

CITY OF EVERMAN, TEXAS

**Annual Financial Report for the Year Ended
September 30, 2010**

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

City Council

Jim Stephenson, Mayor

Susan Mackey, Mayor Pro-Tem

Michelle Meyer, Council member

Kelly Denison, Council member

Johnnie Allen, Council member

Ray Richardson, Council member

Judy Sellers, Council member

Administrative

Donna Anderson, City Manager

Kathy Renshaw, Director of Finance

Tatiana Wolf, 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, 2010, 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, 2010, 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 3, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Everman's financial statements as a whole. 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 financial statements. The supplemental information is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Snow, Garrett & Company

Snow, Garrett & Company, CPA's
February 3, 2011

CITY OF EVERMAN 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, 2010. 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 2010 by \$7,638,492 (*net assets*). Of this amount, \$1,172,883 is restricted for specific purposes and \$2,851,176 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 \$3,614,433 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 \$3,442,878; of which \$2,276,288 or 66% 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 \$2,292,181 equals 80% of total General Fund expenditures.
- The City's total debt decreased by a net amount of \$273,329 during the current fiscal year as a result of scheduled annual debt service payments.

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.

**CITY OF EVERMAN
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 five individual governmental funds, which includes three special revenue 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.

**CITY OF EVERMAN
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 \$7,638,492 as of September 30, 2010.

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 3,805,021	\$ 3,565,891	\$ 663,772	\$ 737,177	\$ 4,468,793	\$ 4,303,068
Capital assets, net of depreciation	<u>3,532,532</u>	<u>3,947,692</u>	<u>2,428,390</u>	<u>2,498,565</u>	<u>5,960,922</u>	<u>6,446,257</u>
Total assets	<u>7,337,553</u>	<u>7,513,583</u>	<u>3,092,162</u>	<u>3,235,742</u>	<u>10,429,715</u>	<u>10,749,325</u>
Long-term liabilities	1,343,067	1,524,948	1,040,000	1,131,448	2,383,067	2,656,396
Other liabilities	<u>220,717</u>	<u>247,732</u>	<u>187,439</u>	<u>186,819</u>	<u>408,156</u>	<u>434,551</u>
Total liabilities	<u>1,563,784</u>	<u>1,772,680</u>	<u>1,227,439</u>	<u>1,318,267</u>	<u>2,791,223</u>	<u>3,090,947</u>
Net assets:						
Invested in capital assets, net of related debt	2,186,641	2,420,600	1,427,792	1,431,091	3,614,433	3,851,691
Restricted	1,172,883	1,080,281	-	-	1,172,883	1,080,281
Unrestricted	<u>2,414,245</u>	<u>2,240,022</u>	<u>436,931</u>	<u>486,384</u>	<u>2,851,176</u>	<u>2,726,406</u>
Total Net Assets	<u>\$ 5,773,769</u>	<u>\$ 5,740,903</u>	<u>\$ 1,864,723</u>	<u>\$ 1,917,475</u>	<u>\$ 7,638,492</u>	<u>\$ 7,658,378</u>

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 \$3,614,433. 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 \$1,172,883 (or 15%) 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 (\$2,851,176) may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The City's net assets decreased by \$19,886 during the current fiscal year. The City's governmental activities increased net assets by \$32,866 which included transfers from the business-type activities of \$524,571. The total cost of all governmental activities this year was \$3,407,784. The amount that taxpayers paid for these activities through property taxes was \$1,220,892 or 36%.

City of Everman's Changes in Net Assets

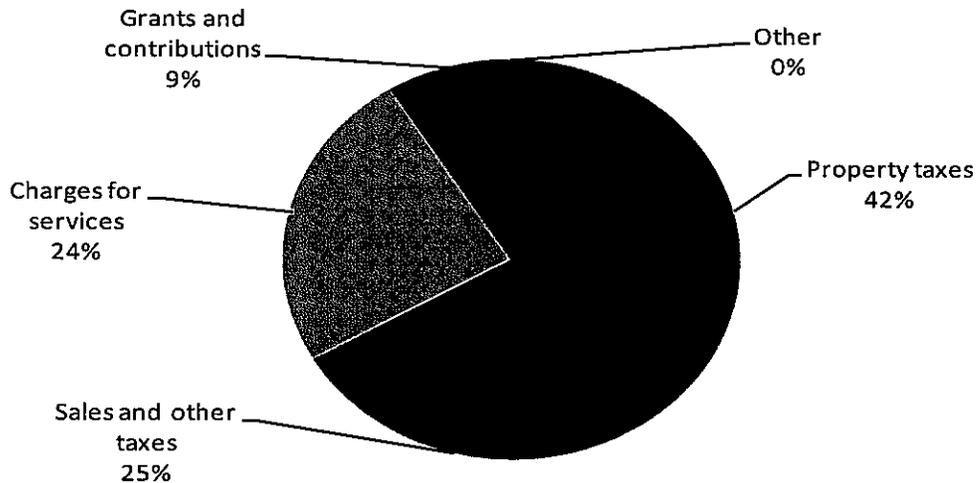
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 713,250	\$ 847,836	\$ 1,520,555	\$ 1,559,400	\$ 2,233,805	\$ 2,407,236
Operating grants and contributions	255,675	206,353	-	-	255,675	206,353
Capital grants and contributions	-	-	64,276	81,917	64,276	81,917
General revenues:						
Property taxes	1,220,892	1,231,370	-	-	1,220,892	1,231,370
Sales and other taxes	723,548	788,631	-	-	723,548	788,631
Loss on disposal of assets	(31,534)	-	(820)	-	(32,354)	-
Other	34,248	55,416	11,913	13,103	46,161	68,519
Total revenues	<u>2,916,079</u>	<u>3,129,606</u>	<u>1,595,924</u>	<u>1,654,420</u>	<u>4,512,003</u>	<u>4,784,026</u>
Expenses:						
Administrative	662,819	641,413	-	-	662,819	641,413
Streets	615,358	636,043	-	-	615,358	636,043
Parks and building maintenance	91,762	85,282	-	-	91,762	85,282
Police	1,083,085	1,088,457	-	-	1,083,085	1,088,457
Maintenance garage	173,886	183,280	-	-	173,886	183,280
Emergency medical services	319,424	340,322	-	-	319,424	340,322
Fire	92,986	83,194	-	-	92,986	83,194
Community and activity centers	3,940	4,904	-	-	3,940	4,904
Municipal court	83,095	77,933	-	-	83,095	77,933
Code enforcement	69,621	80,576	-	-	69,621	80,576
Library	94,497	85,231	-	-	94,497	85,231
Animal control	60,493	65,482	-	-	60,493	65,482
Interest on long-term debt	56,818	63,884	-	-	56,818	63,884
Water	-	-	589,801	600,609	589,801	600,609
Sewer	-	-	534,304	578,563	534,304	578,563
Total expenses	<u>3,407,784</u>	<u>3,436,001</u>	<u>1,124,105</u>	<u>1,179,172</u>	<u>4,531,889</u>	<u>4,615,173</u>
Increase (decrease) in net assets before transfers	(491,705)	(306,395)	471,819	475,248	(19,886)	168,853
Transfers	524,571	519,215	(524,571)	(519,215)	-	-
Increase (decrease) in net assets	32,866	212,820	(52,752)	(43,967)	(19,886)	168,853
Net assets, beginning of year	5,740,903	5,528,083	1,917,475	1,961,442	7,658,378	7,489,525
Net assets, end of year	<u>\$ 5,773,769</u>	<u>\$ 5,740,903</u>	<u>\$ 1,864,723</u>	<u>\$ 1,917,475</u>	<u>\$ 7,638,492</u>	<u>\$ 7,658,378</u>

