

CITY OF EVERMAN, TEXAS

**Annual Financial Report for the Year Ended
September 30, 2011**

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

City Council

Jim Stephenson, Mayor

Ray Richardson, Mayor Pro-Tem

Michelle Meyer, Council member

Kelly Denison, Council member

Johnnie Allen, Council member

Susan Mackey, Council member

Judy Sellers, Council member

Administrative

Donna Anderson, City Manager

Kathy Renshaw, Director of Finance

Mindi Parks, City Secretary

FINANCIAL SECTION



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, 2011, 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, 2011, 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 9, 2012, 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 9, 2012

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, 2011. 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 2011 by \$7,865,604 (*net assets*). Of this amount, \$1,248,192 is restricted for specific purposes and \$2,999,364 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 \$3,618,048 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 \$3,500,212; of which \$1,245,988 or 36% represents restricted fund balance and, unassigned fund balance amounted to \$2,254,224 or 64%.
- The General Fund unassigned fund balance of \$2,270,418 equals 76% of total General Fund expenditures.
- The City's total debt decreased by a net amount of \$256,745 during the current fiscal year as a result of the issuance of a capital lease net against 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 fund 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 fund 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 43 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 45 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 \$7,865,604 as of September 30, 2011.

	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 3,894,078	\$ 3,805,021	\$ 830,192	\$ 663,772	\$ 4,724,270	\$ 4,468,793
Capital assets, net of depreciation	3,377,753	3,532,532	2,344,816	2,428,390	5,722,569	5,960,922
Total assets	7,271,831	7,337,553	3,175,008	3,092,162	10,446,839	10,429,715
Long-term liabilities	1,176,322	1,343,067	950,000	1,040,000	2,126,322	2,383,067
Other liabilities	241,817	220,717	213,096	187,439	454,913	408,156
Total liabilities	1,418,139	1,563,784	1,163,096	1,227,439	2,581,235	2,791,223
Net assets:						
Invested in capital assets, net of related debt	2,198,628	2,186,641	1,419,420	1,427,792	3,618,048	3,614,433
Restricted	1,248,192	1,172,883	-	-	1,248,192	1,172,883
Unrestricted	2,406,872	2,414,245	592,492	436,931	2,999,364	2,851,176
Total Net Assets	\$ 5,853,692	\$ 5,773,769	\$ 2,011,912	\$ 1,864,723	\$ 7,865,604	\$ 7,638,492

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 \$3,618,048. 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 \$1,248,192 (or 16%) of the City's net assets represents resources that are subject to external restrictions on how they may be used. All restricted assets of the City are being held for purposes established by state and local laws, future construction, and debt service requirements on the City's outstanding debt. The remaining balance of unrestricted net assets (\$2,999,364) 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 increased by \$227,112 during the current fiscal year. The City's governmental activities increased net assets by \$79,923 which included transfers from the business-type activities of \$525,382. The total cost of all governmental activities this year was \$3,409,580. The amount that taxpayers paid for these activities through property taxes was \$1,280,508 or 38%.

City of Everman's Changes in Net Assets

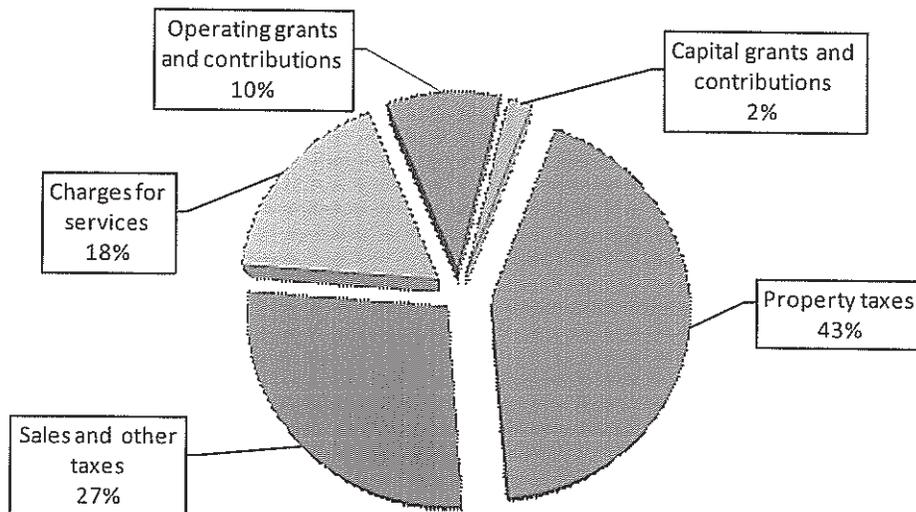
	Governmental Activities		Business-type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 526,784	\$ 713,250	\$ 1,763,773	\$ 1,520,555	\$ 2,290,557	\$ 2,233,805
Operating grants and contributions	287,751	255,675	-	-	287,751	255,675
Capital grants and contributions	60,000	-	87,036	64,276	147,036	64,276
General revenues:					-	-
Property taxes	1,280,508	1,220,892	-	-	1,280,508	1,220,892
Sales and other taxes	808,727	723,548	-	-	808,727	723,548
Loss on disposal of assets	-	(31,534)	(2,202)	(820)	(2,202)	(32,354)
Other	351	34,248	4,713	11,913	5,064	46,161
Total revenues	<u>2,964,121</u>	<u>2,916,079</u>	<u>1,853,320</u>	<u>1,595,924</u>	<u>4,817,441</u>	<u>4,512,003</u>
Expenses:						
Administrative	697,698	662,819	-	-	697,698	662,819
Streets	611,841	615,358	-	-	611,841	615,358
Parks and building maintenance	83,393	91,762	-	-	83,393	91,762
Police	1,069,221	1,083,085	-	-	1,069,221	1,083,085
Maintenance garage	190,040	173,886	-	-	190,040	173,886
Emergency medical services	331,475	319,424	-	-	331,475	319,424
Fire	92,477	92,986	-	-	92,477	92,986
Community and activity centers	5,679	3,940	-	-	5,679	3,940
Municipal court	73,083	83,095	-	-	73,083	83,095
Code enforcement	54,306	69,621	-	-	54,306	69,621
Library	94,363	94,497	-	-	94,363	94,497
Animal control	57,037	60,493	-	-	57,037	60,493
Interest on long-term debt	48,967	56,818	-	-	48,967	56,818
Water	-	-	621,108	589,801	621,108	589,801
Sewer	-	-	559,641	534,304	559,641	534,304
Total expenses	<u>3,409,580</u>	<u>3,407,784</u>	<u>1,180,749</u>	<u>1,124,105</u>	<u>4,590,329</u>	<u>4,531,889</u>
Increase (decrease) in net assets before transfers	(445,459)	(491,705)	672,571	471,819	227,112	(19,886)
Transfers	<u>525,382</u>	<u>524,571</u>	<u>(525,382)</u>	<u>(524,571)</u>	-	-
Increase (decrease) in net assets	79,923	32,866	147,189	(52,752)	227,112	(19,886)
Net assets, beginning 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>
Net assets, end of year	<u>\$ 5,853,692</u>	<u>\$ 5,773,769</u>	<u>\$ 2,011,912</u>	<u>\$ 1,864,723</u>	<u>\$ 7,865,604</u>	<u>\$ 7,638,492</u>

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

Governmental activities. Governmental activities increased the City of Everman's net assets by \$79,923. Key elements of this increase are as follows:

- Increased operating grants and contributions in fiscal year 2011;
- Increased capital grants and contributions; and
- Increased property, sales and other taxes from prior year.

