

CITY OF EVERMAN, TEXAS

**Annual Financial Report for the Year Ended
September 30, 2009**

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

City Council

Jim Stephenson, Mayor

Ray Richardson, Mayor Pro-Tem

Denise Douglass, Council member

Johnnie Mae Allen, Council member

Susan Mackey, Council member

Judy Sellers, Council member

Kelly Denison, Council member

Administrative

Donna Anderson, City Manager

Kathy Renshaw, Director of Finance

Tatiana Wolf, City Secretary

FINANCIAL SECTION



Snow, Garrett & Company
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of and for the year ended September 30, 2009, 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, 2009, 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 4, 2010, on our consideration of the City of Everman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Snow, Garrett & Company

Snow, Garrett & Company, CPA's
February 4, 2010

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, 2009. 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 2009 by \$7,658,378 (*net assets*). Of this amount, \$1,080,281 is restricted for specific purposes and \$2,726,406 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 \$3,851,691 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 \$3,292,200; of which \$2,211,919 or 67% represent unreserved fund balances. The more significant components of unreserved fund balance are maintained in the General Fund as emergency reserves.
- The General Fund unreserved fund balance of \$2,231,931 equals 64% of total General Fund expenditures.
- The City's total debt decreased by a net amount of \$318,051 during the current fiscal year as a result of scheduled annual debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

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

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

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

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

The proprietary fund financial statements can be found on pages 21 through 23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that for proprietary funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 41 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 43 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 \$7,658,378 as of September 30, 2009.

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 3,565,891	\$ 3,951,069	\$ 737,177	\$ 906,321	\$ 4,303,068	\$ 4,857,390
Capital assets, net of depreciation	<u>3,947,692</u>	<u>3,539,766</u>	<u>2,498,565</u>	<u>2,464,741</u>	<u>6,446,257</u>	<u>6,004,507</u>
Total assets	<u>7,513,583</u>	<u>7,490,835</u>	<u>3,235,742</u>	<u>3,371,062</u>	<u>10,749,325</u>	<u>10,861,897</u>
Long-term liabilities	1,524,948	1,756,325	1,131,448	1,218,122	2,656,396	2,974,447
Other liabilities	<u>247,732</u>	<u>206,427</u>	<u>186,819</u>	<u>191,498</u>	<u>434,551</u>	<u>397,925</u>
Total liabilities	<u>1,772,680</u>	<u>1,962,752</u>	<u>1,318,267</u>	<u>1,409,620</u>	<u>3,090,947</u>	<u>3,372,372</u>
Net assets:						
Invested in capital assets, net of related debt	2,420,600	1,778,657	1,431,091	1,335,050	3,851,691	3,113,707
Restricted	1,080,281	1,174,751	-	-	1,080,281	1,174,751
Unrestricted	<u>2,240,022</u>	<u>2,574,675</u>	<u>486,384</u>	<u>626,392</u>	<u>2,726,406</u>	<u>3,201,067</u>
Total Net Assets	<u>\$ 5,740,903</u>	<u>\$ 5,528,083</u>	<u>\$ 1,917,475</u>	<u>\$ 1,961,442</u>	<u>\$ 7,658,378</u>	<u>\$ 7,489,525</u>

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$3,851,691. 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 \$1,080,281 (or 14%) 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 (\$2,726,406) may be used to meet the City's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The City's net assets increased by \$168,853 during the current fiscal year. The City's governmental activities increased net assets by \$212,820 which included transfers from the business-type activities of \$519,215. The total cost of all governmental activities this year was \$3,436,001. The amount that taxpayers paid for these activities through property taxes was \$1,231,370 or 36%.