Governmental activities. Governmental activities increased the City of Everman's net assets by \$32,866. Key elements of this increase are as follows:

- Increased operating grants and contributions in fiscal year 2010;
- Decreased expenditures in streets, maintenance garage, emergency medical services, and code enforcement; and
- Transfer from business-type activities increased from prior year.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities decreased the City's net assets by \$52,752. Key elements of this decrease are as follows:

- Investment earnings decreased during the current year;
- Decrease in water and sewer charges for services; 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, and Debt Service 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.

**CITY OF EVERMAN
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 \$3,442,878, an increase of \$150,678 in comparison with the prior year. Approximately \$2,276,288 or 66% 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 fund economic development (\$832,810), street improvements (\$242,344), and crime control and prevention (\$91,436).

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 \$2,292,181, 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 80%, or slightly more than 292 days of total fund expenditures.

The fund balance of the City's general fund increased by \$60,250 during the current fiscal year. Key factors in this increase are as follows:

- Decrease in capital outlay expenditures; and
- Decreases in expenditures of several departments.

The debt service fund has a negative fund balance of \$15,893. The net increase in fund balance during the current year in the debt service fund was \$4,119.

GENERAL FUND BUDGETARY HIGHLIGHTS

Amendments to the original 2009-2010 general fund annual budget were relatively minor and can be briefly summarized as follows:

- Decrease in salaries for police;
- Increase in services for police; and
- Decrease in maintenance expenditures for the fire department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$5,960,922 (net of accumulated depreciation). The investment in capital assets related to governmental activities (\$3,532,532) includes land, infrastructure, buildings and improvements, machinery and equipment, and vehicles. The City's investment in capital assets related to business-type activities (\$2,428,390) includes land, water and sewer system, buildings and improvements, and machinery and equipment.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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

- Purchase of police vehicle;
- Improvements to buildings; and
- Improvements to the water system.

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 200,274	\$ 53,425	\$ 253,699
Buildings and improvements	1,208,246	4,852	1,213,098
Infrastructure	1,391,118	-	1,391,118
Water and sewer system	-	2,370,113	2,370,113
Machinery and equipment	162,969	-	162,969
Vehicles	569,925	-	569,925
Total	\$ 3,532,532	\$ 2,428,390	\$ 5,960,922

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 \$2,383,067. Of this amount, \$1,260,000 represents general obligation refunding bonds secured by property tax collections, and \$965,000 represents general obligation refunding bonds and \$75,000 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 \$59,068 and capital leases payable of \$23,999.

City of Everman's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 1,260,000	\$ 965,000	\$ 2,225,000
Certificates of obligation	-	75,000	75,000
Notes payable	59,068	-	59,068
Capital lease agreements	23,999	-	23,999
Total	\$ 1,343,067	\$ 1,040,000	\$ 2,383,067

The City of Everman's total debt decreased \$273,329 (10.3%) during the current fiscal year. Debt related to governmental activities decreased by \$181,881 as a result of scheduled debt service payments. Debt related to business-type activities decreased by \$91,448 as a result of scheduled debt service payments. The City's certificates of obligation are rated "BBB" by Standard and Poor's Corporation.

**CITY OF EVERMAN
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 2009-10 was \$.904127 per \$100 assessed valuation, of which \$.165818 was for annual debt service.

Additional information on the City's long-term debt can be found in Note I on pages 35 through 38 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 preparing the City budget for fiscal year 2011, the City Council and management considered the following factors:

- Decrease in property tax assessed values;
- Increase in property tax rate;
- Decrease in police expenditures;
- Decrease in street expenditures;
- Increase in emergency medical expenditures;
- Increase in library expenditures;
- No 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 City's Finance Director at 212 Race Street, Everman, Texas, 76140.

BASIC FINANCIAL STATEMENTS

CITY OF EVERMAN, TEXAS
Statement of Net Assets
September 30, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 3,502,132	\$ 326,182	\$ 3,828,314
Receivables			
Property taxes, net of allowance for uncollectibles	102,592	-	102,592
Accounts, net of allowances for uncollectibles	192,117	173,033	365,150
Restricted assets			
Cash and cash equivalents	-	118,577	118,577
Deferred debt issuance cost	8,180	45,980	54,160
Capital assets			
Land and construction in progress	200,274	53,425	253,699
Other capital assets, net of depreciation	3,332,258	2,374,965	5,707,223
Total capital assets	3,532,532	2,428,390	5,960,922
Total assets	7,337,553	3,092,162	10,429,715
Liabilities			
Accounts payable and accrues expenses	94,949	56,683	151,632
Celebration fund liability	9,490	-	9,490
Interest payable	11,004	-	11,004
Payable from restricted assets			
Customer deposits	-	119,090	119,090
Accrued interest payable	-	6,578	6,578
Net pension obligation	39,798	1,698	41,496
Vacation payable	65,476	3,390	68,866
Noncurrent liabilities			
Due within one year	175,743	90,000	265,743
Due in more than one year	1,167,324	950,000	2,117,324
Total liabilities	1,563,784	1,227,439	2,791,223
Net assets			
Invested in capital assets, net of related debt	2,186,641	1,427,792	3,614,433
Restricted for:			
Debt service	6,293	-	6,293
Other purposes	1,166,590	-	1,166,590
Unrestricted	2,414,245	436,931	2,851,176
Total net assets	\$ 5,773,769	\$ 1,864,723	\$ 7,638,492