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net assets by \$147,189. Key elements of this increase are as follows:

- Increase in water and sewer charges for services; and
- Increase in capital grants and contributions 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**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 \$3,500,212, an increase of \$57,334 in comparison with the prior year. Approximately \$2,254,224 or 64% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been set aside to fund economic development (\$871,979), street improvements (\$252,865), crime control and prevention (\$101,687), and other miscellaneous and court related expenditures (\$19,457).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$2,289,875, of which \$2,270,418 represented unassigned fund balance. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 75%, or slightly more than 275 days of total fund expenditures.

The fund balance of the City's general fund decreased by \$2,306 during the current fiscal year. Key factors in this decrease are as follows:

- Decrease in fines and fees revenue;
- Decreases in other land rental and gas royalties; and
- Increase in capital outlay from the prior year.

The debt service fund has a negative fund balance of \$16,194. The net decrease in fund balance during the current year in the debt service fund was \$301.

GENERAL FUND BUDGETARY HIGHLIGHTS

Amendments to the original 2010-2011 general fund annual budget were relatively minor and can be briefly summarized as follows:

- Increase in supplies for parks and building maintenance;
- Decrease in salaries for police;
- Increase in services for police;
- Increase in supplies for maintenance garage; and
- Decrease in supplies 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, 2011, amounts to \$5,722,569 (net of accumulated depreciation). The investment in capital assets related to governmental activities (\$3,377,753) includes land, infrastructure, buildings and improvements, machinery and equipment, and vehicles. The City's investment in capital assets related to business-type activities (\$2,344,816) 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;
- Street improvements; 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
Construction in progress	37,840	14,119	51,959
Buildings and improvements	1,135,154	4,650	1,139,804
Infrastructure	1,391,627	-	1,391,627
Water and sewer system	-	2,272,622	2,272,622
Machinery and equipment	131,539	-	131,539
Vehicles	481,319	-	481,319
Total	<u>\$ 3,377,753</u>	<u>\$ 2,344,816</u>	<u>\$ 5,722,569</u>

Additional information on the City's capital assets can be found in Note H on pages 33 through 35 of this report.

Long-term debt. At the end of the current fiscal year, the City of Everman had total debt outstanding of \$2,126,322. Of this amount, \$1,125,000 represents general obligation refunding bonds secured by property tax collections, and \$950,000 represents general obligation refunding bonds secured solely by revenue from the City's combined water and sewer system. In addition, the City had notes payable of \$29,680 and capital leases payable of \$21,642.

City of Everman's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 1,125,000	\$ 950,000	\$ 2,075,000
Notes payable	29,680	-	29,680
Capital lease agreements	21,642	-	21,642
Total	<u>\$ 1,176,322</u>	<u>\$ 950,000</u>	<u>\$ 2,126,322</u>

The City of Everman's total debt decreased \$256,745 (10.8%) during the current fiscal year. Debt related to governmental activities decreased by \$166,745 as a result of the issuance of a capital lease net against scheduled debt service payments. Debt related to business-type activities decreased by \$90,000 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 2010-2011 was \$1.1054127 per \$100 assessed valuation, of which \$.185427 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 2012, the City Council and management considered the following factors:

- Increase in property tax revenue due to an increase in assessed values;
- Decrease in police expenditures;
- Increase in street expenditures;
- Increase in emergency medical expenditures;
- Decrease in library expenditures;
- No annual cost of living raises, but the 2012 budget includes 4.5% step raises; and
- Scheduled debt payments.

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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,527,863	\$ 459,230	\$ 3,987,093
Receivables			
Taxes, net of allowance for uncollectibles	149,952	-	149,952
Accounts, net of allowances for uncollectibles	210,636	214,303	424,939
Restricted assets			
Cash and cash equivalents	-	126,215	126,215
Deferred debt issuance cost	5,627	30,444	36,071
Capital assets			
Land and construction in progress	238,114	67,544	305,658
Other capital assets, net of depreciation	3,139,639	2,277,272	5,416,911
Total capital assets	<u>3,377,753</u>	<u>2,344,816</u>	<u>5,722,569</u>
Total assets	<u>7,271,831</u>	<u>3,175,008</u>	<u>10,446,839</u>
Liabilities			
Accounts payable and accrues expenses	111,439	73,543	184,982
Celebration fund liability	9,422	-	9,422
Interest payable	8,430	-	8,430
Payable from restricted assets			
Customer deposits	-	126,416	126,416
Accrued interest payable	-	5,840	5,840
Net pension obligation	59,203	3,741	62,944
Vacation payable	53,323	3,556	56,879
Noncurrent liabilities			
Due within one year	185,397	90,000	275,397
Due in more than one year	990,925	860,000	1,850,925
Total liabilities	<u>1,418,139</u>	<u>1,163,096</u>	<u>2,581,235</u>
Net assets			
Invested in capital assets, net of related debt	2,198,628	1,419,420	3,618,048
Restricted for:			
Debt service	2,204	-	2,204
Other purposes	1,245,988	-	1,245,988
Unrestricted	<u>2,406,872</u>	<u>592,492</u>	<u>2,999,364</u>
Total net assets	<u>\$ 5,853,692</u>	<u>\$ 2,011,912</u>	<u>\$ 7,865,604</u>

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

CITY OF EVERMAN, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
Administrative	\$ 697,698	\$ 24,093	\$ -	\$ -	\$ (673,605)	\$ -	\$ (673,605)
Streets	611,841	198,409	-	60,000	(353,432)	-	(353,432)
Parks and building maintenance	83,393	-	-	-	(83,393)	-	(83,393)
Police	1,069,221	-	-	-	(1,069,221)	-	(1,069,221)
Maintenance garage	190,040	-	-	-	(190,040)	-	(190,040)
Emergency medical services	331,475	209,416	165,669	-	43,610	-	43,610
Fire	92,477	-	117,936	-	25,459	-	25,459
Community and activity centers	5,679	-	-	-	(5,679)	-	(5,679)
Municipal court	73,083	68,481	-	-	(4,602)	-	(4,602)
Code enforcement	54,306	22,353	-	-	(31,953)	-	(31,953)
Library	94,363	2,154	4,146	-	(88,063)	-	(88,063)
Animal control	57,037	1,878	-	-	(55,159)	-	(55,159)
Interest on long-term debt	48,967	-	-	-	(48,967)	-	(48,967)
Total governmental activities	3,409,580	526,784	287,751	60,000	(2,535,045)	-	(2,535,045)
Business-type activities							
Water	621,108	1,087,787	-	87,036	-	553,715	553,715
Sewer	559,641	675,986	-	-	-	116,345	116,345
Total business-type activities	1,180,749	1,763,773	-	87,036	-	670,060	670,060
Total primary government	\$ 4,590,329	\$ 2,290,557	\$ 287,751	\$ 147,036	(2,535,045)	670,060	(1,864,985)
General revenues:							
Taxes							
					1,280,508	-	1,280,508
					504,332	-	504,332
					12,813	-	12,813
					273,750	-	273,750
					17,832	-	17,832
					6,195	661	6,856
					-	(2,202)	(2,202)
					(5,844)	4,052	(1,792)
					525,382	(525,382)	-
					2,614,968	(522,871)	2,092,097
					79,923	147,189	227,112
					5,773,769	1,864,723	7,638,492
					\$ 5,853,692	\$ 2,011,912	\$ 7,865,604

