

# **CITY OF EVERMAN, TEXAS**

**Annual Financial Report for the Year Ended  
September 30, 2008**

**CITY OF EVERMAN, TEXAS  
ANNUAL FINANCIAL REPORT  
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**City of Everman, Texas  
Principal Officials**

**City Council**

Jim Stephenson, Mayor

Ray Richardson, Mayor Pro-Tem

Denise Douglass, Council member

Johnnie Mae Allen, Council member

Susan Mackey, Council member

Judy Sellers, Council member

Kelly Denison, Council member

**Administrative**

Donna Anderson, City Manager

Kathy Renshaw, Director of Finance

Judy Thompson, City Secretary

**FINANCIAL SECTION**



**Snow, Garrett & Company**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of and for the year ended September 30, 2008, 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 of Everman's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of September 30, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the Major Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2009, on our consideration of the City of Everman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 is important for assessing the results of our audit.

The management's discussion and analysis and schedule of funding process for the retirement plan are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Everman's basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Everman. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Snow, Garrett & Company*

Snow, Garrett & Company, CPA's  
February 24, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Everman's management's discussion and analysis (MD&A) provides an overview of the City's financial activities for the fiscal year ended September 30, 2008. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of fiscal year 2008 by \$7,489,525 (*net assets*). Of this amount, \$1,174,751 is restricted for specific purposes and \$3,201,067 represents unrestricted net assets that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB 34, net assets also reflect \$3,113,707 that is invested in capital assets net of related debt.
- In contrast to the government-wide statements, the governmental fund statements report a combined fund balance at year-end of \$3,701,429; of which \$2,546,552 or 69% represent unreserved fund balances. The more significant components of unreserved fund balance are maintained in the General Fund as emergency reserves.
- The General Fund unreserved fund balance of \$2,547,514 equals 85% of total General Fund expenditures.
- The City's total debt decreased by a net amount of \$116,072 during the current fiscal year as a result of scheduled annual debt service payments net against refunding bond and capital lease proceeds.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**The Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net assets changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include administrative, streets, parks and building maintenance, police, maintenance garage, emergency medical services, fire, community and activity centers, municipal court, code enforcement, library, and animal control. The business-type activity of the City is water and sewer operations. All governmental and business-type activities included in the government-wide financial statement are functions of the City (known as the primary government).

The government-wide financial statements can be found on pages 14 and 15 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-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 the comparison between governmental funds and governmental activities.

The City maintains six individual governmental funds, which includes three special revenue funds, one capital project funds, one debt service fund, and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Economic Development Corporation (EDC) Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison statement (original versus final) has been provided in this report to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16 through 20 of this report.

**Proprietary funds.** Proprietary funds can be further classified into two different types of funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Everman uses an enterprise fund to account for its water and sewer operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City allocates costs directly to the operating department and accordingly does not account or report for any internal service funds.

The proprietary fund financial statements can be found on pages 21 through 23 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 used for fiduciary funds is much like that for proprietary funds.

The City of Everman does not hold any resources for the benefit of parties outside the City government and accordingly neither accounts nor reports for fiduciary funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 42 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning pension benefits. The required supplementary information can be found on page 44 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,489,525 as of September 30, 2008.

	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 3,951,069	\$ 3,697,550	\$ 906,321	\$ 1,224,349	\$ 4,857,390	\$ 4,921,899
Capital assets, net of depreciation	3,539,766	3,590,040	2,464,741	2,179,551	6,004,507	5,769,591
<b>Total assets</b>	<b>7,490,835</b>	<b>7,287,590</b>	<b>3,371,062</b>	<b>3,403,900</b>	<b>10,861,897</b>	<b>10,691,490</b>
Long-term liabilities	1,756,325	1,861,668	1,218,122	1,228,851	2,974,447	3,090,519
Other liabilities	206,427	244,240	191,498	153,000	397,925	397,240
<b>Total liabilities</b>	<b>1,962,752</b>	<b>2,105,908</b>	<b>1,409,620</b>	<b>1,381,851</b>	<b>3,372,372</b>	<b>3,487,759</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	1,778,657	1,716,333	1,335,050	974,986	3,113,707	2,691,319
Restricted	1,174,751	1,109,028	-	-	1,174,751	1,109,028
Unrestricted	2,574,675	2,356,321	626,392	1,047,063	3,201,067	3,403,384
<b>Total Net Assets</b>	<b>\$ 5,528,083</b>	<b>\$ 5,181,682</b>	<b>\$ 1,961,442</b>	<b>\$ 2,022,049</b>	<b>\$ 7,489,525</b>	<b>\$ 7,203,731</b>

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$3,113,707. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that 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 \$1,174,751 (or 16%) of the City's net assets represents resources that are subject to external restrictions on how they may be used. All restricted assets of the City are being held for purposes established by state and local laws, future construction, and debt service requirements on the City's outstanding debt. The remaining balance of unrestricted net assets (\$3,201,067) may be used to meet the City's ongoing obligations to citizens and creditors.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The City's net assets increased by \$285,794 during the current fiscal year. The City's governmental activities increased net assets by \$346,401 which included transfers from the business-type activities of \$508,116. The total cost of all governmental activities this year was \$3,364,060. The amount that taxpayers paid for these activities through property taxes was \$1,294,160 or 38%.

### City of Everman's Changes in Net Assets

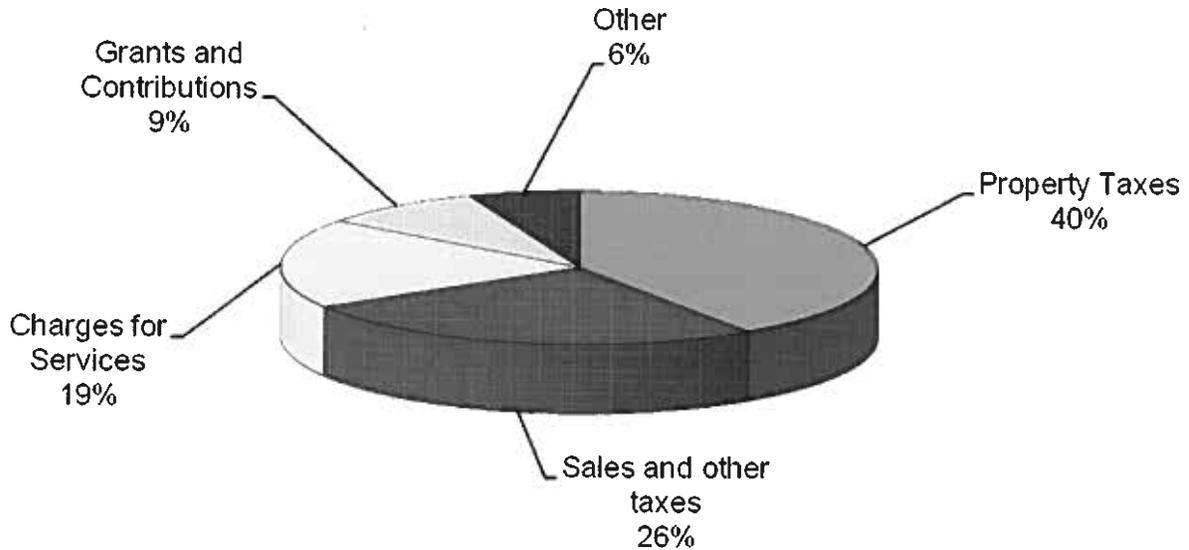
	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 606,454	\$ 552,604	\$ 1,428,641	\$ 1,354,288	\$ 2,035,095	\$ 1,906,892
Operating grants and contributions	285,231	301,039	-	-	285,231	301,039
Capital grants and contributions	-	-	96,958	51,124	96,958	51,124
General revenues:						
Property taxes	1,294,160	1,255,199	-	-	1,294,160	1,255,199
Sales and other taxes	823,808	834,469	-	-	823,808	834,469
Other	192,692	262,704	43,308	65,751	236,000	328,455
<b>Total revenues</b>	<b>3,202,345</b>	<b>3,206,015</b>	<b>1,568,907</b>	<b>1,471,163</b>	<b>4,771,252</b>	<b>4,677,178</b>
<b>Expenses:</b>						
Administrative	695,648	572,863	-	-	695,648	572,863
Streets	576,788	543,449	-	-	576,788	543,449
Parks and building maintenance	74,699	87,143	-	-	74,699	87,143
Police	1,013,590	890,382	-	-	1,013,590	890,382
Maintenance garage	183,796	156,540	-	-	183,796	156,540
Emergency medical services	324,777	314,161	-	-	324,777	314,161
Fire	98,754	130,849	-	-	98,754	130,849
Community and activity centers	24,263	6,711	-	-	24,263	6,711
Municipal court	68,732	62,677	-	-	68,732	62,677
Code enforcement	73,252	74,334	-	-	73,252	74,334
Library	61,696	54,929	-	-	61,696	54,929
Animal control	52,187	45,684	-	-	52,187	45,684
Interest on long-term debt	115,878	98,290	-	-	115,878	98,290
Water	-	-	584,341	597,643	584,341	597,643
Sewer	-	-	537,057	450,857	537,057	450,857
<b>Total expenses</b>	<b>3,364,060</b>	<b>3,038,012</b>	<b>1,121,398</b>	<b>1,048,500</b>	<b>4,485,458</b>	<b>4,086,512</b>
Increase in net assets before transfers	(161,715)	168,003	447,509	422,663	285,794	590,666
Transfers	508,116	471,027	(508,116)	(471,027)	-	-
Increase (decrease) in net assets	346,401	639,030	(60,607)	(48,364)	285,794	590,666
Net assets, beginning of year	5,181,682	4,542,652	2,022,049	2,070,413	7,203,731	6,613,065
<b>Net assets, end of year</b>	<b>\$ 5,528,083</b>	<b>\$ 5,181,682</b>	<b>\$ 1,961,442</b>	<b>\$ 2,022,049</b>	<b>\$ 7,489,525</b>	<b>\$ 7,203,731</b>

**Governmental activities.** Governmental activities increased the City of Everman's net assets by \$346,401. Key elements of this increase are as follows:

- Increased collection in property taxes due to an increase in assessed values;
- Increased charges for services in fiscal year 2008; and
- Transfer from business-type activities increased from prior year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

### Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities decreased the City's net assets by \$60,607. Key elements of this decrease are as follows:

- Increase in the cost of sewer;
- Investment earnings decreased during the current year; and
- The City's transfer from water and sewer to general fund increased from the prior year.

### FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's annual financing and budgeting requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,701,429, an increase of \$293,837 in comparison with the prior year. Approximately \$2,546,552 or 68% of the fund balance represents unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$7,894), to fund economic development (\$799,892), street improvements (\$199,236), and crime control and prevention (\$147,855).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,547,514, which was the total fund balance. As a measure of the general fund's liquidity, we compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 85%, or slightly more than 310 days of total fund expenditures.

The fund balance of the City's general fund increased by \$228,747 during the current fiscal year. Key factors in this growth are as follows:

- Increased collection in property taxes due to an increase in assessed values;
- Increased miscellaneous revenues due to fees related to drilling gas wells; and
- Decrease in fire department supplies.

The debt service fund has a total fund balance of \$7,894, all of which is reserved for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$9,887.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Amendments to the original 2007-2008 general fund annual budget were relatively minor and can be briefly summarized as follows:

- Increase in administrative services and maintenance;
- Increase in police salaries, supplies, and services;
- Increase in maintenance garage supplies and maintenance; and
- Increase in fire supplies, services, and maintenance.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets.** The City's investments in total capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$6,004,507 (net of accumulated depreciation). Investments in capital assets related to governmental activities (\$3,539,766) include land, infrastructure, buildings and improvements, machinery and equipment, vehicles, and construction in progress. The City's investments in capital assets related to business-type activities (\$2,464,741) include land, water and sewer system, buildings and improvements, and machinery and equipment.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Major capital asset events during the current fiscal year include the following:

- Purchase of two trucks for the public works department;
- Purchase of one truck for animal control;
- Purchase of a generator for the fire department;
- Purchase of a police car;
- Improvements to the water system; and
- Street improvements.

**City of Everman's Capital Assets  
(net of depreciation)**

	Governmental Activities	Business-type Activities	Total
Land	\$ 200,274	\$ 53,425	\$ 253,699
Construction in progress	166,331	-	166,331
Buildings and improvements	1,480,233	5,256	1,485,489
Infrastructure	1,360,408	-	1,360,408
Water and sewer system	-	2,404,411	2,404,411
Machinery and equipment	192,507	1,649	194,156
Vehicles	140,013	-	140,013
<b>Total</b>	<b>\$ 3,539,766</b>	<b>\$ 2,464,741</b>	<b>\$ 6,004,507</b>

Additional information on the City's capital assets can be found in Note H on pages 33 and 34 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Everman had total debt outstanding of \$2,974,447. Of this amount, \$1,525,000 represents general obligation refunding bonds secured by property tax collections, and \$985,000 represents general obligation refunding bonds and \$210,000 of certificates of obligation secured solely by revenue from the City's combined water and sewer system. In addition, the City had notes payable of \$117,631 and capital leases payable of \$136,816.

**City of Everman's Outstanding Debt**

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 1,525,000	\$ 985,000	\$ 2,510,000
Certificates of obligation	-	210,000	210,000
Notes payable	117,631	-	117,631
Capital lease agreements	113,694	23,122	136,816
<b>Total</b>	<b>\$ 1,756,325</b>	<b>\$ 1,218,122</b>	<b>\$ 2,974,447</b>

The City of Everman's total debt decreased \$116,072 (3.8%) during the current fiscal year. Debt related to governmental activities was issued for \$1,615,493 and debt retired during the fiscal year totaled \$1,720,836, of which \$1,500,000 was refunded from the 2007 General Obligation Refunding Bonds. Debt related to business-type activities was issued for \$1,010,000 and debt retired during the fiscal year totaled \$1,020,729, of which \$925,000 was refunded from the 2007 General Obligation Refunding Bonds. The City's certificates of obligation are rated "BBB" by Standard and Poor's Corporation.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2007-08 was \$.854127 per \$100 assessed valuation, of which \$.166349 was for annual debt service.

Additional information on the City's long-term debt can be found in Note I on pages 35 through 39 of this report.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

In considering the City budget for fiscal year 2009, the City Council and management considered the following factors:

- Increase in property tax assessed values;
- Increase in police expenditures;
- Decrease in street expenditures;
- Increase in emergency medical expenditures;
- Increase in library expenditures;
- Annual cost of living raises; and
- Re-payment of debt.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Office of the Finance Director office at 212 Race Street, Everman, Texas, 76140.

**BASIC FINANCIAL STATEMENTS**

**CITY OF EVERMAN, TEXAS**  
**Statement of Net Assets**  
**September 30, 2008**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,800,011	\$ 399,614	\$ 4,199,625
Receivables			
Property taxes, net of allowance for uncollectibles	102,072	-	102,072
Accounts, net of allowances for uncollectibles	35,700	143,451	179,151
Restricted assets			
Cash and cash equivalents	-	266,072	266,072
Deferred debt issuance cost	13,286	97,184	110,470
Capital assets			
Land and construction in progress	366,605	53,425	420,030
Other capital assets, net of depreciation	3,173,161	2,411,316	5,584,477
Total capital assets	<u>3,539,766</u>	<u>2,464,741</u>	<u>6,004,507</u>
Total assets	<u>7,490,835</u>	<u>3,371,062</u>	<u>10,861,897</u>
<b>Liabilities</b>			
Accounts payable and accrues expenses	89,370	68,236	157,606
Celebration fund liability	34,922	-	34,922
Interest payable	18,070	-	18,070
Due to other governments	3,740	-	3,740
Unearned revenue	6,250	-	6,250
Payable from restricted assets			
Customer deposits	-	113,181	113,181
Accrued interest payable	-	8,753	8,753
Vacation payable	54,075	1,328	55,403
Noncurrent liabilities			
Due within one year	206,264	86,273	292,537
Due in more than one year	1,550,061	1,131,849	2,681,910
Total liabilities	<u>1,962,752</u>	<u>1,409,620</u>	<u>3,372,372</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,778,657	1,335,050	3,113,707
Restricted for:			
Debt service	27,768	-	27,768
Other purposes	1,146,983	-	1,146,983
Unrestricted	2,574,675	626,392	3,201,067
Total net assets	<u>\$ 5,528,083</u>	<u>\$ 1,961,442</u>	<u>\$ 7,489,525</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
Administrative	\$ 695,648	\$ 72,738	\$ -	\$ -	\$ (622,910)	\$ -	\$ (622,910)
Streets	576,788	169,023	-	-	(407,765)	-	(407,765)
Parks and building maintenance	74,699	-	-	-	(74,699)	-	(74,699)
Police	1,013,590	-	-	-	(1,013,590)	-	(1,013,590)
Maintenance garage	183,796	-	-	-	(183,796)	-	(183,796)
Emergency medical services	324,777	190,869	173,018	-	39,110	-	39,110
Fire	98,754	-	112,213	-	13,459	-	13,459
Community and activity centers	24,263	50	-	-	(24,213)	-	(24,213)
Municipal court	68,732	126,197	-	-	57,465	-	57,465
Code enforcement	73,252	43,500	-	-	(29,752)	-	(29,752)
Library	61,696	2,083	-	-	(59,613)	-	(59,613)
Animal control	52,187	1,994	-	-	(50,193)	-	(50,193)
Interest on long-term debt	115,878	-	-	-	(115,878)	-	(115,878)
<b>Total governmental activities</b>	<b>3,364,060</b>	<b>606,454</b>	<b>285,231</b>	<b>-</b>	<b>(2,472,375)</b>	<b>-</b>	<b>(2,472,375)</b>
Business-type activities							
Water	584,341	758,233	-	96,958	-	270,850	270,850
Sewer	537,057	670,408	-	-	-	133,351	133,351
<b>Total business-type activities</b>	<b>1,121,398</b>	<b>1,428,641</b>	<b>-</b>	<b>96,958</b>	<b>-</b>	<b>404,201</b>	<b>404,201</b>
<b>Total primary government</b>	<b>\$ 4,485,458</b>	<b>\$ 2,035,095</b>	<b>\$ 285,231</b>	<b>\$ 96,958</b>	<b>(2,472,375)</b>	<b>404,201</b>	<b>(2,068,174)</b>
General revenues:							
Taxes							
Property					1,294,160	-	1,294,160
Sales tax					539,537	-	539,537
Mixed beverage tax					4,903	-	4,903
Franchise taxes					262,507	-	262,507
Bingo tax					16,861	-	16,861
Investment earnings					107,666	34,113	141,779
Miscellaneous					85,026	9,195	94,221
Transfers					508,116	(508,116)	-
<b>Total general revenues and transfers</b>					<b>2,818,776</b>	<b>(464,808)</b>	<b>2,353,968</b>
<b>Change in net assets</b>					<b>346,401</b>	<b>(60,607)</b>	<b>285,794</b>
<b>Net assets, beginning of year</b>					<b>5,181,682</b>	<b>2,022,049</b>	<b>7,203,731</b>
<b>Net assets, end of year</b>					<b>\$ 5,528,083</b>	<b>\$ 1,961,442</b>	<b>\$ 7,489,525</b>