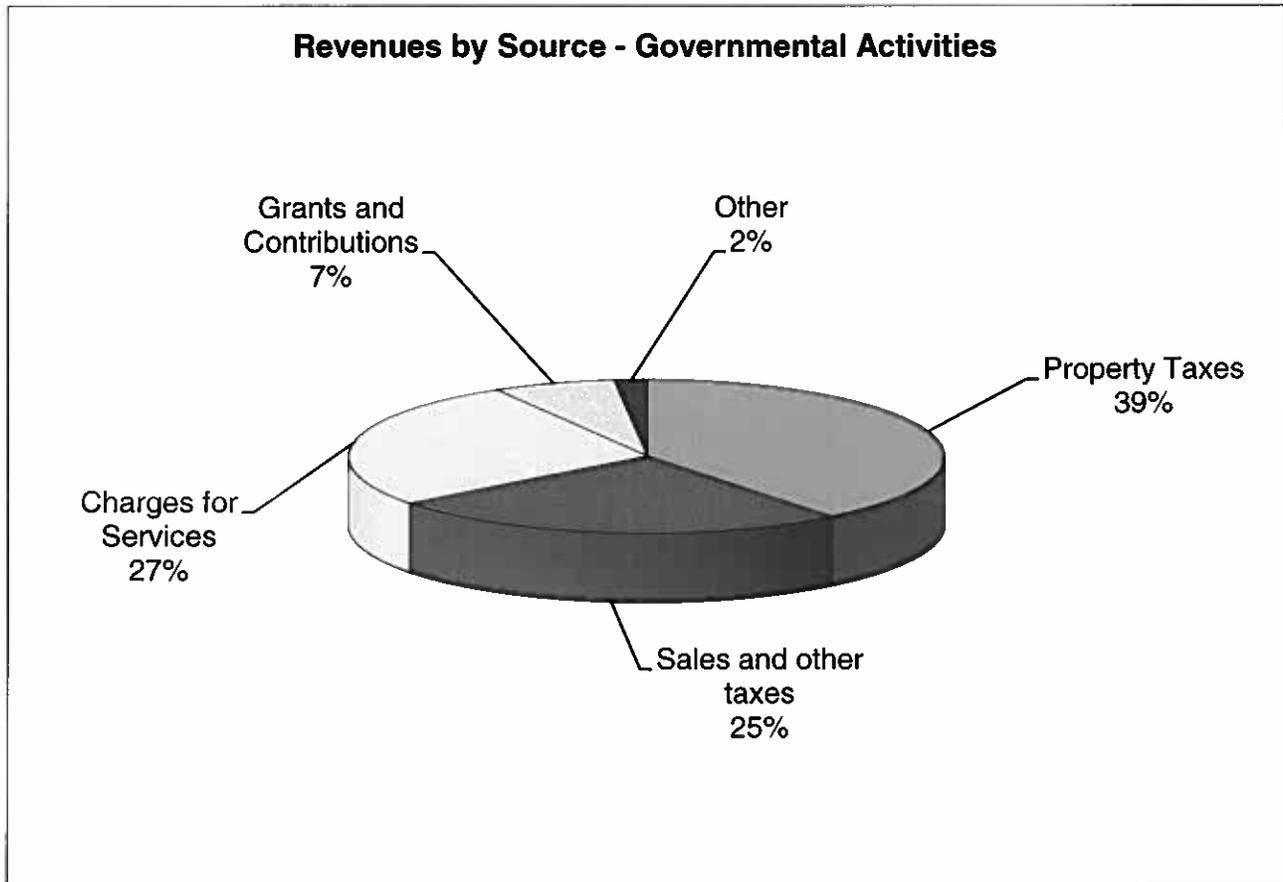
City of Everman's Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 847,836	\$ 606,454	\$ 1,559,400	\$ 1,428,641	\$ 2,407,236	\$ 2,035,095
Operating grants and contributions	206,353	285,231	-	-	206,353	285,231
Capital grants and contributions	-	-	81,917	96,958	81,917	96,958
General revenues:						
Property taxes	1,231,370	1,294,160	-	-	1,231,370	1,294,160
Sales and other taxes	788,631	823,808	-	-	788,631	823,808
Other	55,416	192,692	13,103	43,308	68,519	236,000
Total revenues	3,129,606	3,202,345	1,654,420	1,568,907	4,784,026	4,771,252
Expenses:						
Administrative	641,413	695,648	-	-	641,413	695,648
Streets	636,043	576,788	-	-	636,043	576,788
Parks and building maintenance	85,282	74,699	-	-	85,282	74,699
Police	1,088,457	1,013,590	-	-	1,088,457	1,013,590
Maintenance garage	183,280	183,796	-	-	183,280	183,796
Emergency medical services	340,322	324,777	-	-	340,322	324,777
Fire	83,194	98,754	-	-	83,194	98,754
Community and activity centers	4,904	24,263	-	-	4,904	24,263
Municipal court	77,933	68,732	-	-	77,933	68,732
Code enforcement	80,576	73,252	-	-	80,576	73,252
Library	85,231	61,696	-	-	85,231	61,696
Animal control	65,482	52,187	-	-	65,482	52,187
Interest on long-term debt	63,884	115,878	-	-	63,884	115,878
Water	-	-	600,609	584,341	600,609	584,341
Sewer	-	-	578,563	537,057	578,563	537,057
Total expenses	3,436,001	3,364,060	1,179,172	1,121,398	4,615,173	4,485,458
Increase (decrease) in net assets before transfers	(306,395)	(161,715)	475,248	447,509	168,853	285,794
Transfers	519,215	508,116	(519,215)	(508,116)	-	-
Increase (decrease) in net assets	212,820	346,401	(43,967)	(60,607)	168,853	285,794
Net assets, beginning of year	5,528,083	5,181,682	1,961,442	2,022,049	7,489,525	7,203,731
Net assets, end of year	\$ 5,740,903	\$ 5,528,083	\$ 1,917,475	\$ 1,961,442	\$ 7,658,378	\$ 7,489,525