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

CITY OF EVERMAN, TEXAS
Balance Sheet
Governmental Funds
September 30, 2011

ASSETS	General	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,335,278	\$ 862,194	\$ 330,391	\$ 3,527,863
Receivables				
Taxes, net of allowances for uncollectibles of \$58,654	113,337	9,785	26,830	149,952
Accounts, net of allowance for uncollectibles of \$13,706	37,327	-	-	37,327
Unbilled accounts	15,613	-	-	15,613
Total assets	<u>\$ 2,501,555</u>	<u>\$ 871,979</u>	<u>\$ 357,221</u>	<u>\$ 3,730,755</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable and accrued expenses	\$ 110,974	\$ -	\$ 465	\$ 111,439
Celebration fund liability	9,422	-	-	9,422
Deferred revenue-property taxes	91,284	-	18,398	109,682
Total liabilities	<u>211,680</u>	<u>-</u>	<u>18,863</u>	<u>230,543</u>
Fund equity				
Fund Balance				
Restricted for:				
Street improvement	-	-	252,865	252,865
Crime control district	-	-	101,687	101,687
Economic development	-	871,979	-	871,979
Child safety fund	468	-	-	468
LEOCE training fund	1,592	-	-	1,592
Security fees	8,696	-	-	8,696
Technology fees	5,971	-	-	5,971
Miscellaneous	2,730	-	-	2,730
Unassigned	2,270,418	-	(16,194)	2,254,224
Total fund equity	<u>2,289,875</u>	<u>871,979</u>	<u>338,358</u>	<u>3,500,212</u>
Total liabilities and fund equity	<u>\$ 2,501,555</u>	<u>\$ 871,979</u>	<u>\$ 357,221</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.				3,377,753
Property tax receivable less allowance not available to pay for current period expenditures and, therefore, are deferred in the funds.				109,682
Other assets are not measurable and available in the current period and are not reported in the funds.				157,696
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.				(1,291,651)
Net assets of governmental activities - statement of net assets				<u>\$ 5,853,692</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2011

	General	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,629,466	\$ 131,045	\$ 321,632	\$ 2,082,143
Licenses, permits, and fees for services	421,789	-	-	421,789
Intergovernmental revenue	42,207	-	-	42,207
Donations	245,544	-	60,000	305,544
Fines and fees	71,633	-	-	71,633
Interest income	4,221	1,483	491	6,195
Other revenues	16,756	-	-	16,756
Administrative services - other funds	525,792	-	-	525,792
Total revenues	2,957,408	132,528	382,123	3,472,059
Expenditures				
Administrative	535,160	93,359	25,669	654,188
Streets	547,402	-	-	547,402
Parks and building maintenance	74,551	-	-	74,551
Police	956,304	-	-	956,304
Maintenance garage	169,492	-	-	169,492
Emergency medical services	293,070	-	-	293,070
Fire	82,740	-	-	82,740
Community and activity centers	5,081	-	-	5,081
Municipal court	66,837	-	-	66,837
Code enforcement	48,257	-	-	48,257
Library	84,427	-	-	84,427
Animal control	50,389	-	-	50,389
Capital outlay	76,482	-	125,363	201,845
Debt service	14,663	-	210,620	225,283
Total expenditures	3,004,855	93,359	361,652	3,459,866
Excess (deficiency) of revenues over (under) expenditures	(47,447)	39,169	20,471	12,193
Other financing sources				
Transfers in	35,590	-	-	35,590
Capital lease proceeds	9,551	-	-	9,551
Total other financing sources	45,141	-	-	45,141
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(2,306)	39,169	20,471	57,334
Fund balances, beginning of year	2,292,181	832,810	317,887	3,442,878
Fund balances, end of year	<u>\$ 2,289,875</u>	<u>\$ 871,979</u>	<u>\$ 338,358</u>	<u>\$ 3,500,212</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, 2011

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

Net change in fund balances - total governmental funds	\$	57,334
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.		(154,779)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		17,854
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.		(4,678)
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.		164,192
Change in net assets of governmental activities - statement of activities	\$	79,923

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 1,531,845	\$ 1,531,845	\$ 1,629,466	\$ 97,621
Licenses, permits, and fees for services	413,000	413,000	421,789	8,789
Intergovernmental revenue	5,069	38,433	42,207	3,774
Donations	198,500	203,067	245,544	42,477
Fines and fees	63,300	63,300	71,633	8,333
Interest income	4,400	4,400	4,221	(179)
Other revenues	33,500	33,500	16,756	(16,744)
Administrative services - Enterprise Fund	525,792	525,792	525,792	-
Total revenues	2,775,406	2,813,337	2,957,408	144,071
Expenditures				
Administrative	555,288	555,288	535,160	20,128
Streets	589,557	589,557	547,402	42,155
Parks and building maintenance	87,531	109,535	74,551	34,984
Police	1,012,932	1,004,439	956,304	48,135
Maintenance garage	152,633	166,345	169,492	(3,147)
Emergency medical services	367,952	367,952	293,070	74,882
Fire	50,424	89,596	82,740	6,856
Community and activity centers	4,300	4,961	5,081	(120)
Municipal court	73,075	72,414	66,837	5,577
Code enforcement	58,651	58,651	48,257	10,394
Library	140,179	140,179	84,427	55,752
Animal control	57,890	61,163	50,389	10,774
Capital outlay	11,128	8,738	76,482	(67,744)
Debt service	21,659	21,659	14,663	6,996
Total expenditures	3,183,199	3,250,477	3,004,855	245,622
Excess (deficiency) of revenues over (under) expenditures	(407,793)	(437,140)	(47,447)	389,693
Other financing sources				
Transfers in - Payment in lieu of taxes	35,590	35,590	35,590	-
Proceeds from capital lease	-	-	9,551	(9,551)
Total other financing sources	35,590	35,590	45,141	(9,551)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(372,203)	(401,550)	(2,306)	380,142
Carryover from prior year fund balance	372,203	401,550	-	(401,550)
Fund balances, beginning of year	2,292,181	2,292,181	2,292,181	-
Fund balances, end of year	\$ 2,292,181	\$ 2,292,181	\$ 2,289,875	\$ (21,408)