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, 2010

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		Total
					Governmental Activities	Business-type Activities	
Governmental Activities							
Administrative	\$ 662,819	\$ 82,771	\$ -	\$ -	\$ (580,048)	\$ -	\$ (580,048)
Streets	615,358	187,062	-	-	(428,296)	-	(428,296)
Parks and building maintenance	91,762	-	-	-	(91,762)	-	(91,762)
Police	1,083,085	-	-	-	(1,083,085)	-	(1,083,085)
Maintenance garage	173,886	-	-	-	(173,886)	-	(173,886)
Emergency medical services	319,424	339,751	145,885	-	166,212	-	166,212
Fire	92,986	-	104,721	-	11,735	-	11,735
Community and activity centers	3,940	-	-	-	(3,940)	-	(3,940)
Municipal court	83,095	79,830	-	-	(3,265)	-	(3,265)
Code enforcement	69,621	14,547	-	-	(55,074)	-	(55,074)
Library	94,497	2,362	5,069	-	(87,066)	-	(87,066)
Animal control	60,493	6,927	-	-	(53,566)	-	(53,566)
Interest on long-term debt	56,818	-	-	-	(56,818)	-	(56,818)
Total governmental activities	3,407,784	713,250	255,675	-	(2,438,859)	-	(2,438,859)
Business-type activities							
Water	589,801	861,351	-	64,276	-	335,826	335,826
Sewer	534,304	659,204	-	-	-	124,900	124,900
Total business-type activities	1,124,105	1,520,555	-	64,276	-	460,726	460,726
Total primary government	\$ 4,531,889	\$ 2,233,805	\$ 255,675	\$ 64,276	(2,438,859)	460,726	(1,978,133)
General revenues:							
Taxes							
Property					1,220,892	-	1,220,892
Sales tax					436,347	-	436,347
Mixed beverage tax					9,901	-	9,901
Franchise taxes					259,940	-	259,940
Bingo tax					17,360	-	17,360
Investment earnings					7,599	1,080	8,679
Loss on disposal of assets					(31,534)	(820)	(32,354)
Miscellaneous					26,649	10,833	37,482
Transfers					524,571	(524,571)	-
Total general revenues and transfers					2,471,725	(513,478)	1,958,247
Change in net assets					32,866	(52,752)	(19,886)
Net assets, beginning of year					5,740,903	1,917,475	7,658,378
Net assets, end of year					\$ 5,773,769	\$ 1,864,723	\$ 7,638,492

CITY OF EVERMAN, TEXAS
Balance Sheet
Governmental Funds
September 30, 2010

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,349,767	\$ 832,810	\$ 319,555	\$ 3,502,132
Receivables				
Property taxes	132,318	-	29,717	162,035
Accounts, net of allowances for uncollectibles of \$11,695	35,309	-	-	35,309
Unbilled accounts	9,876	-	-	9,876
Total assets	<u>\$ 2,527,270</u>	<u>\$ 832,810</u>	<u>\$ 349,272</u>	<u>\$ 3,709,352</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable and accrued expenses	\$ 93,281	\$ -	\$ 1,668	\$ 94,949
Celebration fund liability	9,490	-	-	9,490
Deferred revenue-property taxes	132,318	-	29,717	162,035
Total liabilities	<u>235,089</u>	<u>-</u>	<u>31,385</u>	<u>266,474</u>
Fund equity				
Fund Balance				
Reserved for street improvement	-	-	242,344	242,344
Reserved for crime control district	-	-	91,436	91,436
Reserved for economic development	-	832,810	-	832,810
Designated for child safety fund	468	-	-	468
Designated for LEOCE training fund	1,642	-	-	1,642
Designated for security fees	7,885	-	-	7,885
Designated for technology fees	7,382	-	-	7,382
Designated for miscellaneous	2,730	-	-	2,730
Unreserved and undesignated	2,272,074	-	-	2,272,074
Unreserved, reported in nonmajor Debt service fund	-	-	(15,893)	(15,893)
Total fund equity	<u>2,292,181</u>	<u>832,810</u>	<u>317,887</u>	<u>3,442,878</u>
Total liabilities and fund equity	<u>\$ 2,527,270</u>	<u>\$ 832,810</u>	<u>\$ 349,272</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.				3,532,532
Property tax receivable less allowance not available to pay for current period expenditures and, therefore, are deferred in the funds.				102,592
Other assets are not measurable and available in the current period and are not reported in the funds.				146,932
Some liabilities, including bonds, notes, leases, interest, net pension obligation and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(1,451,165)
Net assets of governmental activities - statement of net assets				<u>\$ 5,773,769</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2010

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 1,521,537	\$ 113,744	\$ 315,158	\$ 1,950,439
Licenses, permits, and fees for services	402,126	-	-	402,126
Intergovernmental revenue	34,540	-	-	34,540
Donations	221,135	-	-	221,135
Fines and fees	84,915	-	-	84,915
Interest income	5,341	1,757	501	7,599
Other revenues	105,926	-	-	105,926
Administrative services - other funds	525,792	-	-	525,792
Total revenues	<u>2,901,312</u>	<u>115,501</u>	<u>315,659</u>	<u>3,332,472</u>
Expenditures				
Administrative	506,497	62,000	35,500	603,997
Streets	535,588	-	-	535,588
Parks and building maintenance	79,196	-	-	79,196
Police	935,409	-	-	935,409
Maintenance garage	151,247	-	-	151,247
Emergency medical services	276,735	-	-	276,735
Fire	81,166	-	-	81,166
Community and activity centers	3,439	-	-	3,439
Municipal court	71,935	-	-	71,935
Code enforcement	60,828	-	-	60,828
Library	82,485	-	-	82,485
Animal control	52,764	-	-	52,764
Capital outlay	16,348	-	27,417	43,765
Debt service	22,204	-	215,815	238,019
Total expenditures	<u>2,875,841</u>	<u>62,000</u>	<u>278,732</u>	<u>3,216,573</u>
Excess of revenues over expenditures	<u>25,471</u>	<u>53,501</u>	<u>36,927</u>	<u>115,899</u>
Other financing sources				
Transfer in	34,779	-	-	34,779
Total other financing sources	<u>34,779</u>	<u>-</u>	<u>-</u>	<u>34,779</u>
Excess of revenues and other financing sources over expenditures	<u>60,250</u>	<u>53,501</u>	<u>36,927</u>	<u>150,678</u>
Fund balances, beginning of year	2,231,931	779,309	280,960	3,292,200
Fund balances, end of year	<u>\$ 2,292,181</u>	<u>\$ 832,810</u>	<u>\$ 317,887</u>	<u>\$ 3,442,878</u>

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, 2010

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

Net change in fund balances - total governmental funds	\$ 150,678
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 depreciation exceeded capital outlay in the current year.	(383,626)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(31,534)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	140,933
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.	(22,913)
The issuance of long-term debt (e.g. bonds payable, 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.	<u>179,328</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 32,866</u></u>

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 1,538,001	\$ 1,538,001	\$ 1,521,537	\$ (16,464)
Licenses, permits, and fees for services	414,100	414,100	402,126	(11,974)
Intergovernmental revenue	69,019	70,319	34,540	(35,779)
Donations	215,000	215,000	221,135	6,135
Fines and fees	103,500	103,500	84,915	(18,585)
Interest income	25,000	25,000	5,341	(19,659)
Other revenues	104,050	104,050	105,926	1,876
Administrative services - Enterprise Fund	525,792	525,792	525,792	-
Total revenues	2,994,462	2,995,762	2,901,312	(94,450)
Expenditures				
Administrative	593,167	593,167	506,497	86,670
Streets	602,862	602,862	535,588	67,274
Parks and building maintenance	104,310	104,310	79,196	25,114
Police	1,027,262	1,024,701	935,409	89,292
Maintenance garage	170,105	170,105	151,247	18,858
Emergency medical services	356,827	356,827	276,735	80,092
Fire	70,872	63,714	81,166	(17,452)
Community and activity centers	6,400	6,400	3,439	2,961
Municipal court	73,427	73,427	71,935	1,492
Code enforcement	79,323	79,323	60,828	18,495
Library	123,509	124,809	82,485	42,324
Animal control	57,802	57,802	52,764	5,038
Capital outlay	12,943	12,943	16,348	(3,405)
Debt service	27,380	37,099	22,204	14,895
Total expenditures	3,306,189	3,307,489	2,875,841	431,648
Excess (deficiency) of revenues over (under) expenditures	(311,727)	(311,727)	25,471	337,198
Other financing sources				
Transfers in - Payment in lieu of taxes	34,779	34,779	34,779	-
Total other financing sources	34,779	34,779	34,779	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(276,948)	(276,948)	60,250	337,198
Carryover from prior year fund balance	276,948	276,948	-	(276,948)
Fund balances, beginning of year	2,231,931	2,231,931	2,231,931	-
Fund balances, end of year	\$ 2,231,931	\$ 2,231,931	\$ 2,292,181	\$ 60,250