**CITY OF EVERMAN, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2008**

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,639,426	\$ 800,382	\$ 360,203	\$ 3,800,011
Receivables				
Property taxes	125,665	-	30,383	156,048
Accounts, net of allowances for uncollectibles of \$4,953	30,866	-	-	30,866
Unbilled accounts	4,834	-	-	4,834
<b>Total assets</b>	<u><b>\$ 2,800,791</b></u>	<u><b>\$ 800,382</b></u>	<u><b>\$ 390,586</b></u>	<u><b>\$ 3,991,759</b></u>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities</b>				
Accounts payable and accrued expenses	\$ 82,700	\$ 490	\$ 6,180	\$ 89,370
Celebration fund liability	34,922	-	-	34,922
Due to other governments	3,740	-	-	3,740
Deferred revenue-grant	6,250	-	-	6,250
Deferred revenue-property taxes	125,665	-	30,383	156,048
<b>Total liabilities</b>	<u><b>253,277</b></u>	<u><b>490</b></u>	<u><b>36,563</b></u>	<u><b>290,330</b></u>
<b>Fund equity</b>				
<b>Fund Balance</b>				
Reserved for debt service	-	-	7,894	7,894
Reserved for street improvement	-	-	199,236	199,236
Reserved for crime control district	-	-	147,855	147,855
Reserved for economic development	-	799,892	-	799,892
Designated for child safety fund	468	-	-	468
Designated for LEOCE training fund	824	-	-	824
Designated for security fees	8,074	-	-	8,074
Designated for technology fees	12,630	-	-	12,630
Unreserved and undesignated	2,525,518	-	-	2,525,518
Unreserved, reported in nonmajor Capital projects fund	-	-	(962)	(962)
<b>Total fund equity</b>	<u><b>2,547,514</b></u>	<u><b>799,892</b></u>	<u><b>354,023</b></u>	<u><b>3,701,429</b></u>
<b>Total liabilities and fund equity</b>	<u><b>\$ 2,800,791</b></u>	<u><b>\$ 800,382</b></u>	<u><b>\$ 390,586</b></u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources expenditures and, therefore, are not reported in the funds.				3,539,766
Property tax receivable less allowance not available to pay for current period expenditures and, therefore, are deferred in the funds.				102,072
Some liabilities, including bonds, notes, leases, interest, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(1,815,184)
Net assets of governmental activities - statement of net assets				<u><b>\$ 5,528,083</b></u>

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended September 30, 2008**

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 1,600,481	\$ 137,384	\$ 372,149	\$ 2,110,014
Licenses, permits, and fees for services	406,006	-	-	406,006
Intergovernmental revenue	58,463	-	-	58,463
Donations	226,768	-	-	226,768
Fines and fees	140,220	-	-	140,220
Interest income	80,572	20,384	6,710	107,666
Other revenues	146,907	-	-	146,907
Administrative overhead reimbursement	486,397	-	-	486,397
Payment in lieu of taxes	33,719	-	-	33,719
<b>Total revenues</b>	<u>3,179,533</u>	<u>157,768</u>	<u>378,859</u>	<u>3,716,160</u>
<b>Expenditures</b>				
Administrative	536,875	62,306	12,565	611,746
Streets	508,435	-	-	508,435
Parks and building maintenance	65,923	-	-	65,923
Police	892,767	-	-	892,767
Maintenance garage	164,896	-	-	164,896
Emergency medical services	288,270	-	-	288,270
Fire	87,344	-	-	87,344
Community and activity centers	21,460	-	-	21,460
Municipal court	60,524	-	-	60,524
Code enforcement	64,888	-	-	64,888
Library	54,568	-	-	54,568
Animal control	47,024	-	-	47,024
Capital outlay	186,881	98,768	40,354	326,003
Debt service	26,424	-	249,144	275,568
<b>Total expenditures</b>	<u>3,006,279</u>	<u>161,074</u>	<u>302,063</u>	<u>3,469,416</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>173,254</u>	<u>(3,306)</u>	<u>76,796</u>	<u>246,744</u>
<b>Other financing sources (uses)</b>				
Refunding bond proceeds	-	-	1,560,000	1,560,000
Capital lease proceeds	55,493	-	-	55,493
Payment to refunded bond escrow agent	-	-	(1,562,504)	(1,562,504)
Debt issuance costs	-	-	(5,896)	(5,896)
<b>Total other financing sources (uses)</b>	<u>55,493</u>	<u>-</u>	<u>(8,400)</u>	<u>47,093</u>
<b>Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses</b>	<u>228,747</u>	<u>(3,306)</u>	<u>68,396</u>	<u>293,837</u>
<b>Fund balances, beginning of year</b>	<u>2,318,767</u>	<u>803,198</u>	<u>285,627</u>	<u>3,407,592</u>
<b>Fund balances, end of year</b>	<u>\$ 2,547,514</u>	<u>\$ 799,892</u>	<u>\$ 354,023</u>	<u>\$ 3,701,429</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Fiscal Year Ended September 30, 2008**

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

Net change in fund balances - total governmental funds	\$ 293,837
Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.	(48,620)
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	(1,653)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,954
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.	(13,931)
The issuance of long-term debt (e.g. certificates of obligation, notes payable, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	108,814
Change in net assets of governmental activities - statement of activities	\$ 346,401

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,601,216	\$ 1,601,216	\$ 1,600,481	\$ (735)
Licenses, permits, and fees for services	381,300	381,300	406,006	24,706
Intergovernmental revenue	45,125	45,125	58,463	13,338
Donations	157,000	157,000	226,768	69,768
Fines and fees	103,100	103,100	140,220	37,120
Interest income	95,000	95,000	80,572	(14,428)
Other revenues	79,900	79,900	146,907	67,007
Administrative overhead reimbursement	486,397	486,397	486,397	-
Payment in lieu of taxes	33,719	33,719	33,719	-
<b>Total revenues</b>	<b>2,982,757</b>	<b>2,982,757</b>	<b>3,179,533</b>	<b>196,776</b>
<b>Expenditures</b>				
Administrative	546,669	583,370	536,875	46,495
Streets	521,782	517,433	508,435	8,998
Parks and building maintenance	87,661	94,098	65,923	28,175
Police	914,384	935,776	892,767	43,009
Maintenance garage	131,949	167,414	164,896	2,518
Emergency medical services	364,170	344,181	288,270	55,911
Fire	66,226	127,277	87,344	39,933
Community and activity centers	21,635	24,636	21,460	3,176
Municipal court	65,824	66,823	60,524	6,299
Code enforcement	75,116	73,853	64,888	8,965
Library	91,155	81,445	54,568	26,877
Animal control	54,874	54,663	47,024	7,639
Capital outlay	342,302	255,943	186,881	69,062
Debt service	-	32,885	26,424	6,461
<b>Total expenditures</b>	<b>3,283,747</b>	<b>3,359,797</b>	<b>3,006,279</b>	<b>353,518</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(300,990)</b>	<b>(377,040)</b>	<b>173,254</b>	<b>550,294</b>
<b>Other financing sources</b>				
Capital lease proceeds	-	-	55,493	(55,493)
<b>Excess of revenues and other financing sources over (under) expenditures</b>	<b>(300,990)</b>	<b>(377,040)</b>	<b>228,747</b>	<b>605,787</b>
Carryover from prior year fund balance	308,000	384,050	-	-
Fund balances, beginning of year	2,318,767	2,318,767	2,318,767	-
<b>Fund balances, end of year</b>	<b>\$ 2,325,777</b>	<b>\$ 2,325,777</b>	<b>\$ 2,547,514</b>	<b>\$ 605,787</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Economic Development Corporation Fund**  
**For the Fiscal Year Ended September 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Sales tax	\$ 135,000	\$ 135,000	\$ 137,384	\$ 2,384
Interest income	20,000	20,000	20,304	(5,616)
Total revenues	161,000	161,000	157,768	(3,232)
<b>Expenditures</b>				
Administrative	62,500	62,500	62,306	194
Capital outlay	206,000	216,000	98,768	117,232
Total expenditures	268,500	278,500	161,074	117,426
Excess of revenues over (under) expenditures	(107,500)	(117,500)	(3,306)	114,194
Fund balances, beginning of year	803,198	803,198	803,198	-
Fund balances, end of year	\$ 695,698	\$ 685,698	\$ 799,892	\$ 114,194

**CITY OF EVERMAN, TEXAS**  
**Statement of Net Assets**  
**Enterprise Fund**  
**September 30, 2008**

	<b>Water and Sewer Fund</b>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 399,614
Receivables	
Accounts, net of allowances for uncollectibles of \$19,400	123,628
Unbilled accounts	<u>19,823</u>
Total current assets	543,065
Restricted assets	
Cash and cash equivalents	266,072
Noncurrent assets	
Deferred debt issuance costs	97,184
Capital assets	
Land	53,425
Buildings and improvements	641,264
Waterworks and sewer system	4,881,000
Machinery and equipment	49,729
Accumulated depreciation	<u>(3,160,677)</u>
Total noncurrent assets	<u>2,561,925</u>
Total assets	<u>3,371,062</u>
<b>LIABILITIES</b>	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	68,236
Vacation payable	<u>1,328</u>
Total payable from current assets	69,564
Payable from restricted assets	
Current portion of bonds payable	75,000
Current portion of capital leases payable	11,273
Customer deposits	113,181
Accrued interest	<u>8,753</u>
Total payable from restricted assets	<u>208,207</u>
Total current liabilities	277,771
Noncurrent liabilities	
Certificates of obligation and bonds payable	1,120,000
Capital Leases payable	<u>11,849</u>
Total noncurrent liabilities	<u>1,131,849</u>
Total liabilities	<u>1,409,620</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,335,050
Unrestricted	<u>626,392</u>
Total net assets	<u>\$ 1,961,442</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenses and Changes in**  
**Net Assets - Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2008**

	<b>Water and Sewer Fund</b>
Operating revenues	
Water and sewer sales	\$ 1,428,640
Other income	9,195
	1,437,835
Total operating revenues	
Operating expenses	
Water	423,572
Sewer	478,999
Administrative overhead reimbursement	474,397
Payment in lieu of taxes	33,719
Depreciation	159,543
	1,570,230
Total operating expenses	
Operating loss	(132,395)
Non-operating revenues (expenses)	
Intergovernmental revenue	96,958
Interest revenue	34,113
Interest expense and fiscal charge	(59,283)
	71,788
Total non-operating revenues (expenses)	
Change in net assets	(60,607)
Net assets, beginning of year	2,022,049
Net assets, end of year	\$ 1,961,442

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Cash Flows**  
**Enterprise Fund**  
**For the Year Ended September 30, 2008**

	<b>Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,448,290
Cash paid to suppliers	(672,913)
Cash paid to employees	(189,628)
Cash paid to other funds	(508,116)
	<u>77,633</u>
<b>Net cash provided by operating activities</b>	
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of capital assets	(348,765)
Principal payments on long-term debt	(85,000)
Principal payments on capital lease	(10,729)
Interest payments and fiscal charge	(38,428)
Increase (decrease) in customer deposits	1,633
	<u>(481,289)</u>
<b>Net cash used in capital and related financing activities</b>	
<b>Cash Flows from Investing Activities:</b>	
Interest income	34,113
	<u>34,113</u>
<b>Net cash provided by investing activities</b>	
Net decrease in cash and cash equivalents	(369,543)
Cash and cash equivalents at beginning of year	1,035,229
Cash and cash equivalents at end of year	\$ 665,686
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET ASSETS</b>	
Cash and cash equivalents	\$ 399,614
Restricted cash and cash equivalents	266,072
	\$ 665,686
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (132,395)
Adjustments to reconcile operating loss to net cash provided by operations:	
Depreciation	159,543
Loss on disposal of asset	990
(Increase) decrease in:	
Accounts receivable	10,020
Unbilled receivables	(555)
Increase (decrease) in:	
Accounts payable and accrued expenses	43,556
Accrued vacation	(3,526)
	\$ 77,633
<b>Net cash provided by operating activities</b>	
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets - Intergovernmental revenue	\$ 96,958

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2008**

**Note A. Financial Reporting Entity**

The financial statements of the City of Everman are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The financial statements of the City of Everman include all primary government organizations, for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The following entities were found to be blended component units of the City for financial statement purposes because the component unit's governing body is substantially the same as the City Council or because the component unit exclusively serves the City.