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, 2011

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
	Original and Final	Actual Amounts	
Revenues			
Sales tax	\$ 105,170	\$ 131,045	\$ 25,875
Interest income	1,580	1,483	(97)
Total revenues	<u>106,750</u>	<u>132,528</u>	<u>25,778</u>
Expenditures			
Administrative	<u>359,300</u>	<u>93,359</u>	<u>265,941</u>
Total expenditures	<u>359,300</u>	<u>93,359</u>	<u>265,941</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(252,550)</u>	<u>39,169</u>	<u>291,719</u>
Fund balances, beginning of year	<u>832,810</u>	<u>832,810</u>	-
Fund balances, end of year	<u>\$ 580,260</u>	<u>\$ 871,979</u>	<u>\$ 291,719</u>

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

CITY OF EVERMAN, TEXAS
Statement of Net Assets
Enterprise Fund
September 30, 2011

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 459,230
Receivables	
Accounts, net of allowance for uncollectibles of \$58,302	159,187
Unbilled accounts	<u>55,116</u>
Total current assets	673,533
Restricted assets	
Cash and cash equivalents	126,215
Noncurrent assets	
Deferred debt issuance costs	30,444
Capital assets	
Land	53,425
Construction in progress	14,119
Buildings and improvements	641,264
Waterworks and sewer system	4,976,135
Machinery and equipment	49,729
Accumulated depreciation	<u>(3,389,856)</u>
Total noncurrent assets	<u>2,375,260</u>
Total assets	<u>3,175,008</u>
LIABILITIES	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	73,543
Vacation payable	<u>3,556</u>
Total payable from current assets	77,099
Payable from restricted assets	
Current portion of bonds payable	90,000
Customer deposits	126,416
Accrued interest	<u>5,840</u>
Total payable from restricted assets	<u>222,256</u>
Total current liabilities	299,355
Noncurrent liabilities	
Net pension obligation	3,741
Bonds payable	<u>860,000</u>
Total noncurrent liabilities	<u>863,741</u>
Total liabilities	<u>1,163,096</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,419,420
Unrestricted	<u>592,492</u>
Total net assets	<u>\$ 2,011,912</u>

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

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenses and Changes in
Net Assets - Enterprise Fund
For the Fiscal Year Ended September 30, 2011

	Water and Sewer Fund
Operating revenues	
Water and sewer sales	\$ 1,763,773
Other income	1,850
	1,765,623
Total operating revenues	1,765,623
Operating expenses	
Water	444,185
Sewer	503,026
Administrative services - General Fund	489,792
Depreciation	168,408
Other Expense	12,566
	1,617,977
Total operating expenses	1,617,977
Operating income	147,646
Non-operating revenues (expenses)	
Intergovernmental revenue	87,036
Interest revenue	661
Interest expense and fiscal charge	(52,564)
Transfers out - Payment in lieu of taxes	(35,590)
	(457)
Total non-operating revenues (expenses)	(457)
Change in net assets	147,189
Net assets, beginning of year	1,864,723
Net assets, end of year	\$ 2,011,912

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

CITY OF EVERMAN, TEXAS
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2011

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,713,989
Cash paid to suppliers	(714,551)
Cash paid to employees	(213,591)
Cash paid to other funds	(489,792)
Net cash provided by operating activities	296,055
Cash Flows from Non Capital Financing Activities:	
Transfers to other funds	(35,590)
Net cash used in non capital financing activities	(35,590)
Cash Flows from Capital and Related Financing Activities:	
Principal payments on long-term debt	(90,000)
Interest payments and fiscal charge	(37,766)
Increase in customer deposits	7,326
Net cash used in capital and related financing activities	(120,440)
Cash Flows from Investing Activities:	
Interest income	661
Net cash provided by investing activities	661
Net increase in cash and cash equivalents	140,686
Cash and cash equivalents at beginning of year	444,759
Cash and cash equivalents at end of year	\$ 585,445
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents	\$ 459,230
Restricted cash and cash equivalents	126,215
Total cash and cash equivalents	\$ 585,445
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 147,646
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation	168,408
Provision for bad debt	12,566
Loss on disposal of asset	2,202
(Increase) decrease in:	
Accounts receivable	(53,836)
Increase (decrease) in:	
Accounts payable and accrued expenses	16,860
Net pension obligation	2,043
Accrued vacation	166
Net cash provided by operating activities	\$ 296,055
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets - Intergovernmental revenue	\$ 87,036

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

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, 2011

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, 2011

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 2010-2011 fiscal year, which provided for and approved all expenditures and transfers.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

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 - 10 years
Office Equipment	5 - 10 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

The City adopted a fund balance policy in fiscal year 2011 in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted or committed. Assignments are made by the City's Finance Director.

For the classification of the governmental fund balances, the City considers an expenditure to be made from the most restrictive first when more than one classification is available.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note B. Summary of Significant Accounting Policies (Continued)

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.

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 \$1,291,651 difference are as follows:

General Obligation Refunding Bonds	\$ (1,125,000)
Less: deferred charge for issuance costs	
(to be amortized over life of debt)	5,627
Notes payable	(29,680)
Capital leases payable	(21,642)
Accrued interest payable	(8,430)
Net pension obligation	(59,203)
Compensated absences	(53,323)
	(1,291,651)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ (1,291,651)

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

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 \$154,779 difference are as follows:

Capital outlay	\$ 201,845
Depreciation expense	<u>(356,624)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (154,779)</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 \$164,192 difference are as follows:

Proceeds from capital leases	\$ (9,551)
Principal repayments	
Bonds	135,000
Notes	29,388
Capital leases	11,908
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>\$ 164,192</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

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

The City invests in Local Government Investment Cooperative ("LOGIC"), which is a local government investment pool, organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a 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, 2011, the City had the following investments included in cash and cash equivalents:

	<u>Weighted Average Maturity</u>	<u>Market Value</u>	<u>% of Total</u>
LOGIC Investment Pool	46 days	\$3,660,078	100.00%

Interest Rate Risk – The City limits exposure to fair value losses arising from interest rates by not directly investing in securities with maturity dates that exceed 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, 2011, 100% of the City's portfolio had maturity dates less than one year.

Credit Risk – As of September 30, 2011, 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:

	<u>Maximum Percentage of Portfolio</u>
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, 2011, 100.00% of the City's portfolio was invested in Local Government Investment Pools.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

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

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, 2011 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.

Note F. Restricted Assets

Restricted assets in the Enterprise Fund of \$126,215 are held for customers' meter deposits.

