

City of Hemphill , Texas
Unit Cost per Thousand Gallons of Treated Water Produced
For the Year Ended June 30, 2013



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Certified Public Accountants

Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Hemphill, Texas

We have audited the accompanying schedule of unit cost per thousand gallons of treated water produced (as defined in the operating agreement dated June 30, 2011 between GM Water Supply Corporation and the City of Hemphill, Texas), for the year ended June 30, 2013, and the related notes to the financial statements.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with the terms of the operating agreement dated June 30, 2011 between GM Water Supply Corporation and the City of Hemphill, Texas; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

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

INDEPENDENT AUDITOR'S REPORT

Members of the City Council

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

Opinion

In our opinion, the schedule of unit cost per thousand gallons of treated water produced referred to above presents fairly, in all material respects, the unit cost per thousand gallons of treated water produced of the City of Hemphill, Texas for the year ended June 30, 2013, on the basis of accounting specified in the operating agreement referred to above.

Basis of Accounting

We draw attention to the notes to the schedule, which describes the basis of accounting. The schedule of unit cost per thousand gallons of treated water produced was prepared by the City of Hemphill, Texas on the basis of the terms of the operating agreement dated June 30, 2011 between GM Water Supply Corporation and the City of Hemphill, Texas, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the operating agreement referred to above. Our opinion is not modified with respect to that matter.

Restriction on Use

This report is intended solely for the information and use of the city council and management of the City of Hemphill, Texas and the board of director's and managements of GM Water Supply Corporation, and is not intended to be and should not be used by anyone other than these specified parties.

Goff & Herrington, P. C.

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Certified Public Accountants

October 22, 2013

City of Hemphill, Texas
Unit Cost per Thousand Gallons of Treated Water Produced
For the Year Ended June 30, 2013

Operating Costs:	
Salaries and Wages	111,874
Employee Benefits	40,920
Purchased Utilities - Electric	40,354
Purchased Utilities - Raw Water	34,001
Departmental Supplies/Materials	5,468
Repair and Maintenance	2,259
Professional Services	17,077
Vehicle Expense - Repair & Maintenance	493
Vehicle Expense - Fuel	4,728
Training Expense	1,905
Dues and Subscriptions	3,385
Travel	352
Outside Services - Contracting	-
General Insurance	2,977
Telephone	2,795
Water Treatment Chemicals	55,856
Chlorine	4,775
Other Operating	610
	329,829
Indirect Costs:	
City Overhead Allocation	59,795
SRA Overhead Charge	-
	59,795
Debt Service:	
Series 1995 Principal and Interest	51,118
	51,118
Capital Outlay:	
Current Year Expense	14,456
Recovery of Ground Storage Tank Cost	30,482
	44,938
Total Expenses	485,680
Gallons Purchased	187,391,000
Rate Per 1,000 Gallons	2.5918

See accompanying notes to financial statements

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CITY OF HEMPHILL, TEXAS

**NOTES TO SCHEDULE OF UNIT COST PER THOUSAND
GALLONS OF TREATED WATER PRODUCED**

FOR THE YEAR ENDED JUNE 30, 2013

Basis of Accounting - Operating costs and indirect costs are accounted for using the accrual basis of accounting. The schedule of unit cost per thousand gallons of treated water produced was prepared by the City of Hemphill, Texas on the basis of the terms of the operating agreement dated June 30, 2011 between GM Water Supply Corporation and the City of Hemphill, Texas, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the operating agreement.

Other Costs - The schedule of unit costs per thousand gallons of treated water includes current year equipment purchases and capital improvements, interest on Series 1995 revenue bonds plus principal paid on the Series 1995 bonds. Additionally, the City is recovering the cost of ground storage tanks completed in 2007 over ten years at a rate of \$30,482 per year.

Certain costs incurred by the City that are allocable to all operating departments have been allocated to and included in the costs of treated water. The allocations are based on the City's estimate of costs incurred that are applicable to each operating department.

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