Everman Crime Control and Prevention District – The City created the entity to provide supplemental funding to the police department in order to provide funding for law enforcement. Funding for the Crime Control and Prevention District is generated from .25% of sales tax. The governing body is currently made up of 7 temporary Committee members all of whom were appointed by the City Council. There is a five-year sunset provision for this entity which was reinstated for an additional five years. The Crime Control and Prevention District provides all of its services to the City of Everman, Texas and upon its dissolution all assets shall be distributed to the City.

Everman Economic Development Corporation – The City created the Corporation for the purpose of projects and improvements that promote economic development within the City. The Corporation's governing body is substantially the same as the governing body of the City of Everman. There are seven directors, four of whom are members of the City Council and make up a voting majority of the City Council. The remaining three members are residents of the City. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City of Everman, Texas. The Corporation provides all of its services to the City of Everman, Texas.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note B. Summary of Significant Accounting Policies**

The accounting policies of the City of Everman, Texas conform to generally accepted accounting principles as applicable to governments, except where specifically noted. The following are the most significant policies.

Government-wide and fund financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report, except for City fiduciary activity, information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. The General fund and the Economic Development Corporation fund meet criteria as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include other Special Revenue, Capital Projects and Debt Service funds. The combined amounts for these funds are reflected in a single column in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Supplemental Information.

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 fund financial statements. 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 for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and various other revenues.

Governmental fund financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note B. Summary of Significant Accounting Policies (Continued)**

**The Economic Development Corporation Fund** is reported as a special revenue fund of the City and is utilized to account for half-penny sales tax which can only be spent on projects and improvements that promote economic development activities within the City.

The City reports the following major proprietary funds:

**The Water and Sewer Fund** is used to account for operations that are financed and operated in a manner similar to a private business enterprise - where the intent of the City is that the cost (expenses) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.
2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund.
5. Annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund are adopted on a basis consistent with generally accepted accounting principles.
6. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
7. The City council may authorize additional appropriations during the year.
8. Provisions are made in the annual budget and in the appropriation ordinance for a contingent reserve in an amount not more than three percent of the total budget, to be used in case of unforeseen items of expenditure. Such contingent reserve is under the control of the City Manager and distributed by her after approval of the City Council. Expenditures from this reserve are made only in case of established emergencies, and a detailed account of such expenditures is recorded and reported.
9. During the fiscal year, the Council authorized and approved amendments to the budget for the 2007-2008 fiscal year, which provided for and approved all expenditures and transfers.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note B. Summary of Significant Accounting Policies (Continued)**

Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$3,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	15 - 30 years
Infrastructure	10 - 45 years
Waterworks and Sewer Lines	35 years
Heavy Machinery	15 years
Transportation Vehicles	5 years
Office Equipment	5 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On new certificates of obligations and bonds payable, premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized debt premiums and discounts, as well as issuance costs during the current period. The face amount of the debt issued is reported as other financial sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Equity

Reservations of fund balance represent amounts that are appropriated or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Designations of equity are used to show amounts within unreserved equity which are intended to be used for specific purposes, but are not legally restricted.

Concentration of Credit Risk

The City has property taxes receivable from residents and businesses all of whom are located in the City. Also, the City has utility charges receivable from residents and businesses located in the City and surrounding areas.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note B. Summary of Significant Accounting Policies (Continued)**

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains risk of loss up to \$1,000,000 for property and liability insurance and up to \$1,500,000 for workers' compensation and obtains independent coverage for losses in excess of these amounts. The City retains no risk except for deductible amounts ranging from \$500 to \$10,000.

There have been no significant reductions in coverage in the past fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

Use of Estimates

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

**Note C – Reconciliation of Government-wide and Fund financial statements**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

- A. The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. One element of that reconciliation explains "some liabilities, including bonds, notes, leases and vacation payable, are not due and payable in the current period and therefore, are not reported in the funds." The details of this \$1,815,184 difference are as follows:

General Obligation Refunding Bonds	\$ (1,525,000)
Less: deferred charge for issuance costs (to be amortized over life of debt)	13,286
Notes payable	(117,631)
Capital leases payable	(113,694)
Accrued interest payable	(18,070)
Compensated absences	(54,075)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ (1,815,184)

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note C – Reconciliation of Government-wide and Fund financial statements (Continued)**

- B. Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that "governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense" on capital outlays for City owned assets only.

The details of this \$48,620 difference are as follows:

Capital outlay	\$	326,003
Depreciation expense		<u>(374,623)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>(48,620)</u>

Another element of the reconciliation states "the issuance of long-term debt (e.g., certificates of obligation, notes payable, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of net assets. Also governmental funds report the issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$108,814 difference are as follows:

Issuance of general obligation refunding bonds	\$	(1,560,000)
Payment to escrow		1,500,000
Issuance costs		5,896
Issuance of capital leases		(55,493)
Principal repayments		
Bonds		150,000
Notes		26,713
Capital leases		44,123
Amortization of debt issuance costs		<u>(2,425)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>108,814</u>

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note C – Reconciliation of Government-wide and Fund financial statements (Continued)**

Another element of the reconciliation states "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in the funds." The details of this \$13,931 difference are as follows:

Compensated absences	\$	(8,410)
Accrued interest		3,783
Bad debt expense		<u>(9,304)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>(13,931)</u>

**Note D. Deposits, Securities, and Investments**

Chapter 2256 of the Texas Government code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, low credit risk, diversification and management of maturities.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities;
2. Direct obligations of the State of Texas, or its agencies and instrumentalities;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or respective agencies and instrumentalities, excluding mortgage-related securities;
4. Certificates of Deposit issued by the state and national banks domiciled in Texas, a savings bank domiciled in Texas, or a federal credit union domiciled in Texas that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or as further described in the Investment policy;
5. Local Government Investment Pools;
6. Repurchase agreements, reverse repurchase agreements, bankers' acceptances and commercial paper that are described in more detail in the Investment policy; and
7. Regulated No-Load Money Market Mutual Funds.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note D. Deposits, Securities, and Investments (Continued)**

The City invests in Local Government Investment Cooperative ("LOGIC"), which is a local government investment pool, organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a six-member Board of Directors comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of LOGIC. The Co-Administrators of the day to day administration of LOGIC is performed by First Southwest Asset Management, Inc. and JPMorgan Chase Investment Management, Inc. LOGIC is rated at a AAA or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per Unit and is designed to be used for investment of funds which may be needed at any time.

As of September 30, 2008, the City had the following investments included in cash and cash equivalents:

	Weighted Average Maturity	Market Value	% of Total
LOGIC Investment Pool	50 days	\$ 4,264,319	100.00%

Interest Rate Risk – The City limits exposure to fair value losses arising from interest rates by not directly investing in securities with maturity dates that exceed 3 years from the date of purchase unless matched to a specific cash flow. Investments in LOGIC investment pool are available daily. At September 30, 2008, 100% of the City's portfolio had maturity dates less than one year.

Credit Risk – As of September 30, 2008, the LOGIC investment pool was rated AAA or the equivalent by a nationally recognized credit rating agency as required by State statute.

Concentration of Credit Risk – In accordance with the City's Investment policy, the City limits their exposure of concentration of credit risk by restricting investments in the following investment instruments:

	Maximum Percentage of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
Authorized Local Government Investment Pools	100%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	10%
SEC-Regulated No-Load Money Market Mutual Funds	50%

As of September 30, 2008, 100.00% of the City's portfolio was invested in Local Government Investment Pools.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized 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. At September 30, 2008 the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.

**Note E. Local Tax Revenues and Receivables**

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note E. Local Tax Revenues and Receivables**

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year end are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

**Note F. Restricted Assets**

Restricted assets in the Enterprise Fund are held for the following purposes in accordance with bond ordinances or other legal restrictions:

Capital Projects/2000 CO issue - cash	\$	152,880
Customers' meter deposits - cash		113,192
Total restricted assets	\$	266,072

**Note G. Interfund activity**

The General Fund charges the Enterprise Fund for street repairs provided by the street department. In addition, the General Fund charges the Enterprise Fund and the Economic Development Corporation an administrative fee for certain general and administrative services provided to such funds.