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, 2011 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	35,590
Total interfund transfers	\$ 561,382

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note H. Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows:

	Balance 9/30/2010	Additions	Disposals	Balance 9/30/2011
Governmental activities				
Capital assets not being depreciated				
Land	\$ 200,274	\$ -	\$ -	\$ 200,274
Construction in progress	-	37,840	-	37,840
Total capital assets not being depreciated	200,274	37,840	-	238,114
Other capital assets				
Buildings and improvements	3,643,936	11,730	75,000	3,580,666
Infrastructure	2,568,152	116,809	-	2,684,961
Machinery and equipment	782,091	13,482	16,514	779,059
Vehicles	1,245,563	21,984	-	1,267,547
Total other capital assets	8,239,742	164,005	91,514	8,312,233
Less accumulated depreciation for:				
Building and improvements	2,435,690	84,822	75,000	2,445,512
Infrastructure	1,177,034	116,300	-	1,293,334
Machinery and equipment	619,122	44,912	16,514	647,520
Vehicles	675,638	110,590	-	786,228
Total accumulated depreciation	4,907,484	356,624	91,514	5,172,594
Other capital assets, net	3,332,258	(192,619)	-	3,139,639
Governmental activities capital assets, net	<u>\$ 3,532,532</u>	<u>\$ (154,779)</u>	<u>\$ -</u>	<u>\$ 3,377,753</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note H. Capital Assets (Continued)

	<u>Balance 9/30/2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 9/30/2011</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 53,425	\$ -	\$ -	\$ 53,425
Construction in progress	-	14,119	-	14,119
Total capital assets not being depreciated	<u>53,425</u>	<u>14,119</u>	<u>-</u>	<u>67,544</u>
Other capital assets				
Buildings and improvements	641,264	-	-	641,264
Water and sewer system	4,910,836	72,917	7,618	4,976,135
Machinery and equipment	49,729	-	-	49,729
Total other capital assets	5,601,829	72,917	7,618	5,667,128
Less accumulated depreciation for:				
Building and improvements	636,412	202	-	636,614
Water and sewer system	2,540,723	168,206	5,416	2,703,513
Machinery and equipment	49,729	-	-	49,729
Total accumulated depreciation	3,226,864	168,408	5,416	3,389,856
Other capital assets, net	<u>2,374,965</u>	<u>(95,491)</u>	<u>2,202</u>	<u>2,277,272</u>
Business-type activities capital assets, net	<u>\$ 2,428,390</u>	<u>\$ (81,372)</u>	<u>\$ 2,202</u>	<u>\$ 2,344,816</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note H. Capital Assets (Continued)

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

Governmental activities:

Administrative	\$ 76,794
Streets	64,422
Parks and building maintenance	8,774
Police	112,544
Maintenance garage	19,947
Emergency medical services	34,397
Fire	9,737
Community and activity centers	598
Municipal court	7,866
Code enforcement	5,679
Library	9,936
Animal control	5,930
Total Governmental activities	\$ 356,624

Business-type activities:

Water	\$ 138,075
Sewer	30,333
Total Business-type activities	\$ 168,408

Note I. Long-Term Debt

Long-term debt of the City consists of 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, 2011 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 \$1,125,000 at September 30, 2011.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note I. Long-Term Debt (Continued)

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 \$25,000 at September 30, 2011.

Notes Payable

Texas Commission on Fire Protection

- Secured by fire equipment.
- Payable in annual installments of \$1,541 over twenty years.
- Outstanding balance of \$4,680 at September 30, 2011, 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 \$12,244 at September 30, 2011, bearing interest at 5.00%.

Oce Financial Services, Inc.

- To purchase a copier for city hall.
- Principal price of \$9,551.
- Payable in monthly installments of \$180 over five years.
- Outstanding balance of \$9,398 at September 30, 2011, bearing interest at 5.00%.

The following is an analysis of equipment leased under a capital lease as of September 30, 2011:

	Governmental Activities
Equipment	\$ 62,740
Less accumulated depreciation	(40,595)
Total	\$ 22,145

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

Scheduled future minimum lease payments	\$ 23,562
Amount representing interest	1,920
Present value of future minimum capital lease payments (principal payoff)	\$ 21,642

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note I. Long-Term Debt (Continued)

The following is the future annual requirements for capitalized leases:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 13,973	\$ 1,129	\$ 15,102
2013	1,818	342	2,160
2014	1,911	249	2,160
2015	2,009	151	2,160
2016	1,931	49	1,980
Total	\$ 21,642	\$ 1,920	\$ 23,562

Business-type 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 \$1,010,000.
- 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 \$950,000 at September 30, 2011.

The following is a summary of the changes by type of debt for the year ended September 30, 2011:

	<u>Balance</u> <u>9/30/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2011</u>
<u>Governmental activities</u>				
General Obligation Refunding Bonds	\$ 1,260,000	\$ -	\$ 135,000	\$ 1,125,000
Notes Payable	59,068	-	29,388	29,680
Capital Leases	23,999	9,551	11,908	21,642
Total Governmental activities	<u>1,343,067</u>	<u>9,551</u>	<u>176,296</u>	<u>1,176,322</u>
<u>Business-type activities</u>				
Certificates of Obligation	75,000	-	75,000	-
General Obligation Refunding Bonds	965,000	-	15,000	950,000
Total Business-type activities	<u>1,040,000</u>	<u>-</u>	<u>90,000</u>	<u>950,000</u>
Totals	\$ 2,383,067	\$ 9,551	\$ 266,296	\$ 2,126,322

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note I. Long-Term Debt (Continued)

The annual requirements to amortize long-term debt as of September 30, 2011 are as follows:

Governmental activities

Fiscal Year Ending	General Obligation Refunding Bond		Notes Payable		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 145,000	\$ 39,469	\$ 26,424	\$ 1,249	\$ 13,973	\$ 1,129	\$ 227,244
2013	150,000	33,938	1,460	81	1,818	342	187,639
2014	150,000	28,312	1,496	45	1,911	249	182,013
2015	160,000	22,500	300	8	2,009	151	184,968
2016	170,000	16,313	-	-	1,931	49	188,293
2017-2018	350,000	13,312	-	-	-	-	363,312
Total	\$ 1,125,000	\$ 153,844	\$ 29,680	\$ 1,383	\$ 21,642	\$ 1,920	\$ 1,333,469

Business-type activities

Fiscal Year Ending	General Obligation Refunding Bond		Total
	Principal	Interest	
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
2017-2020	460,000	34,688	494,688
Total	\$ 950,000	\$ 168,188	\$ 1,118,188

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, 2011 was \$56,879.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note J. Accumulated Unpaid Vacation and Sick Leave (Continued)

The following is a summary of the net changes in the liability for compensated absences for the year ended September 30, 2011:

	Balance 9/30/2010	Increase	Decrease	Balance 9/30/2011
Governmental activities	\$ 65,476	\$ -	\$ 12,153	\$ 53,323
Business-type activities	3,390	166	-	3,556
Total	\$ 68,866	\$ 166	\$ 12,153	\$ 56,879

Note K. Restricted Net Assets

The government-wide statement of net assets reports \$1,248,192 of restricted net assets, of which \$1,226,531 are restricted by enabling legislation for the following:

Economic development	\$ 871,979
Street improvements	252,865
Crime control district	101,687
Total restricted net assets	\$ 1,226,531

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 from TMRS' website at www.TMRS.com.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note L. Pension Plan (Continued)

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 <u>2010</u>	Plan Year <u>2011</u>
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
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI 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:

1. Annual Required Contribution (ARC)	\$ 149,048
2. Interest on Net Pension Obligation	3,112
3. Adjustment to the ARC	<u>(2,575)</u>
4. Annual Pension Cost	149,585
5. Contributions Made	<u>128,137</u>
6. Increase in net pension obligation	21,448
7. Net Pension Obligation, beginning of year	<u>41,496</u>
8. Net Pension Obligation, end of year	<u>\$ 62,944</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note L. Pension Plan (Continued)

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
9/30/2009	\$ 130,078	\$ 106,186	82%	\$ 23,892
9/30/2010	\$ 130,156	\$ 112,552	86%	\$ 41,496
9/30/2011	\$ 149,585	\$ 128,137	86%	\$ 62,944

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Actuarial Valuation Information

Actuarial Valuation Date	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010-prior to restructuring</u>	<u>12/31/2010- Restructured</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	29 years - Closed Period	28.1 years - Closed Period	27.3 years - Closed Period	27.5 years - Closed Period
Amortization Period for new Gain/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return *	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%	3.00%
Cost-of-living Adjustments	2.1%	2.1%	2.1%	2.1%

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note L. Pension Plan (Continued)

Funded Status and Funding Process

In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

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)
12/31/2010 (1)	\$2,899,642	\$3,676,104	\$ 776,462	78.88%	\$1,418,516	54.74%
12/31/2010 (2)	3,408,432	4,053,692	645,260	84.08%	1,418,516	45.49%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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.

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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2011

Note M. Other Postemployment Benefits (Continued)

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	Annual Required Contribution Rate	Actual Contribution Rate	Percentage of ARC Contributed
2009	0.02%	0.02%	100.0%
2010	0.02%	0.02%	100.0%
2011	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.

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.

**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)
12/31/2008	\$ 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%
12/31/2010 (1)	2,899,642	3,676,104	776,462	78.88%	1,418,516	54.74%
12/31/2010 (2)	3,408,432	4,053,692	645,260	84.08%	1,418,516	45.49%

- (1) Actuarial valuation performed under the original fund structure.
(2) Actuarial valuation performed under the new fund structure.

SUPPLEMENTAL INFORMATION

CITY OF EVERMAN, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2011

	<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	\$ 98,613	\$ 247,972	\$ (16,194)	\$ 330,391
Taxes receivable, net of allowances for uncollectibles of \$11,822	<u>3,539</u>	<u>4,893</u>	<u>18,398</u>	<u>26,830</u>
Total assets	<u>\$ 102,152</u>	<u>\$ 252,865</u>	<u>\$ 2,204</u>	<u>\$ 357,221</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 465	\$ -	\$ -	\$ 465
Deferred revenue	<u>-</u>	<u>-</u>	<u>18,398</u>	<u>18,398</u>
Total liabilities	<u>465</u>	<u>-</u>	<u>18,398</u>	<u>18,863</u>
Fund balances				
Restricted for:				
Street improvement	-	252,865	-	252,865
Crime control district	101,687	-	-	101,687
Unassigned	<u>-</u>	<u>-</u>	<u>(16,194)</u>	<u>(16,194)</u>
Total fund balances	<u>101,687</u>	<u>252,865</u>	<u>(16,194)</u>	<u>338,358</u>
Total liabilities and fund balances	<u>\$ 102,152</u>	<u>\$ 252,865</u>	<u>\$ 2,204</u>	<u>\$ 357,221</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, 2011

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Crime Control District	Street Improvement Tax	Debt Service Fund	
Revenues				
Property taxes	\$ -	\$ -	\$ 210,312	\$ 210,312
Sales tax	45,802	65,518	-	111,320
Donations	-	60,000	-	60,000
Interest income	102	382	7	491
Total revenues	<u>45,904</u>	<u>125,900</u>	<u>210,319</u>	<u>382,123</u>
Expenditures				
Administrative	13,669	12,000	-	25,669
Capital outlay	21,984	103,379	-	125,363
Debt service	-	-	210,620	210,620
Total expenditures	<u>35,653</u>	<u>115,379</u>	<u>210,620</u>	<u>361,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,251</u>	<u>10,521</u>	<u>(301)</u>	<u>20,471</u>
Fund balances, beginning of year	<u>91,436</u>	<u>242,344</u>	<u>(15,893)</u>	<u>317,887</u>
Fund balances, end of year	<u>\$ 101,687</u>	<u>\$ 252,865</u>	<u>\$ (16,194)</u>	<u>\$ 338,358</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, 2011
(With Comparative Totals For the Fiscal Year Ending September 30, 2010)

	Budgeted Amounts		2011 Actual	Variance with Final Budget Favorable (Unfavorable)	2010 Actual
	Original	Final			
Taxes					
General property taxes					
Current	\$ 1,020,845	\$ 1,020,845	\$ 1,021,160	\$ 315	\$ 946,102
Delinquent	26,000	26,000	17,304	(8,696)	33,120
Penalty and interest	24,000	24,000	24,640	640	27,745
Sales tax	210,000	210,000	261,967	51,967	227,369
Mixed beverage tax	8,500	8,500	12,813	4,313	9,901
Gross receipts tax	229,000	229,000	273,750	44,750	259,940
Bingo revenue tax	13,500	13,500	17,832	4,332	17,360
Totals	<u>1,531,845</u>	<u>1,531,845</u>	<u>1,629,466</u>	<u>97,621</u>	<u>1,521,537</u>
Licenses and permits					
Ambulance fees	190,000	190,000	198,654	8,654	192,819
Sanitation fees	209,000	209,000	198,409	(10,591)	187,062
Animal adoption fees	1,000	1,000	613	(387)	-
Animal control fees	1,000	1,000	1,265	265	6,927
Building permits	3,000	3,000	7,368	4,368	4,772
Amusement machine permits	500	500	495	(5)	771
Other licenses and permits	8,500	8,500	14,985	6,485	9,774
Totals	<u>413,000</u>	<u>413,000</u>	<u>421,789</u>	<u>8,789</u>	<u>402,125</u>
Intergovernmental					
Federal grant	-	13,364	18,061	4,697	11,755
State grant	5,069	5,069	4,146	(923)	5,069
Local grant	-	20,000	20,000	-	17,716
Totals	<u>5,069</u>	<u>38,433</u>	<u>42,207</u>	<u>3,774</u>	<u>34,540</u>
Donations					
County runs - fire	70,000	74,567	79,875	5,308	75,250
County runs - EMS	30,000	30,000	36,860	6,860	34,104
Ambulance fees - insurance	98,500	98,500	128,809	30,309	111,781
Totals	<u>198,500</u>	<u>203,067</u>	<u>245,544</u>	<u>42,477</u>	<u>221,135</u>
Fines and fees					
Court fines	60,000	60,000	68,481	8,481	79,831
Security alarm fee	600	600	600	-	1,140
Labor liens recovery	800	800	398	(402)	1,583
Library fines and fees	1,900	1,900	2,154	254	2,362
Totals	<u>63,300</u>	<u>63,300</u>	<u>71,633</u>	<u>8,333</u>	<u>84,916</u>
Other revenues					
Pay phone commissions	100	100	40	(60)	153
Garage sale permits	2,000	2,000	4,343	2,343	4,320
Land rental	2,400	2,400	2,200	(200)	44,000
Confiscated properties income	-	-	2,064	2,064	3,346
Oil and gas royalties	12,000	12,000	13,953	1,953	27,458
Miscellaneous	17,000	17,000	(5,844)	(22,844)	26,649
Totals	<u>\$ 33,500</u>	<u>\$ 33,500</u>	<u>\$ 16,756</u>	<u>\$ (16,744)</u>	<u>\$ 105,926</u>