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales tax	\$ 118,000	\$ 118,000	\$ 113,744	\$ (4,256)
Interest income	6,700	6,700	1,757	(4,943)
Total revenues	124,700	124,700	115,501	(9,199)
Expenditures				
Administrative	262,300	427,300	62,000	365,300
Total expenditures	262,300	427,300	62,000	365,300
Excess (deficiency) of revenues over (under) expenditures	(137,600)	(302,600)	53,501	356,101
Carryover from prior year fund balance	-	165,000	-	(165,000)
Fund balances, beginning of year	779,309	779,309	779,309	-
Fund balances, end of year	\$ 641,709	\$ 641,709	\$ 832,810	\$ 191,101

CITY OF EVERMAN, TEXAS
Statement of Net Assets
Enterprise Fund
September 30, 2010

	Water and Sewer Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 326,182
Receivables	
Accounts, net of allowances for uncollectibles of \$45,736	138,358
Unbilled accounts	34,675
Total current assets	499,215
Restricted assets	
Cash and cash equivalents	118,577
Noncurrent assets	
Deferred debt issuance costs	45,980
Capital assets	
Land	53,425
Buildings and improvements	641,264
Waterworks and sewer system	4,910,836
Machinery and equipment	49,729
Accumulated depreciation	(3,226,864)
Total noncurrent assets	2,474,370
Total assets	3,092,162
LIABILITIES	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	56,683
Vacation payable	3,390
Total payable from current assets	60,073
Payable from restricted assets	
Current portion of certificates of obligation and bonds payable	90,000
Customer deposits	119,090
Accrued interest	6,578
Total payable from restricted assets	215,668
Total current liabilities	275,741
Noncurrent liabilities	
Net pension obligation	1,698
Bonds payable	950,000
Total noncurrent liabilities	951,698
Total liabilities	1,227,439
NET ASSETS	
Invested in capital assets, net of related debt	1,427,792
Unrestricted	436,931
Total net assets	\$ 1,864,723

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, 2010

	Water and Sewer Fund
Operating revenues	
Water and sewer sales	\$ 1,520,555
Other income	10,013
Total operating revenues	1,530,568
Operating expenses	
Water	417,537
Sewer	468,724
Administrative services - General Fund	489,792
Depreciation	168,776
Total operating expenses	1,544,829
Operating loss	(14,261)
Non-operating revenues (expenses)	
Intergovernmental revenue	64,276
Interest revenue	1,080
Interest expense and fiscal charge	(69,068)
Transfers out - Payment in lieu of taxes	(34,779)
Total non-operating revenues (expenses)	(38,491)
Change in net assets	(52,752)
Net assets, beginning of year	1,917,475
Net assets, end of year	\$ 1,864,723

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, 2010

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,532,090
Cash paid to suppliers	(680,672)
Cash paid to employees	(208,716)
Cash paid to other funds	(489,792)
	152,910
Cash Flows from Non Capital Financing Activities:	
Transfers to other funds	(34,779)
	(34,779)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(35,145)
Principal payments on long-term debt	(80,000)
Principal payments on capital lease	(11,448)
Interest payments and fiscal charge	(44,496)
Increase in customer deposits	4,777
	(166,312)
Cash Flows from Investing Activities:	
Interest income	1,080
	1,080
Net decrease in cash and cash equivalents	(47,101)
Cash and cash equivalents at beginning of year	491,860
Cash and cash equivalents at end of year	\$ 444,759
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents	\$ 326,182
Restricted cash and cash equivalents	118,577
Total cash and cash equivalents	\$ 444,759
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (14,261)
Adjustments to reconcile operating loss to net cash provided by operations:	
Depreciation	168,776
Loss on disposal of asset	820
(Increase) decrease in:	
Accounts receivable	702
Increase (decrease) in:	
Accounts payable and accrued expenses	(3,501)
Net pension obligation	1,698
Accrued vacation	(1,324)
	152,910
Net cash provided by operating activities	\$ 152,910
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets - Intergovernmental revenue	\$ 64,276

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2010

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 seven 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. There are seven directors, two of whom are members of the City Council and the remaining five 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, 2010

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 is 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 the Crime Control and Prevention District, Street Improvement Tax, 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, 2010**

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 2009-2010 fiscal year, which provided for and approved all expenditures and transfers.

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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, 2010**

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 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, net pension obligation, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$1,451,165 difference are as follows:

General Obligation Refunding Bonds	\$ (1,260,000)
Less: deferred charge for issuance costs (to be amortized over life of debt)	8,180
Notes payable	(59,068)
Capital leases payable	(23,999)
Accrued interest payable	(11,004)
Net pension obligation	(39,798)
Compensated absences	(65,476)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ (1,451,165)

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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 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" on capital outlays for City owned assets only.

The details of this \$383,626 difference are as follows:

Capital outlay	\$ 43,765
Depreciation expense	<u>(427,391)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (383,626)</u>

Another element of the reconciliation states "the issuance of long-term debt (e.g., bonds payable, 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 \$179,328 difference are as follows:

Principal repayments	
Bonds	\$ 135,000
Notes	28,356
Capital leases	18,525
Amortization of debt issuance costs	<u>(2,553)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 179,328</u>

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 \$22,913 difference are as follows:

Net pension obligation	\$ (15,906)
Compensated absences	(6,705)
Accrued interest	1,873
Bad debt expense	<u>(2,175)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (22,913)</u>

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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.

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 five-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 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, 2010, the City had the following investments included in cash and cash equivalents:

	Weighted Average Maturity	Market Value	% of Total
LOGIC Investment Pool	40 days	\$ 3,583,161	100.00%

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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

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 three years from the date of purchase unless matched to a specific cash flow. Investments in LOGIC investment pool are available daily. At September 30, 2010, 100% of the City's portfolio had maturity dates less than one year.

Credit Risk – As of September 30, 2010, 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, 2010, 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, 2010 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

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.