These interfund transactions for the fiscal year ended September 30, 2008 are as follows:

Administrative overhead reimbursement from enterprise fund	\$	474,397
Administrative overhead reimbursement from Economic Development Corporation		12,000
Payment in lieu of taxes from enterprise fund		33,719
Total interfund transfers	\$	520,116

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note H. Capital Assets**

Capital asset activity for the year ended September 30, 2008 was as follows:

	Balance 10/1/2007	Additions	Disposals	Balance 9/30/2008
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 200,274	\$ -	\$ -	\$ 200,274
Construction in progress	237,151	115,331	186,151	166,331
<b>Total capital assets not being depreciated</b>	<b>437,425</b>	<b>115,331</b>	<b>186,151</b>	<b>366,605</b>
Other capital assets				
Buildings and improvements	3,889,166	9,297	6,620	3,891,843
Infrastructure	2,220,590	265,118	-	2,485,708
Machinery and equipment	756,049	44,342	27,228	773,163
Vehicles	801,690	78,066	113,184	766,572
<b>Total other capital assets</b>	<b>7,667,495</b>	<b>396,823</b>	<b>147,032</b>	<b>7,917,286</b>
Less accumulated depreciation for:				
Building and improvements	2,261,631	155,030	5,051	2,411,610
Infrastructure	1,001,807	123,493	-	1,125,300
Machinery and equipment	562,418	45,381	27,143	580,656
Vehicles	689,024	50,719	113,184	626,559
<b>Total accumulated depreciation</b>	<b>4,514,880</b>	<b>374,623</b>	<b>145,378</b>	<b>4,744,125</b>
<b>Other capital assets, net</b>	<b>3,152,615</b>	<b>22,200</b>	<b>1,654</b>	<b>3,173,161</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 3,590,040</b>	<b>\$ 137,531</b>	<b>\$ 187,805</b>	<b>\$ 3,539,766</b>

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note H. Capital Assets (Continued)**

	Balance 10/1/2007	Additions	Disposals	Balance 9/30/2008
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 53,425	\$ -	\$ -	\$ 53,425
Construction in progress	51,235	-	51,235	-
Total capital assets not being depreciated	104,660	-	51,235	53,425
Other capital assets				
Buildings and improvements	681,264	-	40,000	641,264
Water and sewer system	4,389,699	496,958	5,658	4,880,999
Machinery and equipment	49,729	-	-	49,729
Total other capital assets	5,120,692	496,958	45,658	5,571,992
Less accumulated depreciation for:				
Building and improvements	675,806	202	40,000	636,008
Water and sewer system	2,325,943	155,313	4,668	2,476,588
Machinery and equipment	44,052	4,028	-	48,080
Total accumulated depreciation	3,045,801	159,543	44,668	3,160,676
Other capital assets, net	2,074,891	337,415	990	2,411,316
Business-type activities capital assets, net	<u>\$ 2,179,551</u>	<u>\$ 337,415</u>	<u>\$ 52,225</u>	<u>\$ 2,464,741</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

Administrative	\$ 79,912
Streets	66,416
Parks and building maintenance	8,611
Police	116,621
Maintenance garage	21,540
Emergency medical services	37,656
Fire	11,410
Community and activity centers	2,803
Municipal court	7,906
Code enforcement	8,476
Library	7,128
Animal control	6,144
Total Governmental activities	<u>\$ 374,623</u>

**Business-type activities:**

Water	\$ 131,127
Sewer	28,416
Total Business-type activities	<u>\$ 159,543</u>

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note I. Long-Term Debt**

Long-term debt of the City consists of certificates of obligation, notes payable, and long-term capital leases. Retirement of the governmental funds debt is provided from the debt service tax together with interest earned within the Debt Service fund. Retirement of the enterprise funds debt is provided from the revenue of the system. Long-term debt at September 30, 2008 consists of the following:

**Governmental activities**

General Obligation Refunding Bonds

- Series 2007 General Obligation Refunding Bonds.
- To refund the 1998 Certificates of Obligation and part of the 2000 Certificates of Obligation.
- Original balance of \$1,560,000.
- Payable in annual installments of \$35,000 to \$180,000, maturing February 1, 2018.
- Interest payable February 1 and August 1 at 3.75%.
- Outstanding balance of \$1,525,000 at September 30, 2008.

Tax Notes Payable

- Limited Tax Notes, Series 2006.
- To purchase a brush truck, two police cars, animal shelter renovations and replace fire station roof.
- Original balance of \$130,000.
- Payable in annual installments of \$24,000 to \$28,000, maturing November 15, 2011.
- Interest payable November 15 at 4.53%.
- Outstanding balance of \$106,000 at September 30, 2008.

Notes Payable

Texas Commission on Fire Protection

- Secured by fire equipment.
- Payable in annual installments of \$1,541 over twenty years.
- Outstanding balance of \$8,746 at September 30, 2008, bearing interest at 2.5%.

Texas Commission on Fire Protection

- Secured by breathing apparatus.
- Payable in annual installments of \$1,531 over ten years.
- Outstanding balance of \$2,885 at September 30, 2008, bearing interest at 2.5%.

Capital Lease Arrangements

Chase Equipment Leasing Inc.

- To purchase Police vehicles, a street sweeper, and ambulance cot.
- Principal price of \$158,905.
- Payable in 3 annual installments of \$54,101, and 2 annual installments of \$5,592.
- Outstanding balance of \$5,384 at September 30, 2008, bearing interest at 3.850%.

Citizen's National Bank

- To purchase emergency siren and 911 radio console.
- Principal price of \$51,338.
- Payable in annual installments of \$7,720 over seven years.
- Outstanding balance of \$14,366 at September 30, 2008, bearing interest at 4.85%.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note I. Long-Term Debt (Continued)**

Citizen's National Bank

- To purchase an ambulance.
- Principal price of \$115,000.
- Payable in annual installments of \$26,000 over five years.
- Outstanding balance of \$48,294 at September 30, 2008, bearing interest at 4.00%.

Community Bank of Louisiana

- To purchase two public work trucks and an animal control truck.
- Principal price of \$55,493.
- Payable in annual installments of \$12,942 over five years.
- Outstanding balance of \$45,650 at September 30, 2008, bearing interest at 5.00%.

The following is an analysis of equipment leased under a capital lease as of September 30, 2008:

	<u>Governmental</u>
	<u>Activities</u>
Equipment	\$ 354,599
Less accumulated depreciation	<u>(152,690)</u>
Total	<u>\$ 201,909</u>

Future minimum lease payments for the above capital leases are as follows:

Scheduled future minimum lease payments	\$ 124,798
Amount representing interest	<u>11,104</u>
Present value of future minimum capital lease payments (principal payoff)	<u>\$ 113,694</u>

The following is the future annual requirements for capitalized leases:

Year	Principal	Interest	Total
2009	\$ 47,484	\$ 4,771	\$ 52,255
2010	42,734	3,926	46,660
2011	11,354	1,587	12,941
2012	12,122	820	12,942
Total	<u>\$ 113,694</u>	<u>\$ 11,104</u>	<u>\$ 124,798</u>

**Business-type activities**

Combination Tax and Limited Pledge Revenue Certificates of Obligation Bond

- Series 2000 Combination Tax and Limited Pledge Revenue Certificates of Obligation Bond.
- Original Balance of \$1,500,000, with \$925,000 partially refunded in 2007.
- Payable in annual installments of \$45,000 to \$75,000, maturing February 1, 2011.
- Interest payable February 1 and August 1 at 5.00% to 7.00%.
- Outstanding balance of \$210,000 at September 30, 2008.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note I. Long-Term Debt (Continued)**

General Obligation Refunding Bonds

- Series 2007 General Obligation Refunding Bonds.
- To refund the 1998 Certificates of Obligation and part of the 2000 Certificates of Obligation.
- Original balance of \$1,010,000.
- Payable in annual installments of \$25,000 to \$120,000, maturing February 1, 2020.
- Interest payable February 1 and August 1 at 3.75%.
- Outstanding balance of \$985,000 at September 30, 2008.

Capital Lease Arrangement

Citizen's National Bank

- To purchase sewer jet machine and related equipment and supplies.
- Principal price of \$55,050.
- Payable in annual installments of \$12,446 over five years.
- Outstanding balance of \$23,122 at September 30, 2008, bearing interest at 4.00%.

The following is an analysis of equipment leased under a capital lease as of September 30, 2008:

	Business-type Activities
Equipment	\$ 54,660
Less accumulated depreciation	(5,238)
Total	\$ 49,422

Future minimum lease payments for the above capital leases are as follows:

Scheduled future minimum lease payments	\$ 24,895
Amount representing interest	1,773
Present value of future minimum capital lease payments (principal payoff)	\$ 23,122

The following is the future annual requirements for capitalized leases:

Year	Principal	Interest	Total
2009	\$ 11,273	\$ 1,172	\$ 12,445
2010	11,849	601	12,450
	\$ 23,122	\$ 1,773	\$ 24,895

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note I. Long-Term Debt (Continued)**

The following is a summary of the changes by type of debt for the year ended September 30, 2008:

	Balance 10/1/2007	Additions	Retirements	Balance 9/30/2008
<b>Governmental activities</b>				
Certificates of Obligation	\$ 1,615,000	\$ -	\$ 1,615,000	\$ -
General Obligation Refunding Bonds	-	1,560,000	35,000	1,525,000
Notes Payable	144,344	-	26,713	117,631
Capital Leases	102,324	55,493	44,123	113,694
Total Governmental activities	<u>1,861,668</u>	<u>1,615,493</u>	<u>1,720,836</u>	<u>1,756,325</u>
<b>Business-type activities</b>				
Certificates of Obligation	1,195,000	-	985,000	210,000
General Obligation Refunding Bonds	-	1,010,000	25,000	985,000
Capital Leases	33,851	-	10,729	23,122
Total Business-type activities	<u>1,228,851</u>	<u>1,010,000</u>	<u>1,020,729</u>	<u>1,218,122</u>
Totals	<u>\$ 3,090,519</u>	<u>\$ 2,625,493</u>	<u>\$ 2,741,565</u>	<u>\$ 2,974,447</u>

The annual requirements to amortize long-term debt as of September 30, 2008 are as follows:

**Governmental activities**

Fiscal Year Ending	General Obligation Refunding Bond		Notes Payable		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 130,000	\$ 54,750	\$ 28,781	\$ 5,093	\$ 47,484	\$ 4,771	\$ 270,879
2010	135,000	49,781	29,781	3,846	42,734	3,926	265,068
2011	135,000	44,719	29,389	2,553	11,354	1,587	224,602
2012	145,000	39,469	26,424	1,249	12,122	820	225,084
2013	150,000	33,938	1,460	81	-	-	185,479
2014-2018	830,000	80,437	1,796	53	-	-	912,286
Total	<u>\$ 1,525,000</u>	<u>\$ 303,094</u>	<u>\$ 117,631</u>	<u>\$ 12,875</u>	<u>\$ 113,694</u>	<u>\$ 11,104</u>	<u>\$ 2,083,398</u>

**Business-type activities**

Fiscal Year Ending	General Obligation Refunding Bond		Certificates of Obligation		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2009	\$ 10,000	\$ 36,750	\$ 65,000	\$ 9,804	\$ 11,273	\$ 1,172	\$ 133,999
2010	10,000	36,375	70,000	5,757	11,849	601	134,582
2011	15,000	35,906	75,000	1,969	-	-	127,875
2012	90,000	33,938	-	-	-	-	123,938
2013	95,000	30,469	-	-	-	-	125,469
2014-2018	535,000	94,969	-	-	-	-	629,969
2019-2023	230,000	8,813	-	-	-	-	238,813
Total	<u>\$ 985,000</u>	<u>\$ 277,220</u>	<u>\$ 210,000</u>	<u>\$ 17,530</u>	<u>\$ 23,122</u>	<u>\$ 1,773</u>	<u>\$ 1,514,645</u>

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note I. Long-Term Debt (Continued)**

**Advance Refundings**

On December 14, 2007, the City issued \$2,570,000 (par value) General Obligation Refunding Bonds, Series 2007 with an interest rate of 3.75% to partially advance refund the Certificates of Obligation, Series 1998 and the Certificates of Obligation, Series 2000 with interest rates ranging from 4.75% to 5.80% and a par value of \$2,425,000. The 2007 General Obligation Refunding Bonds were issued after paying issuance costs and fees of \$52,359 and a transfer from the City of \$8,400, the net proceeds were \$2,526,041. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the 1998 and 2000 certificates are paid in full on February 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the 1998 and 2000 partial refunded certificates were removed from the City's government-wide financial statements. As of September 30, 2008, the amount of defeased debt outstanding but removed from the government-wide financial statements amounted to \$925,000.

As a result of the 2007 advance refunding, the City reduced its total debt service requirements by \$85,469, which resulted in a net economic gain (difference between the present value of the debt service payments on the old and new debt) of \$117,595.

**Note J. Accumulated Unpaid Vacation and Sick Leave**

Sick leave is recorded when paid because employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for accrued vacation payable as of September 30, 2008 was \$55,403.

The following is a summary of the net changes in the liability for compensated absences for the year ended September 30, 2008:

	<u>10/1/2007</u>	<u>Increase</u>	<u>Decrease</u>	<u>9/30/2008</u>
Governmental activities	\$ 45,665	\$ 8,410	\$ -	\$ 54,075
Business-type activities	<u>4,854</u>	<u>-</u>	<u>3,526</u>	<u>1,328</u>
Total	<u>\$ 50,519</u>	<u>\$ 8,410</u>	<u>\$ 3,526</u>	<u>\$ 55,403</u>

**Note K. Pension Plan**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note K. Pension Plan (Continued)**

**Benefits**

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

The contribution rate for the employees is 5%, and the City matching ratio (City to Employee) is currently 2 to 1.

Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age.

A member is vested after 10 years.

**Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution 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 (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note K. Pension Plan (Continued)**

<u>Actuarial Valuation Information</u>			
	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>12/31/2005</u>
Actuarial Valuation Date	Projected Unit Credit	Unit Credit	Unit Credit
Actuarial Cost Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Amortization Method	30 years - Closed Period	25 years - Open Period	25 years - Open Period
Remaining Amortization Period	Amortized Cost	Amortized Cost	Amortized Cost
Asset Valuation Method	7.0%	7.0%	7.0%
Investment Rate of Return	Varies by age and service	None	None
Projected Salary Increases	3.00%	3.50%	3.50%
Includes Inflation at	2.1% (3.0% CPI)	None	None
Cost-of-living Adjustments			

<u>City of Everman</u>			
<u>Fiscal Year Ending</u>	<u>Annual Pension Costs (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2006	\$ 82,865	100%	\$ -
9/30/2007	\$ 87,995	100%	\$ -
9/30/2008	\$ 96,825	100%	\$ -

The City of Everman is one of 827 municipalities having the benefit plan administered by TMRS. Each of the 827 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

**Funding Issues, Changes in Actuarial and Amortization Methods, and Future Changes in Investment Rate of Return**

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the unit credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the updated service credit and annuity increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board has determined that the projected unit credit funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustees rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years.

**CITY OF EVERMAN, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2008**

**Note K. Pension Plan (Continued)**

For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$2,638,604 and the funded ratio would have been 91.0%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

**Note L. Commitments**

In 1987, the City entered into a thirty-year contract for the treatment and transportation of sanitary sewage. Payments under this contract are on a per connection basis.

**Note M. Everman Economic Development Corporation**

In October 1999, the Everman Economic Development Corporation was created, upon approval of the voters of a half-penny sales and use tax, pursuant to Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas Civil Statutes. The Corporation is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The expenditures of the half-penny sales tax can only be spent on projects and improvements that promote economic development activities within the City of Everman.

**Note N. Everman Crime Control and Prevention District**

In May 2002, the Everman Crime Control and Prevention District was created, upon approval of the voters of a quarter-penny sales and use tax. The District is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The expenditures of the quarter-penny sales tax can only be used to provide supplemental funding to the police department in order to provide funding for law enforcement.

**Note O. Litigation**

The City has been named as a defendant in pending lawsuits. Legal council estimates that the potential claim against the City resulting from such litigation would not materially affect the financial statements for the City.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**CITY OF EVERMAN, TEXAS**  
**Schedule of Funding Progress for the Retirement Plan**  
**for the Employees of City of Everman, Texas**  
**Last Three Fiscal Years**

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Annual Covered Payroll ( c )	UAAL as a Percentage Covered of Payroll ( (b-a)/c )
12/31/2005	\$ 2,015,390	\$ 2,200,886	\$ 185,496	91.60%	\$ 1,179,845	15.70%
12/31/2006	2,204,159	2,385,744	181,585	92.39%	1,265,942	14.34%
12/31/2007	2,401,383	2,978,985	577,602	80.61%	1,261,447	45.79%

**SUPPLEMENTAL INFORMATION**

**CITY OF EVERMAN, TEXAS**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**September 30, 2008**

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Crime Control District</u>	<u>Street Improvement Tax</u>	<u>Debt Service Fund</u>		
<b>Assets</b>					
Cash and cash equivalents	\$ 147,855	\$ 205,416	\$ 7,894	\$ (962)	\$ 360,203
Accounts receivables					
Property taxes	-	-	30,383	-	30,383
<b>Total assets</b>	<u>\$ 147,855</u>	<u>\$ 205,416</u>	<u>\$ 38,277</u>	<u>\$ (962)</u>	<u>\$ 390,586</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	\$ 6,180	\$ -	\$ -	\$ 6,180
Deferred revenue	-	-	30,383	-	30,383
<b>Total liabilities</b>	-	6,180	30,383	-	36,563
<b>Fund balances</b>					
Reserved for debt service	-	-	7,894	-	7,894
Reserved for street improvement	-	199,236	-	-	199,236
Reserved for crime control district	147,855	-	-	-	147,855
Unreserved and undesignated	-	-	-	(962)	(962)
<b>Total fund balances</b>	<u>147,855</u>	<u>199,236</u>	<u>7,894</u>	<u>(962)</u>	<u>354,023</u>
<b>Total liabilities and fund balances</b>	<u>\$ 147,855</u>	<u>\$ 205,416</u>	<u>\$ 38,277</u>	<u>\$ (962)</u>	<u>\$ 390,586</u>

**CITY OF EVERMAN, TEXAS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended September 30, 2008**

	<b>Special Revenue Funds</b>				<b>Total Nonmajor Governmental Funds</b>
	<b>Crime Control District</b>	<b>Street Improvement Tax</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	
<b>Revenues</b>					
Property taxes	\$ -	\$ -	\$ 244,620	\$ -	\$ 244,620
Sales tax	58,837	68,692	-	-	127,529
Interest income	1,561	4,400	135	614	6,710
<b>Total revenues</b>	<b>60,398</b>	<b>73,092</b>	<b>244,755</b>	<b>614</b>	<b>378,859</b>
<b>Expenditures</b>					
Administrative	12,565	-	-	-	12,565
Capital outlay	24,877	6,180	-	9,297	40,354
Debt service	2,902	-	246,242	-	249,144
<b>Total expenditures</b>	<b>40,344</b>	<b>6,180</b>	<b>246,242</b>	<b>9,297</b>	<b>302,063</b>
Excess (deficiency) of revenues over (under) expenditures	20,054	66,912	(1,487)	(8,683)	76,796
<b>Other Financing Sources (Uses)</b>					
Refunding bond proceeds	-	-	1,560,000	-	1,560,000
Payment to refunded bond escrow agent	-	-	(1,562,504)	-	(1,562,504)
Debt issuance costs	-	-	(5,896)	-	(5,896)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(8,400)</b>	<b>-</b>	<b>(8,400)</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	20,054	66,912	(9,887)	(8,683)	68,396
Fund balances, beginning of year	127,801	132,324	17,781	7,721	285,627
Fund balances, end of year	<b>\$ 147,855</b>	<b>\$ 199,236</b>	<b>\$ 7,894</b>	<b>\$ (962)</b>	<b>\$ 354,023</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2008**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2007)**