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

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2011
(With Comparative Totals For the Fiscal Year Ending September 30, 2010)

	Budgeted Amounts		2011 Actual	Variance with Final Budget Favorable (Unfavorable)	2010 Actual
	Original	Final			
Administrative					
Salaries	\$ 315,738	\$ 294,352	\$ 293,075	\$ 1,277	\$ 279,732
Supplies	23,700	24,270	10,780	13,490	13,114
Services	199,600	211,875	212,939	(1,064)	198,380
Maintenance	16,250	24,791	18,366	6,425	15,271
Capital outlay	-	-	15,643	(15,643)	5,862
Debt service	-	-	180	(180)	-
Totals	<u>555,288</u>	<u>555,288</u>	<u>550,983</u>	<u>4,305</u>	<u>512,359</u>
Streets					
Salaries	278,317	272,667	244,939	27,728	235,631
Supplies	4,750	5,116	2,893	2,223	6,208
Services	277,700	278,517	284,528	(6,011)	273,315
Maintenance	28,790	33,257	15,042	18,215	20,434
Capital outlay	-	-	13,430	(13,430)	-
Debt service	12,942	12,942	12,942	-	12,942
Totals	<u>602,499</u>	<u>602,499</u>	<u>573,774</u>	<u>28,725</u>	<u>548,530</u>
Parks and building maintenance					
Salaries	35,531	35,531	30,715	4,816	29,173
Supplies	17,000	39,004	9,658	29,346	18,122
Services	35,000	35,000	34,178	822	31,902
Capital outlay	-	-	37,840	(37,840)	-
Totals	<u>87,531</u>	<u>109,535</u>	<u>112,391</u>	<u>(2,856)</u>	<u>79,197</u>
Police					
Salaries	934,487	907,417	869,979	37,438	848,861
Supplies	22,500	24,513	22,611	1,902	23,077
Services	38,345	50,477	45,275	5,202	44,295
Maintenance	17,600	22,032	18,439	3,593	19,176
Capital outlay	-	-	-	-	4,816
Debt service	-	-	-	-	7,721
Totals	<u>1,012,932</u>	<u>1,004,439</u>	<u>956,304</u>	<u>48,135</u>	<u>947,946</u>
Maintenance garage					
Salaries	60,973	55,923	56,136	(213)	52,932
Supplies	52,310	78,569	80,515	(1,946)	66,606
Services	6,850	4,539	4,698	(159)	4,788
Maintenance	32,500	27,314	28,143	(829)	26,921
Capital outlay	-	-	-	-	5,670
Totals	<u>\$ 152,633</u>	<u>\$ 166,345</u>	<u>\$ 169,492</u>	<u>\$ (3,147)</u>	<u>\$ 156,917</u>

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

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2011
(With Comparative Totals For the Fiscal Year Ending September 30, 2010)

	Budgeted Amounts		2011 Actual	Variance with Final Budget Favorable (Unfavorable)	2010 Actual
	Original	Final			
Emergency medical service					
Salaries	\$ 334,032	\$ 327,514	\$ 257,516	\$ 69,998	\$ 249,215
Supplies	13,250	15,977	14,345	1,632	13,115
Services	18,870	22,493	19,723	2,770	13,896
Maintenance	1,800	1,968	1,486	482	509
Totals	<u>367,952</u>	<u>367,952</u>	<u>293,070</u>	<u>74,882</u>	<u>276,735</u>
Fire					
Volunteer Benefits	11,300	10,282	10,282	-	10,302
Supplies	8,524	46,897	40,705	6,192	40,840
Services	18,300	15,754	15,190	564	16,814
Maintenance	12,300	16,663	16,563	100	13,211
Capital outlay	5,200	3,959	3,931	28	-
Debt service	2,000	2,000	1,541	459	1,541
Totals	<u>57,624</u>	<u>95,555</u>	<u>88,212</u>	<u>7,343</u>	<u>82,708</u>
Community and activity centers					
Services	3,300	4,636	4,757	(121)	3,114
Maintenance	1,000	325	324	1	325
Totals	<u>4,300</u>	<u>4,961</u>	<u>5,081</u>	<u>(120)</u>	<u>3,439</u>
Municipal court					
Salaries	51,125	48,444	41,547	6,897	45,097
Supplies	1,300	1,362	1,843	(481)	4,161
Services	18,650	20,608	21,683	(1,075)	17,536
Maintenance	2,000	2,000	1,764	236	5,142
Totals	<u>73,075</u>	<u>72,414</u>	<u>66,837</u>	<u>5,577</u>	<u>71,936</u>
Code enforcement					
Salaries	42,536	42,110	37,999	4,111	37,248
Supplies	4,200	4,626	1,801	2,825	9,191
Services	11,425	11,425	8,457	2,968	14,322
Maintenance	490	490	-	490	67
Debt service	6,717	6,717	-	6,717	-
Totals	<u>\$ 65,368</u>	<u>\$ 65,368</u>	<u>\$ 48,257</u>	<u>\$ 17,111</u>	<u>\$ 60,828</u>

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

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2011
(With Comparative Totals For the Fiscal Year Ending September 30, 2010)

	Budgeted Amounts		2011 Actual	Variance with Final Budget Favorable (Unfavorable)	2010 Actual
	Original	Final			
Library					
Salaries	\$ 114,860	\$ 113,300	\$ 59,544	\$ 53,756	\$ 55,794
Supplies	7,119	7,244	6,259	985	7,823
Services	16,200	17,635	17,315	320	16,921
Maintenance	2,000	2,000	1,309	691	1,947
Totals	<u>140,179</u>	<u>140,179</u>	<u>84,427</u>	<u>55,752</u>	<u>82,485</u>
Animal control					
Salaries	48,240	42,717	40,363	2,354	43,686
Supplies	3,800	6,800	6,776	24	3,560
Services	4,850	5,028	2,271	2,757	3,368
Maintenance	1,000	6,618	979	5,639	2,150
Capital outlay	5,928	4,779	5,638	(859)	-
Totals	<u>\$ 63,818</u>	<u>\$ 65,942</u>	<u>\$ 56,027</u>	<u>\$ 9,915</u>	<u>\$ 52,764</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 -
Crime Control and Prevention District Fund
For the Fiscal Year Ended September 30, 2011
(With Comparative Totals For the Fiscal Year Ending September 30, 2010)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2010 Actual
	Original and Final	2011 Actual		
Revenues				
Sales tax	\$ 35,765	\$ 45,802	\$ 10,037	\$ 38,362
Interest income	100	102	2	111
Total revenues	35,865	45,904	10,039	38,473
Expenditures				
Administrative	14,668	13,669	999	23,500
Capital outlay	25,000	21,984	3,016	27,417
Total expenditures	39,668	35,653	4,015	50,917
Excess (deficiency) of revenues over (under) expenditures	(3,803)	10,251	14,054	(12,444)
Fund balances, beginning of year	91,436	91,436	-	103,880
Fund balances, end of year	<u>\$ 87,633</u>	<u>\$ 101,687</u>	<u>\$ 14,054</u>	<u>\$ 91,436</u>