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note F. Restricted Assets

Restricted assets in the Enterprise Fund of \$118,577 are held for customers' meter deposits in accordance with other legal restrictions:

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, the Economic Development Corporation, Crime Control District Fund, and the Street Improvement Fund an administrative fee for certain general and administrative services provided to such funds.

These interfund transactions for the fiscal year ended September 30, 2010 are as follows:

Administrative overhead reimbursement from enterprise fund	\$ 489,792
Administrative overhead reimbursement	
from Street Improvement Tax Fund	12,000
from Economic Development Corporation Fund	12,000
from Crime Control District Fund	12,000
Payment in lieu of taxes from enterprise fund	<u>34,779</u>
 Total interfund transfers	 <u><u>\$ 560,571</u></u>

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note H. Capital Assets

Capital asset activity for the year ended September 30, 2010 was as follows:

	Balance 9/30/2009	Additions	Disposals	Balance 9/30/2010
Governmental activities				
Capital assets not being depreciated				
Land	\$ 200,274	\$ -	\$ -	\$ 200,274
Construction in progress	111,060	-	111,060	-
Total capital assets not being depreciated	311,334	-	111,060	200,274
Other capital assets				
Buildings and improvements	3,911,989	16,348	284,401	3,643,936
Infrastructure	2,674,160	111,060	217,068	2,568,152
Machinery and equipment	838,130	-	56,039	782,091
Vehicles	1,362,496	27,417	144,350	1,245,563
Total other capital assets	8,786,775	154,825	701,858	8,239,742
Less accumulated depreciation for:				
Building and improvements	2,566,666	145,988	276,964	2,435,690
Infrastructure	1,246,277	126,118	195,361	1,177,034
Machinery and equipment	625,623	47,148	53,649	619,122
Vehicles	711,851	108,137	144,350	675,638
Total accumulated depreciation	5,150,417	427,391	670,324	4,907,484
Other capital assets, net	3,636,358	(272,566)	31,534	3,332,258
Governmental activities capital assets, net	<u>\$ 3,947,692</u>	<u>\$ (272,566)</u>	<u>\$ 142,594</u>	<u>\$ 3,532,532</u>

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note H. Capital Assets (Continued)

	Balance 9/30/2009	Additions	Disposals	Balance 9/30/2010
Business-type activities				
Capital assets not being depreciated				
Land	\$ 53,425	\$ -	\$ -	\$ 53,425
Total capital assets not being depreciated	53,425	-	-	53,425
Other capital assets				
Buildings and improvements	641,264	-	-	641,264
Water and sewer system	5,086,583	99,421	275,168	4,910,836
Machinery and equipment	49,729	-	-	49,729
Total other capital assets	5,777,576	99,421	275,168	5,601,829
Less accumulated depreciation for:				
Building and improvements	636,210	202	-	636,412
Water and sewer system	2,646,497	168,574	274,348	2,540,723
Machinery and equipment	49,729	-	-	49,729
Total accumulated depreciation	3,332,436	168,776	274,348	3,226,864
Other capital assets, net	2,445,140	(69,355)	820	2,374,965
Business-type activities capital assets, net	<u>\$ 2,498,565</u>	<u>\$ (69,355)</u>	<u>\$ 820</u>	<u>\$ 2,428,390</u>

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

Governmental activities:

Administrative	\$ 87,960
Streets	77,997
Parks and building maintenance	11,533
Police	136,223
Maintenance garage	22,026
Emergency medical services	40,301
Fire	11,820
Community and activity centers	501
Municipal court	10,476
Code enforcement	8,858
Library	12,012
Animal control	7,684
Total Governmental activities	<u>\$ 427,391</u>

Business-type activities:

Water	\$ 137,730
Sewer	31,046
Total Business-type activities	<u>\$ 168,776</u>

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note I. Long-Term Debt

Long-term debt of the City consists of certificates of obligation, bonds payable, 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 fund debt is provided from the revenue of the system. Long-term debt at September 30, 2010 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 \$1,260,000 at September 30, 2010.

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 \$53,000 at September 30, 2010.

Notes Payable

Texas Commission on Fire Protection

- Secured by fire equipment.
- Payable in annual installments of \$1,541 over twenty years.
- Outstanding balance of \$6,068 at September 30, 2010, bearing interest at 2.5%.

Capital Lease Arrangements

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 \$23,999 at September 30, 2010, bearing interest at 5.00%.

The following is an analysis of equipment leased under a capital lease as of September 30, 2010:

	Governmental Activities
Equipment	\$ 53,189
Less accumulated depreciation	(29,798)
Total	\$ 23,391

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note I. Long-Term Debt (Continued)

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

Scheduled future minimum lease payments	\$ 26,406
Amount representing interest	2,407
Present value of future minimum capital lease payments (principal payoff)	\$ 23,999

The following is the future annual requirements for capitalized leases:

Year	Principal	Interest	Total
2011	\$ 11,354	\$ 1,587	\$ 12,941
2012	12,645	820	13,465
Total	\$ 23,999	\$ 2,407	\$ 26,406

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 \$75,000 at September 30, 2010.

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 \$965,000 at September 30, 2010.

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note I. Long-Term Debt (Continued)

The following is a summary of the changes by type of debt for the year ended September 30, 2010:

	Balance 9/30/2009	Additions	Retirements	Balance 9/30/2010
<u>Governmental activities</u>				
General Obligation Refunding Bonds	\$ 1,395,000	\$ -	\$ 135,000	\$ 1,260,000
Notes Payable	87,424	-	28,356	59,068
Capital Leases	42,524	-	18,525	23,999
Total Governmental activities	<u>1,524,948</u>	<u>-</u>	<u>181,881</u>	<u>1,343,067</u>
<u>Business-type activities</u>				
Certificates of Obligation	145,000	-	70,000	75,000
General Obligation Refunding Bonds	975,000	-	10,000	965,000
Capital Leases	11,448	-	11,448	-
Total Business-type activities	<u>1,131,448</u>	<u>-</u>	<u>91,448</u>	<u>1,040,000</u>
Totals	<u>\$ 2,656,396</u>	<u>\$ -</u>	<u>\$ 273,329</u>	<u>\$ 2,383,067</u>

The annual requirements to amortize long-term debt as of September 30, 2010 are as follows:

Governmental activities

Fiscal Year Ending	General Obligation Refunding Bond		Notes Payable		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 135,000	\$ 44,719	\$ 29,389	\$ 2,553	\$ 11,354	\$ 1,587	\$ 224,602
2012	145,000	39,469	26,424	1,249	12,645	820	225,607
2013	150,000	33,938	1,460	81	-	-	185,479
2014	150,000	28,312	1,496	45	-	-	179,853
2015	160,000	22,500	299	8	-	-	182,807
2016-2020	520,000	29,625	-	-	-	-	549,625
Total	<u>\$ 1,260,000</u>	<u>\$ 198,563</u>	<u>\$ 59,068</u>	<u>\$ 3,936</u>	<u>\$ 23,999</u>	<u>\$ 2,407</u>	<u>\$ 1,547,973</u>

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note I. Long-Term Debt (Continued)

Business-type activities

Fiscal Year Ending	General Obligation Refunding Bond		Certificates of Obligation		Total
	Principal	Interest	Principal	Interest	
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	100,000	26,812	-	-	126,812
2015	100,000	23,062	-	-	123,062
2016-2020	565,000	53,907	-	-	618,907
Total	\$ 965,000	\$ 204,094	\$ 75,000	\$ 1,969	\$ 1,246,063

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, 2010 was \$68,866.