	Budgeted Amounts		2008 Actual	Variance with Final Budget Favorable (Unfavorable)	2007 Actual
	Original	Final			
<b>Taxes</b>					
General property taxes					
Current	\$ 1,016,716	\$ 1,016,716	\$ 974,139	\$ (42,577)	\$ 955,018
Delinquent	33,000	33,000	35,632	2,632	43,460
Penalty and interest	30,000	30,000	31,815	1,815	43,577
Sales tax	234,000	270,000	274,624	4,624	282,793
Mixed beverage tax	8,500	8,500	4,903	(3,597)	6,235
Gross receipts tax	270,000	234,000	262,507	28,507	257,242
Bingo revenue tax	9,000	9,000	16,861	7,861	17,181
<b>Totals</b>	<b>1,601,216</b>	<b>1,601,216</b>	<b>1,600,481</b>	<b>(735)</b>	<b>1,605,506</b>
<b>Licenses and permits</b>					
Ambulance fees	188,000	188,000	190,869	2,869	189,104
Sanitation fees	170,400	170,400	169,023	(1,377)	161,170
Animal control fees	2,000	2,000	1,994	(6)	1,608
Building permits	6,000	6,000	24,744	18,744	35,204
Community center fees	1,000	1,000	50	(950)	3,705
Amusement machine permits	500	500	570	70	120
Other licenses and permits	13,400	13,400	18,756	5,356	19,343
<b>Totals</b>	<b>381,300</b>	<b>381,300</b>	<b>406,006</b>	<b>24,706</b>	<b>410,254</b>
<b>Intergovernmental</b>					
Federal grant	45,125	45,125	37,747	(7,378)	45,520
State grant	-	-	20,716	20,716	16,661
<b>Totals</b>	<b>45,125</b>	<b>45,125</b>	<b>58,463</b>	<b>13,338</b>	<b>62,181</b>
<b>Donations</b>					
County runs - fire	45,000	45,000	53,750	8,750	49,500
County runs - EMS	12,000	12,000	30,657	18,657	15,916
Ambulance fees - insurance	100,000	100,000	142,361	42,361	173,442
<b>Totals</b>	<b>157,000</b>	<b>157,000</b>	<b>226,768</b>	<b>69,768</b>	<b>238,858</b>
<b>Fines and fees</b>					
Court fines	95,000	95,000	126,197	31,197	133,267
MSB service collections	5,000	5,000	-	(5,000)	-
Security alarm fee	800	800	680	(120)	1,255
Labor liens recovery	1,000	1,000	11,260	10,260	3,800
Library fines and fees	1,300	1,300	2,083	783	1,814
<b>Totals</b>	<b>103,100</b>	<b>103,100</b>	<b>140,220</b>	<b>37,120</b>	<b>140,136</b>
<b>Other revenues</b>					
Pay phone commissions	500	500	686	186	701
Garage sale permits	1,400	1,400	1,842	442	1,515
Sale of assets	-	-	-	-	-
Garbage bags	-	-	-	-	-
Confiscated properties income	-	-	2,813	2,813	3,788
Oil and gas royalties	53,000	53,000	54,887	1,887	73,900
Miscellaneous	25,000	25,000	86,679	61,679	26,269
<b>Totals</b>	<b>\$ 79,900</b>	<b>\$ 79,900</b>	<b>\$ 146,907</b>	<b>\$ 67,007</b>	<b>\$ 106,173</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Expenditures - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2008**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2007)**

	Budgeted Amounts		2008 Actual	Variance with Final Budget Favorable (Unfavorable)	2007 Actual
	Original	Final			
<b>Administrative</b>					
Salaries	\$ 303,041	\$ 294,059	\$ 286,027	\$ 8,032	\$ 259,355
Supplies	12,800	24,975	11,675	13,300	13,335
Services	212,959	230,066	214,206	15,860	185,282
Maintenance	17,869	34,270	24,967	9,303	29,325
Capital outlay	11,553	-	10,383	(10,383)	84,081
Debt service	-	1,119	208	911	13,792
<b>Totals</b>	<b>558,222</b>	<b>584,489</b>	<b>547,466</b>	<b>37,023</b>	<b>585,170</b>
<b>Streets</b>					
Salaries	243,695	239,783	229,065	10,718	209,279
Supplies	7,900	10,044	8,135	1,909	7,050
Services	236,350	238,596	246,564	(7,968)	231,253
Maintenance	33,837	29,010	24,671	4,339	28,561
Capital outlay	252,068	250,015	111,624	138,391	186,151
Debt service	-	5,592	14,062	(8,470)	10,839
<b>Totals</b>	<b>773,850</b>	<b>773,040</b>	<b>634,121</b>	<b>138,919</b>	<b>673,133</b>
<b>Parks and building maintenance</b>					
Salaries	40,056	31,056	18,868	12,188	29,513
Supplies	4,350	19,787	17,666	2,121	14,188
Services	42,255	42,255	29,389	12,866	32,767
Maintenance	1,000	1,000	-	1,000	-
Capital outlay	12,700	-	-	-	-
<b>Totals</b>	<b>100,361</b>	<b>94,098</b>	<b>65,923</b>	<b>28,175</b>	<b>76,468</b>
<b>Police</b>					
Salaries	829,615	848,439	817,251	31,188	685,365
Supplies	25,753	26,728	21,715	5,013	31,145
Services	35,450	40,323	36,839	3,484	40,952
Maintenance	23,566	20,286	16,962	3,324	14,131
Capital outlay	6,300	-	-	-	58,264
Debt service	-	7,741	7,880	(139)	9,267
<b>Totals</b>	<b>920,684</b>	<b>943,517</b>	<b>900,647</b>	<b>42,870</b>	<b>839,124</b>
<b>Maintenance garage</b>					
Salaries	52,224	51,382	50,607	775	45,595
Supplies	47,000	78,675	75,258	3,417	52,442
Services	6,170	6,242	5,878	364	4,754
Maintenance	26,555	31,115	33,153	(2,038)	34,320
<b>Totals</b>	<b>\$ 131,949</b>	<b>\$ 167,414</b>	<b>\$ 164,896</b>	<b>\$ 2,518</b>	<b>\$ 137,111</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Expenditures - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2008**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2007)**

	Budgeted Amounts		2008 Actual	Variance with Final Budget Favorable (Unfavorable)	2007 Actual
	Original	Final			
Emergency medical service					
Salaries	\$ 328,490	\$ 299,046	\$ 249,701	\$ 49,345	\$ 230,809
Supplies	13,400	20,914	15,182	5,732	12,671
Services	6,580	6,893	6,211	682	5,538
Maintenance	15,700	17,328	17,176	152	23,903
Capital outlay	-	-	3,900	(3,900)	-
Totals	<u>364,170</u>	<u>344,181</u>	<u>292,170</u>	<u>52,011</u>	<u>272,921</u>
Fire					
Volunteer Benefits	8,350	8,350	9,357	(1,007)	8,005
Supplies	14,050	44,007	42,686	1,321	77,384
Services	19,610	21,017	18,104	2,913	15,550
Maintenance	24,216	29,153	17,197	11,956	13,604
Capital outlay	53,253	24,750	40,442	(15,692)	52,379
Debt service	-	11,716	3,678	8,038	8,930
Totals	<u>119,479</u>	<u>138,993</u>	<u>131,464</u>	<u>7,529</u>	<u>175,852</u>
Community and activity centers					
Supplies	600	100	-	100	28
Services	6,155	5,852	2,750	3,102	5,343
Maintenance	14,880	18,684	18,710	(26)	504
Totals	<u>21,635</u>	<u>24,636</u>	<u>21,460</u>	<u>3,176</u>	<u>5,875</u>
Municipal court					
Salaries	44,544	43,768	43,052	716	37,157
Supplies	1,100	1,375	1,225	150	1,093
Services	15,680	17,180	13,901	3,279	13,573
Maintenance	4,500	4,500	2,346	2,154	2,283
Totals	<u>65,824</u>	<u>66,823</u>	<u>60,524</u>	<u>6,299</u>	<u>54,106</u>
Code enforcement					
Salaries	59,109	59,035	54,500	4,535	52,928
Supplies	2,500	3,012	2,259	753	2,117
Services	6,200	11,216	8,129	3,087	9,573
Maintenance	7,307	590	-	590	90
Debt service	-	6,717	596	6,121	5,765
Totals	<u>\$ 75,116</u>	<u>\$ 80,570</u>	<u>\$ 65,484</u>	<u>\$ 15,086</u>	<u>\$ 70,473</u>

**CITY OF EVERMAN, TEXAS**  
**Statement of Expenditures - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2008**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2007)**

	Budgeted Amounts		2008 Actual	Variance with Final Budget Favorable (Unfavorable)	2007 Actual
	Original	Final			
Library					
Salaries	\$ 71,180	\$ 59,180	\$ 38,028	\$ 21,152	\$ 34,311
Supplies	3,550	4,840	4,057	783	2,229
Services	14,425	15,425	11,319	4,106	10,780
Maintenance	2,000	2,000	1,164	836	764
Totals	<u>91,155</u>	<u>81,445</u>	<u>54,568</u>	<u>26,877</u>	<u>48,084</u>
Animal control					
Salaries	47,239	44,507	41,689	2,818	33,906
Supplies	2,650	4,697	2,939	1,758	2,639
Services	4,185	4,659	1,615	3,044	1,693
Maintenance	800	800	781	19	1,379
Capital outlay	6,428	5,928	20,532	(14,604)	-
Totals	<u>\$ 61,302</u>	<u>\$ 60,591</u>	<u>\$ 67,556</u>	<u>\$ (6,965)</u>	<u>\$ 39,617</u>

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual -**  
**Crime Control and Prevention District Fund**  
**For the Fiscal Year Ended September 30, 2008**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2007)**

	Budgeted Amounts Original and Final	2008 Actual	Variance with Final Budget Favorable (Unfavorable)	2007 Actual
Revenues				
Sales tax	\$ 57,000	\$ 58,837	\$ 1,837	\$ 58,812
Interest income	2,650	1,561	(1,089)	2,800
Total revenues	59,650	60,398	748	61,612
Expenditures				
Current				
Administrative	5,796	12,565	(6,769)	-
Capital outlay	45,397	24,877	20,520	14,820
Capitalized lease debt service	-	2,902	(2,902)	28,078
Total expenditures	51,193	40,344	10,849	42,898
Excess of revenues over expenditures	8,457	20,054	11,597	18,714
Fund balances, beginning of year	127,801	127,801	-	109,087
Fund balances, end of year	\$ 136,258	\$ 147,855	\$ 11,597	\$ 127,801