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, 2011
(With Comparative Totals For the Fiscal Year Ending September 30, 2010)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2010 Actual
	Original and Final	2011 Actual		
Revenues				
Sales tax	\$ 52,500	\$ 65,518	\$ 13,018	\$ 56,872
Donations	-	60,000	(60,000)	-
Interest income	335	382	47	380
Total revenues	52,835	125,900	(46,935)	57,252
Expenditures				
Administrative	12,000	12,000	-	12,000
Capital outlay	56,500	103,379	(46,879)	-
Total expenditures	68,500	115,379	(46,879)	12,000
Excess (deficiency) of revenues over (under) expenditures	(15,665)	10,521	(93,814)	45,252
Fund balances, beginning of year	242,344	242,344	-	197,092
Fund balances, end of year	<u>\$ 226,679</u>	<u>\$ 252,865</u>	<u>\$ (93,814)</u>	<u>\$ 242,344</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 (Deficit)
- Budget and Actual -
Debt Service Fund
For the Fiscal Year Ended September 30, 2011
(With Comparative Totals For the Fiscal Year Ending September 30, 2010)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2010 Actual
	Original and Final	2011 Actual		
Revenues				
Property taxes	\$ 212,255	\$ 210,312	\$ (1,943)	\$ 219,924
Interest Income	8	7	(1)	10
Total revenues	<u>212,263</u>	<u>210,319</u>	<u>(1,944)</u>	<u>219,934</u>
Expenditures				
Debt and capitalized lease debt service:				
Principal retirement	163,000	163,000	-	162,000
Interest and fiscal charges	49,120	47,620	1,500	53,815
Total expenditures	<u>212,120</u>	<u>210,620</u>	<u>1,500</u>	<u>215,815</u>
Excess (deficiency) of revenues over (under) expenditures	<u>143</u>	<u>(301)</u>	<u>(444)</u>	<u>4,119</u>
Fund balance (deficit), beginning of year	<u>(15,893)</u>	<u>(15,893)</u>	<u>-</u>	<u>(20,012)</u>
Fund balance (deficit), end of year	<u>\$ (15,750)</u>	<u>\$ (16,194)</u>	<u>\$ (444)</u>	<u>\$ (15,893)</u>

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

CITY OF EVERMAN, TEXAS
Statement of Expenses - Budget and Actual
Enterprise Fund
For the Fiscal Year Ended September 30, 2011
(With Comparative Totals For the Fiscal Year Ending September 30, 2010)

	Budgeted Amounts		2011 Actual	Variance with Final Budget Favorable (Unfavorable)	2010 Actual
	Original	Final			
Water					
Salaries	\$ 248,642	\$ 226,333	\$ 215,800	\$ 10,533	\$ 209,090
Supplies	88,520	82,909	33,269	49,640	34,772
Services	157,250	162,883	153,119	9,764	130,703
Maintenance	31,500	46,545	37,127	9,418	22,349
Equipment	14,000	14,000	4,870	9,130	20,623
Totals	539,912	532,670	444,185	88,485	417,537
Sewer					
Supplies	6,000	13,242	10,922	2,320	2,741
Services	471,000	471,000	492,104	(21,104)	465,983
Totals	\$ 477,000	\$ 484,242	\$ 503,026	\$ (18,784)	\$ 468,724

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

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2011

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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	<u>180,000</u>	<u>3,375</u>	<u>183,375</u>
	<u>\$ 1,125,000</u>	<u>\$ 153,844</u>	<u>\$ 1,278,844</u>

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

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2006 Tax Note Payable -
Debt Service Requirement in Future Years
September 30, 2011

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

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2012	<u>\$ 25,000</u>	<u>\$ 1,132</u>	<u>\$ 26,132</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Notes Payable -
Texas Commission on Fire Protection
Debt Service Requirement in Future Years
September 30, 2011

FIRE EQUIPMENT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2012	\$ 1,424	\$ 117	\$ 1,541
2013	1,460	81	1,541
2014	1,496	45	1,541
2015	<u>300</u>	<u>8</u>	<u>308</u>
	<u>\$ 4,680</u>	<u>\$ 251</u>	<u>\$ 4,931</u>

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

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Community Bank of Louisiana
Debt Service Requirement in Future Years
September 30, 2011

2 PUBLIC WORK TRUCKS /
ANIMAL CONTROL TRUCK

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2012	<u>\$ 12,244</u>	<u>\$ 698</u>	<u>\$ 12,942</u>

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

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Oce Financial Services, Inc.
Debt Service Requirement in Future Years
September 30, 2011

COPIER

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2012	\$ 1,729	\$ 431	\$ 2,160
2013	1,818	342	2,160
2014	1,911	249	2,160
2015	2,009	151	2,160
2016	<u>1,931</u>	<u>49</u>	<u>1,980</u>
	<u>\$ 9,398</u>	<u>\$ 1,222</u>	<u>\$ 10,620</u>

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

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2011

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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>\$ 950,000</u>	<u>\$ 168,188</u>	<u>\$ 1,118,188</u>

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

CITY OF EVERMAN, TEXAS
Schedule of Insurance Coverage
September 30, 2011

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2010	10/1/2011	\$ 3,573	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2010	10/1/2011	12,334	3663	9,983,912	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2010	10/1/2011	965	3663	235,268	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2010	10/1/2011	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2010	10/1/2011	8,480	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2010	10/1/2011	5,294	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2010	10/1/2011	23,794	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2010	10/1/2011	10,474	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2010	10/1/2011	582	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Animal Mortality and Theft	10/1/2010	10/1/2011	990	3663	10,000	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2010	10/1/2011	46,858	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
Total Premiums			<u>\$ 113,344</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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 9, 2012. 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 11-01 that we consider to be a significant deficiency in internal control over financial reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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We noted certain matters that we reported to management of the City of Everman, Texas, in a separate letter dated February 9, 2012.

The City of Everman, Texas' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

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 9, 2012

CITY OF EVERMAN, TEXAS
Schedule of Findings and Responses
For the Fiscal Year Ended September 30, 2011

Internal Control over Financial Reporting

Finding 11-01

Condition: Material adjusting entries were necessary to correct and adjust the balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Recommendation: The City should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring, preparation of reconciliations, and recording of financial transactions in the general ledger to produce more useful and accurate financial reports.

Response: The City will review the content of the adjusting entries and develop policies and procedures related to recording financial transactions as they occur in order to produce more useful and accurate financial reports.