The following is a summary of the net changes in the liability for compensated absences for the year ended September 30, 2010:

	9/30/2009	Increase	Decrease	9/30/2010
Governmental activities	\$ 58,771	\$ 6,705	\$ -	\$ 65,476
Business-type activities	4,714	-	1,324	3,390
Total	\$ 63,485	\$ 6,705	\$ 1,324	\$ 68,866

Note K. Restricted Net Assets

The government-wide statement of net assets reports \$1,172,883 of restricted net assets, of which \$1,166,590 are restricted by enabling legislation for the following:

Economic development	\$ 832,810
Street improvements	242,344
Crime control district	91,436
Total restricted net assets	\$ 1,166,590

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note L. Pension Plan

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

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

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

	Plan Year 2009	Plan Year 2010
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10,0/20	60/10,0/20
	100%	100%
Updated Service Credit	Repeating, Transfers	Repeating, Transfers
	70% of CPI	70% of CPI
Annuity Increase (to retirees)	Repeating	Repeating

Contributions

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

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

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note L. Pension Plan (Continued)

1. Annual Required Contribution (ARC)	\$ 129,822
2. Interest on Net Pension Obligation	1,792
3. Adjustment to the ARC	(1,458)
4. Annual Pension Cost	<u>130,156</u>
5. Contributions Made	<u>112,552</u>
6. Increase in net pension obligation	17,604
7. Net Pension Obligation, beginning of year	<u>23,892</u>
8. Net Pension Obligation, end of year	<u><u>\$ 41,496</u></u>

Trend Information
for the Retirement Plan for the Employees of
City of Everman

Fiscal Year Ending	Annual Pension Costs (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
9/30/2008	\$ 96,825	\$ 96,825	100%	\$ -
9/30/2009	\$ 130,078	\$ 106,186	82%	\$ 23,892
9/30/2010	\$ 130,156	\$ 112,552	86%	\$ 41,496

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Actuarial Valuation Information

Actuarial Valuation Date	<u>12/31/2007</u>	<u>12/31/2008</u>	<u>12/31/2009</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 years - Closed Period	29 years - Closed Period	28 years - Closed Period
Amortization Period for new Gain/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	Amortized Cost	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.5%	7.5%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-living Adjustments	2.1%	2.1%	2.1%

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note L. Pension Plan (Continued)

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	\$ 2,757,602	\$ 3,432,265	80.3%	\$ 674,663	\$ 1,377,771	49.0%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Note M. Other Postemployment Benefits

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

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

Contributions

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

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

Plan/Calendar Year	Required Contribution Rate	Actual Contribution Rate	Percentage of ARC Contributed
2008	0.04%	0.04%	100.0%
2009	0.02%	0.02%	100.0%
2010	0.02%	0.02%	100.0%

Note N. 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.

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

Note O. 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 P. 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 Q. 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)
12/31/2007	\$ 2,401,383	\$ 2,978,985	\$ 577,602	80.61%	\$ 1,261,447	45.79%
12/31/2008	2,524,638	3,173,449	648,811	79.56%	1,444,742	44.91%
12/31/2009	2,757,602	3,432,265	674,663	80.34%	1,377,771	48.97%

SUPPLEMENTAL INFORMATION

CITY OF EVERMAN, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2010

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>Crime Control District</u>	<u>Street Improvement Tax</u>	<u>Debt Service Fund</u>	
Assets				
Cash and cash equivalents	\$ 93,104	\$ 242,344	\$ (15,893)	\$ 319,555
Accounts receivables				
Property taxes	-	-	29,717	29,717
Total assets	<u>\$ 93,104</u>	<u>\$ 242,344</u>	<u>\$ 13,824</u>	<u>\$ 349,272</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,668	\$ -	\$ -	\$ 1,668
Deferred revenue	-	-	29,717	29,717
Total liabilities	1,668	-	29,717	31,385
Fund balances				
Reserved for street improvement	-	242,344	-	242,344
Reserved for crime control district	91,436	-	-	91,436
Unreserved and undesignated	-	-	(15,893)	(15,893)
Total fund balances	<u>91,436</u>	<u>242,344</u>	<u>(15,893)</u>	<u>317,887</u>
Total liabilities and fund balances	<u>\$ 93,104</u>	<u>\$ 242,344</u>	<u>\$ 13,824</u>	<u>\$ 349,272</u>

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

CITY OF EVERMAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2010

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Crime Control District	Street Improvement Tax	Debt Service Fund	
Revenues				
Property taxes	\$ -	\$ -	\$ 219,924	\$ 219,924
Sales tax	38,362	56,872	-	95,234
Interest income	111	380	10	501
Total revenues	<u>38,473</u>	<u>57,252</u>	<u>219,934</u>	<u>315,659</u>
Expenditures				
Administrative	23,500	12,000	-	35,500
Capital outlay	27,417	-	-	27,417
Debt service	-	-	215,815	215,815
Total expenditures	<u>50,917</u>	<u>12,000</u>	<u>215,815</u>	<u>278,732</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,444)</u>	<u>45,252</u>	<u>4,119</u>	<u>36,927</u>
Fund balances, beginning of year	<u>103,880</u>	<u>197,092</u>	<u>(20,012)</u>	<u>280,960</u>
Fund balances, end of year	<u>\$ 91,436</u>	<u>\$ 242,344</u>	<u>\$ (15,893)</u>	<u>\$ 317,887</u>

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, 2010
(With Comparative Totals For the Fiscal Year Ending September 30, 2009)