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual -**  
**Street Improvement Fund**  
**For the Fiscal Year Ended September 30, 2008**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2007)**

	<b>Budgeted Amounts Original and Final</b>	<b>2008 Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>	<b>2007 Actual</b>
Revenues				
Sales tax	\$ 65,000	\$ 68,692	\$ 3,692	\$ 70,735
Interest income	2,700	4,400	1,700	3,522
Total revenues	<u>67,700</u>	<u>73,092</u>	<u>5,392</u>	<u>74,257</u>
Expenditures				
Capital outlay	67,000	6,180	60,820	-
Total expenditures	<u>67,000</u>	<u>6,180</u>	<u>60,820</u>	<u>-</u>
Excess of revenues over expenditures	<u>700</u>	<u>66,912</u>	<u>66,212</u>	<u>74,257</u>
Fund balances, beginning of year	<u>132,324</u>	<u>132,324</u>	<u>-</u>	<u>58,067</u>
Fund balances, end of year	<u>\$ 133,024</u>	<u>\$ 199,236</u>	<u>\$ 66,212</u>	<u>\$ 132,324</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Debt Service Fund**  
**For the Fiscal Year Ended September 30, 2008**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2007)**

	<b>Budgeted Amounts</b>		<b>Variance with Final Budget Favorable (Unfavorable)</b>	<b>2007 Actual</b>
	<b>Original and Final</b>	<b>2008 Actual</b>		
<b>Revenues</b>				
Property taxes	\$ 254,013	\$ 244,620	\$ (9,393)	\$ 221,117
Interest Income	800	135	(665)	1,457
<b>Total revenues</b>	<b>254,813</b>	<b>244,755</b>	<b>(10,058)</b>	<b>222,574</b>
<b>Expenditures</b>				
Debt and capitalized lease debt service:				
Principal retirement	247,013	196,416	50,597	131,334
Interest and fiscal charges	2,000	49,826	(47,826)	88,055
<b>Total expenditures</b>	<b>249,013</b>	<b>246,242</b>	<b>2,771</b>	<b>219,389</b>
<b>Excess of revenues over expenditures</b>	<b>5,800</b>	<b>(1,487)</b>	<b>(7,287)</b>	<b>3,185</b>
<b>Other Financing Sources (Uses)</b>				
Refunding Bond Proceeds	-	1,560,000	(1,560,000)	-
Payment to refunded bond escrow agent	-	(1,562,504)	1,562,504	-
Debt issuance costs	-	(5,896)	5,896	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(8,400)</b>	<b>8,400</b>	<b>-</b>
<b>Excess (deficiency) of revenues and financing sources over (under) expenditures and other financing uses</b>	<b>5,800</b>	<b>(9,887)</b>	<b>15,687</b>	<b>3,185</b>
<b>Fund balances, beginning of year</b>	<b>17,781</b>	<b>17,781</b>	<b>-</b>	<b>14,596</b>
<b>Fund balances, end of year</b>	<b>\$ 23,581</b>	<b>\$ 7,894</b>	<b>\$ 15,687</b>	<b>\$ 17,781</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Statement of Expenses - Budget and Actual**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2008**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2007)**

	Budgeted Amounts		2008 Actual	Variance with Final Budget Favorable (Unfavorable)	2007 Actual
	Original	Final			
Water					
Salaries	\$ 215,695	\$ 213,085	\$ 186,102	\$ 26,983	\$ 187,194
Supplies	104,690	100,603	58,797	41,806	82,595
Services	644,106	148,565	128,470	20,095	136,089
Maintenance	29,602	28,702	23,498	5,204	20,511
Equipment	393,253	391,918	26,705	365,213	16,599
Totals	<u>1,387,346</u>	<u>882,873</u>	<u>423,572</u>	<u>459,301</u>	<u>442,988</u>
Sewer					
Supplies	7,300	10,800	9,736	1,064	4,575
Services	471,000	471,000	469,263	1,737	379,764
Equipment	12,300	12,300	-	12,300	-
Totals	<u>\$ 490,600</u>	<u>\$ 494,100</u>	<u>\$ 478,999</u>	<u>\$ 15,101</u>	<u>\$ 384,339</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of 2007 General Obligation Refunding Bonds Payable**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 130,000	\$ 54,750	\$ 184,750
2010	135,000	49,781	184,781
2011	135,000	44,719	179,719
2012	145,000	39,469	184,469
2013	150,000	33,938	183,938
2014	150,000	28,312	178,312
2015	160,000	22,500	182,500
2016	170,000	16,313	186,313
2017	170,000	9,937	179,937
2018	180,000	3,375	183,375
	<u>\$ 1,525,000</u>	<u>\$ 303,094</u>	<u>\$ 1,828,094</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of 2006 Tax Note Payable -**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

BRUSH TRUCK/2 POLICE CARS/ANIMAL SHELTER  
RENOVATIONS/REPLACE FIRE STATION ROOF

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 26,000	\$ 4,802	\$ 30,802
2010	27,000	3,624	30,624
2011	28,000	2,401	30,401
2012	<u>25,000</u>	<u>1,132</u>	<u>26,132</u>
	<u>\$ 106,000</u>	<u>\$ 11,959</u>	<u>\$ 117,959</u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Notes Payable -**  
**Texas Commission on Fire Protection**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

**FIRE EQUIPMENT**

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 1,322	\$ 219	\$ 1,541
2010	1,355	186	1,541
2011	1,389	152	1,541
2012	1,424	117	1,541
2013	1,460	81	1,541
2014	1,496	45	1,541
2015	<u>300</u>	<u>8</u>	<u>308</u>
	<u>\$ 8,746</u>	<u>\$ 808</u>	<u>\$ 9,554</u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Notes Payable -**  
**Texas Commission on Fire Protection**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

**BREATHING APPARATUS**

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 1,459	\$ 72	\$ 1,531
2010	<u>1,426</u>	<u>36</u>	<u>1,462</u>
	<u>\$ 2,885</u>	<u>\$ 108</u>	<u>\$ 2,993</u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Capital Lease Payable -**  
**Citizen's National Bank**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

EMERGENCY SIREN/911 RADIO CONSOLE

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 7,010	\$ 711	\$ 7,721
2010	<u>7,356</u>	<u>364</u>	<u>7,720</u>
	<u>\$ 14,366</u>	<u>\$ 1,075</u>	<u>\$ 15,441</u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Capital Lease Payable -**  
**Chase Equipment Leasing, Inc.**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

POLICE VEHICLES/STREET SWEEPER/COT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	<u>\$ 5,384</u>	<u>\$ 207</u>	<u>\$ 5,591</u>
	<u><u>\$ 5,384</u></u>	<u><u>\$ 207</u></u>	<u><u>\$ 5,591</u></u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Capital Lease Payable -**  
**Citizen's National Bank**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

AMBULANCE

	Total Principal	Total Interest	Total Requirements
2009	\$ 23,551	\$ 2,449	\$ 26,000
2010	24,743	1,255	25,998
	\$ 48,294	\$ 3,704	\$ 51,998

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Capital Lease Payable -**  
**Community Bank of Louisiana**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

2 PUBLIC WORK TRUCKS /  
ANIMAL CONTROL TRUCK

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 11,538	\$ 1,404	\$ 12,942
2010	10,635	2,307	12,942
2011	11,355	1,587	12,942
2012	<u>12,122</u>	<u>820</u>	<u>12,942</u>
	<u>\$ 45,650</u>	<u>\$ 6,118</u>	<u>\$ 51,768</u>

**CITY OF EVERMAN, TEXAS**  
**Business-Type Activities**  
**Schedule of Combination Tax and Limited Pledge**  
**Revenue Certificates of Obligation, Series 2000**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 65,000	\$ 61,619	\$ 126,619
2010	70,000	57,573	127,573
2011	<u>75,000</u>	<u>53,784</u>	<u>128,784</u>
	<u>\$ 210,000</u>	<u>\$ 172,976</u>	<u>\$ 382,976</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF EVERMAN, TEXAS**  
**Business-Type Activities**  
**Schedule of 2007 General Obligation Refunding Bonds Payable**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 10,000	\$ 36,750	\$ 46,750
2010	10,000	36,375	46,375
2011	15,000	35,906	50,906
2012	90,000	33,938	123,938
2013	95,000	30,469	125,469
2014	100,000	26,812	126,812
2015	100,000	23,062	123,062
2016	105,000	19,219	124,219
2017	115,000	15,094	130,094
2018	115,000	10,781	125,781
2019	110,000	6,563	116,563
2020	120,000	2,250	122,250
	<u>\$ 985,000</u>	<u>\$ 277,219</u>	<u>\$ 1,262,219</u>

**CITY OF EVERMAN, TEXAS**  
**Business-Type Activities**  
**Schedule of Capital Lease Payable -**  
**Citizen's National Bank**  
**Debt Service Requirement in Future Years**  
**September 30, 2008**

SEWER JET MACHINE

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2009	\$ 11,273	\$ 1,172	\$ 12,445
2010	<u>11,849</u>	<u>601</u>	<u>12,450</u>
	<u><u>\$ 23,122</u></u>	<u><u>\$ 1,773</u></u>	<u><u>\$ 24,895</u></u>

**CITY OF EVERMAN, TEXAS**  
**Schedule of Insurance Coverage**  
**September 30, 2008**

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2007	10/1/2008	\$ 3,596	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2007	10/1/2008	10,884	3663	5,471,926	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2007	10/1/2008	1,255	3663	256,163	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2007	10/1/2008	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2007	10/1/2008	6,859	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2007	10/1/2008	4,534	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2007	10/1/2008	15,222	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2007	10/1/2008	6,807	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2007	10/1/2008	647	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2007	10/1/2008	55,411	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
Total Premiums			<u>\$ 105,215</u>			

Note: This statement is presented for information only and is not intended as an expression as to adequacy of coverage.

**OVERALL COMPLIANCE AND  
INTERNAL CONTROL SECTION**



**Snow, Garrett & Company**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Everman's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Everman's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Everman, Texas, in a separate letter dated February 24, 2009.

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

*Snow, Garrett & Company*

Snow, Garrett & Company, CPA's  
February 24, 2009