	Budgeted Amounts		2010 Actual	Variance with Final Budget Favorable (Unfavorable)	2009 Actual
	Original	Final			
Taxes					
General property taxes					
Current	\$ 968,001	\$ 968,001	\$ 946,102	\$ (21,899)	\$ 928,662
Delinquent	26,000	26,000	33,120	7,120	26,534
Penalty and interest	26,000	26,000	27,745	1,745	24,942
Sales tax	250,000	250,000	227,369	(22,631)	248,401
Mixed beverage tax	6,000	6,000	9,901	3,901	7,933
Gross receipts tax	249,000	249,000	259,940	10,940	282,449
Bingo revenue tax	13,000	13,000	17,360	4,360	16,952
Totals	1,538,001	1,538,001	1,521,537	(16,464)	1,535,873
Licenses and permits					
Ambulance fees	190,000	190,000	192,819	2,819	195,319
Sanitation fees	207,000	207,000	187,062	(19,938)	185,748
Animal control fees	1,800	1,800	6,927	5,127	2,660
Building permits	3,000	3,000	4,773	1,773	16,126
Community center fees	-	-	-	-	50
Amusement machine permits	-	-	771	771	-
Other licenses and permits	12,300	12,300	9,774	(2,526)	23,368
Totals	414,100	414,100	402,126	(11,974)	423,271
Intergovernmental					
Federal grant	65,250	65,250	11,755	(53,495)	4,145
State grant	3,769	5,069	5,069	-	3,769
Local grant	-	-	17,716	17,716	78,215
Totals	69,019	70,319	34,540	(35,779)	86,129
Donations					
County runs - fire	55,000	55,000	75,250	20,250	66,250
County runs - EMS	40,000	40,000	34,104	(5,896)	53,836
Ambulance fees - insurance	120,000	120,000	111,781	(8,219)	167,793
Other donations	-	-	-	-	138
Totals	215,000	215,000	221,135	6,135	288,017
Fines and fees					
Court fines	100,000	100,000	79,830	(20,170)	101,471
Security alarm fee	1,000	1,000	1,140	140	1,410
Labor liens recovery	1,000	1,000	1,583	583	2,725
Library fines and fees	1,500	1,500	2,362	862	2,496
Totals	103,500	103,500	84,915	(18,585)	108,102
Other revenues					
Pay phone commissions	250	250	153	(97)	160
Garage sale permits	1,400	1,400	4,320	2,920	2,531
Land rental	2,400	2,400	44,000	41,600	2,200
Confiscated properties income	-	-	3,346	3,346	5,694
Oil and gas royalties	80,000	80,000	27,458	(52,542)	138,085
Miscellaneous	20,000	20,000	26,649	6,649	23,569
Totals	\$ 104,050	\$ 104,050	\$ 105,926	\$ 1,876	\$ 172,239

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2010
(With Comparative Totals For the Fiscal Year Ending September 30, 2009)

	Budgeted Amounts		2010 Actual	Variance with Final Budget Favorable (Unfavorable)	2009 Actual
	Original	Final			
Administrative					
Salaries	\$ 320,744	\$ 301,052	\$ 279,732	\$ 21,320	\$ 291,179
Supplies	27,270	25,987	13,114	12,873	9,982
Services	227,403	244,323	198,380	45,943	195,178
Maintenance	17,750	21,805	15,271	6,534	4,586
Capital outlay	-	-	5,862	(5,862)	26,985
Debt service	-	-	-	-	208
Totals	593,167	593,167	512,359	80,808	528,118
Streets					
Salaries	276,719	276,063	235,631	40,432	252,061
Supplies	9,400	9,600	6,208	3,392	6,308
Services	282,553	283,009	273,315	9,694	266,415
Maintenance	34,190	34,190	20,434	13,756	29,204
Capital outlay	7,015	7,015	-	7,015	6,098
Debt service	12,942	12,942	12,942	-	14,062
Totals	622,819	622,819	548,530	74,289	574,148
Parks and building maintenance					
Salaries	42,960	42,359	29,173	13,186	35,237
Supplies	25,250	25,851	18,121	7,730	9,370
Services	35,100	35,100	31,902	3,198	29,778
Maintenance	1,000	1,000	-	1,000	-
Totals	104,310	104,310	79,196	25,114	74,385
Police					
Salaries	930,285	912,416	848,861	63,555	871,214
Supplies	29,928	30,082	23,077	7,005	20,914
Services	43,683	52,797	44,295	8,502	34,905
Maintenance	23,366	29,406	19,176	10,230	15,971
Capital outlay	-	-	4,816	(4,816)	-
Debt service	7,721	7,721	7,721	-	7,880
Totals	1,034,983	1,032,422	947,946	84,476	950,884
Maintenance garage					
Salaries	59,055	58,595	52,932	5,663	53,893
Supplies	62,900	67,287	66,606	681	50,386
Services	8,650	8,650	4,788	3,862	7,409
Maintenance	39,500	35,573	26,921	8,652	45,781
Capital outlay	-	-	5,670	(5,670)	-
Totals	\$ 170,105	\$ 170,105	\$ 156,917	\$ 13,188	\$ 157,469

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2010
(With Comparative Totals For the Fiscal Year Ending September 30, 2009)

	Budgeted Amounts		2010 Actual	Variance with Final Budget Favorable (Unfavorable)	2009 Actual
	Original	Final			
Emergency medical service					
Salaries	\$ 316,257	\$ 315,934	\$ 249,215	\$ 66,719	\$ 252,975
Supplies	16,450	16,450	13,115	3,335	20,545
Services	8,185	8,508	6,120	2,388	6,560
Maintenance	15,935	15,935	8,285	7,650	16,477
Capital outlay	-	-	-	-	139,925
Totals	<u>356,827</u>	<u>356,827</u>	<u>276,735</u>	<u>80,092</u>	<u>436,482</u>
Fire					
Volunteer Benefits	8,600	10,661	10,301	360	8,048
Supplies	12,150	12,150	40,840	(28,690)	36,505
Services	25,403	23,828	16,814	7,014	17,333
Maintenance	24,719	17,075	13,211	3,864	11,025
Capital outlay	-	-	-	-	394,849
Debt service	-	9,719	1,541	8,178	5,059
Totals	<u>70,872</u>	<u>73,433</u>	<u>82,707</u>	<u>(9,274)</u>	<u>472,819</u>
Community and activity centers					
Supplies	600	600	-	600	-
Services	4,300	4,300	3,114	1,186	3,473
Maintenance	1,500	1,500	325	1,175	825
Totals	<u>6,400</u>	<u>6,400</u>	<u>3,439</u>	<u>2,961</u>	<u>4,298</u>
Municipal court					
Salaries	50,327	48,327	45,097	3,230	45,422
Supplies	2,250	2,250	4,161	(1,911)	1,350
Services	17,850	19,496	17,535	1,961	15,241
Maintenance	3,000	3,354	5,142	(1,788)	6,105
Capital outlay	-	-	-	-	4,806
Totals	<u>73,427</u>	<u>73,427</u>	<u>71,935</u>	<u>1,492</u>	<u>72,924</u>
Code enforcement					
Salaries	42,363	40,070	37,248	2,822	39,715
Supplies	5,500	11,705	9,191	2,514	3,175
Services	30,970	27,058	14,322	12,736	27,482
Maintenance	490	490	67	423	21
Debt service	6,717	6,717	-	6,717	596
Totals	<u>\$ 86,040</u>	<u>\$ 86,040</u>	<u>\$ 60,828</u>	<u>\$ 25,212</u>	<u>\$ 70,989</u>

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2010
(With Comparative Totals For the Fiscal Year Ending September 30, 2009)

	Budgeted Amounts		2010 Actual	Variance with Final Budget Favorable (Unfavorable)	2009 Actual
	Original	Final			
Library					
Salaries	\$ 99,160	\$ 95,926	\$ 55,794	\$ 40,132	\$ 49,336
Supplies	7,489	8,789	7,823	966	12,468
Services	14,860	18,094	16,921	1,173	12,423
Maintenance	2,000	2,000	1,947	53	469
Totals	<u>123,509</u>	<u>124,809</u>	<u>82,485</u>	<u>42,324</u>	<u>74,696</u>
Animal control					
Salaries	47,222	45,986	43,686	2,300	41,619
Supplies	4,400	4,649	3,560	1,089	8,306
Services	5,180	5,395	3,368	2,027	4,936
Maintenance	1,000	1,772	2,150	(378)	2,071
Capital outlay	5,928	5,928	-	5,928	20,146
Totals	<u>\$ 63,730</u>	<u>\$ 63,730</u>	<u>\$ 52,764</u>	<u>\$ 10,966</u>	<u>\$ 77,078</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, 2010
(With Comparative Totals For the Fiscal Year Ending September 30, 2009)

	Budgeted Amounts		2010 Actual	Variance with Final Budget Favorable (Unfavorable)	2009 Actual
	Original	Final			
Revenues					
Sales tax	\$ 48,000	\$ 48,000	\$ 38,362	\$ (9,638)	\$ 46,497
Interest income	500	500	111	(389)	489
Total revenues	48,500	48,500	38,473	(10,027)	46,986
Expenditures					
Current					
Administrative	15,000	15,220	23,500	(8,280)	660
Capital outlay	38,795	38,575	27,417	11,158	87,399
Capitalized lease debt service	-	-	-	-	2,902
Total expenditures	53,795	53,795	50,917	2,878	90,961
Deficiency of revenues under expenditures	(5,295)	(5,295)	(12,444)	(7,149)	(43,975)
Fund balances, beginning of year	103,880	103,880	103,880	-	147,855
Fund balances, end of year	\$ 98,585	\$ 98,585	\$ 91,436	\$ (7,149)	\$ 103,880

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, 2010
(With Comparative Totals For the Fiscal Year Ending September 30, 2009)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2009 Actual
	Original and Final	2010 Actual		
Revenues				
Sales tax	\$ 58,000	\$ 56,872	\$ (1,128)	\$ 62,133
Interest income	1,800	380	(1,420)	1,753
Total revenues	59,800	57,252	(2,548)	63,886
Expenditures				
Administrative	12,000	12,000	-	12,000
Capital outlay	56,500	-	56,500	54,030
Total expenditures	68,500	12,000	56,500	66,030
Excess (deficiency) of revenues over (under) expenditures	(8,700)	45,252	53,952	(2,144)
Fund balances, beginning of year	197,092	197,092	-	199,236
Fund balances, end of year	<u>\$ 188,392</u>	<u>\$ 242,344</u>	<u>\$ 53,952</u>	<u>\$ 197,092</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, 2010
(With Comparative Totals For the Fiscal Year Ending September 30, 2009)

	Budgeted Amounts	2010 Actual	Variance with Final Budget Favorable (Unfavorable)	2009 Actual
	Original and Final			
Revenues				
Property taxes	\$ 224,405	\$ 219,924	\$ (4,481)	\$ 239,247
Interest Income	42	10	(32)	42
Total revenues	<u>224,447</u>	<u>219,934</u>	<u>(4,513)</u>	<u>239,289</u>
Expenditures				
Debt and capitalized lease debt service:				
Principal retirement	162,000	162,000	-	204,294
Interest and fiscal charges	55,406	53,815	1,591	62,901
Total expenditures	<u>217,406</u>	<u>215,815</u>	<u>1,591</u>	<u>267,195</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,041</u>	<u>4,119</u>	<u>(2,922)</u>	<u>(27,906)</u>
Fund balances, beginning of year	<u>(20,012)</u>	<u>(20,012)</u>	<u>-</u>	<u>7,894</u>
Fund balances, end of year	<u>\$ (12,971)</u>	<u>\$ (15,893)</u>	<u>\$ (2,922)</u>	<u>\$ (20,012)</u>

CITY OF EVERMAN, TEXAS
Statement of Expenses - Budget and Actual
Enterprise Fund
For the Fiscal Year Ended September 30, 2010
(With Comparative Totals For the Fiscal Year Ending September 30, 2009)

	Budgeted Amounts		2010 Actual	Variance with Final Budget Favorable (Unfavorable)	2009 Actual
	Original	Final			
Water					
Salaries	\$ 248,170	\$ 231,792	\$ 209,090	\$ 22,702	\$ 220,322
Supplies	117,030	96,834	34,772	62,062	38,611
Services	207,702	177,455	130,703	46,752	136,721
Maintenance	40,992	49,894	22,349	27,545	16,944
Equipment	-	22,285	20,623	1,662	9,878
Totals	<u>613,894</u>	<u>578,260</u>	<u>417,537</u>	<u>160,723</u>	<u>422,476</u>
Sewer					
Supplies	8,800	8,800	2,741	6,059	2,879
Services	471,000	471,000	465,983	5,017	509,348
Equipment	12,450	13,305	-	13,305	-
Totals	<u>\$ 492,250</u>	<u>\$ 493,105</u>	<u>\$ 468,724</u>	<u>\$ 24,381</u>	<u>\$ 512,227</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2010

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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>\$ 1,260,000</u>	<u>\$ 198,563</u>	<u>\$ 1,458,563</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2006 Tax Note Payable -
Debt Service Requirement in Future Years
September 30, 2010

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

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2011	\$ 28,000	\$ 2,401	\$ 30,401
2012	<u>25,000</u>	<u>1,132</u>	<u>26,132</u>
	<u>\$ 53,000</u>	<u>\$ 3,533</u>	<u>\$ 56,533</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Notes Payable -
Texas Commission on Fire Protection
Debt Service Requirement in Future Years
September 30, 2010

FIRE.EQUIPMENT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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	299	8	307
	<u>\$ 6,068</u>	<u>\$ 403</u>	<u>\$ 6,471</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Community Bank of Louisiana
Debt Service Requirement in Future Years
September 30, 2010

2 PUBLIC WORK TRUCKS /
ANIMAL CONTROL TRUCK

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2011	\$ 11,354	\$ 1,587	\$ 12,941
2012	<u>12,645</u>	<u>820</u>	<u>13,465</u>
	<u>\$ 23,999</u>	<u>\$ 2,407</u>	<u>\$ 26,406</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, 2010

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2011	<u>\$ 75,000</u>	<u>\$ 1,969</u>	<u>\$ 76,969</u>

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2010

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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>\$ 965,000</u>	<u>\$ 204,094</u>	<u>\$ 1,169,094</u>

CITY OF EVERMAN, TEXAS
Schedule of Insurance Coverage
September 30, 2010

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2009	10/1/2010	\$ 4,028	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2009	10/1/2010	12,377	3663	8,360,012	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2009	10/1/2010	1,100	3663	241,268	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2009	10/1/2010	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2009	10/1/2010	8,280	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2009	10/1/2010	5,714	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2009	10/1/2010	20,730	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2009	10/1/2010	9,015	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2009	10/1/2010	647	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Animal Mortality and Theft	10/1/2009	10/1/2010	990	3663	10,000	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2009	10/1/2010	46,770	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
Total Premiums			<u>\$ 109,651</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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 3, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. 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 3, 2011.

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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 3, 2011