Governmental activities. Governmental activities increased the City of Everman's net assets by \$212,820. Key elements of this increase are as follows:

- Increased charges for services in fiscal year 2009; and
- Transfer from business-type activities increased from prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)



Business-type activities. Business-type activities decreased the City's net assets by \$43,967. Key elements of this decrease are as follows:

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

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,292,200, a decrease of \$409,229 in comparison with the prior year. Approximately \$2,211,919 or 67% of the fund balance represents unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to fund economic development (\$799,309), street improvements (\$197,092), and crime control and prevention (\$103,880).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,231,931, which was the total fund balance. As a measure of the general fund's liquidity, we compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 64%, or slightly more than 233 days of total fund expenditures.

The fund balance of the City's general fund decreased by \$315,583 during the current fiscal year. Key factors in this decline are as follows:

- Increase in capital outlay expenditures;
- Decrease in interest income; and
- Decrease in fines and fees revenues.

The debt service fund has a negative fund balance of \$20,012. The net decrease in fund balance during the current year in the debt service fund was \$27,906.

GENERAL FUND BUDGETARY HIGHLIGHTS

Amendments to the original 2008-2009 general fund annual budget were relatively minor, except for capital outlay, which was mainly due to the purchase of an ambulance and fire truck, and can be briefly summarized as follows:

- Increase in supplies for administrative, parks and fire;
- Increase in salaries for streets;
- Increase in services for code enforcement and streets;
- Increase in maintenance for animal control and garage maintenance; and
- Decrease in salaries for library and code enforcement.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investments in total capital assets for its governmental and business-type activities as of September 30, 2009, amounts to \$6,446,257 (net of accumulated depreciation). Investments in capital assets related to governmental activities (\$3,947,692) include land, infrastructure, buildings and improvements, machinery and equipment, vehicles, and construction in progress. The City's investments in capital assets related to business-type activities (\$2,498,565) include land, water and sewer system, buildings and improvements, and machinery and equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

- Purchase of a fire truck;
- Purchase of an ambulance;
- Purchase of three police vehicles;
- Purchase of new financial computer system;
- Improvements to animal control building;
- Improvements to the water system; and
- Street improvements.

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 200,274	\$ 53,425	\$ 253,699
Construction in progress	111,060	-	111,060
Buildings and improvements	1,345,323	5,054	1,350,377
Infrastructure	1,427,883	-	1,427,883
Water and sewer system	-	2,440,086	2,440,086
Machinery and equipment	212,507	-	212,507
Vehicles	650,645	-	650,645
Total	\$ 3,947,692	\$ 2,498,565	\$ 6,446,257

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

Long-term debt. At the end of the current fiscal year, the City of Everman had total debt outstanding of \$2,656,396. Of this amount, \$1,395,000 represents general obligation refunding bonds secured by property tax collections, and \$975,000 represents general obligation refunding bonds and \$145,000 of certificates of obligation secured solely by revenue from the City's combined water and sewer system. In addition, the City had notes payable of \$87,424 and capital leases payable of \$53,972.

City of Everman's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 1,395,000	\$ 975,000	\$ 2,370,000
Certificates of obligation	-	145,000	145,000
Notes payable	87,424	-	87,424
Capital lease agreements	42,524	11,448	53,972
Total	\$ 1,524,948	\$ 1,131,448	\$ 2,656,396

The City of Everman's total debt decreased \$318,051 (10.7%) during the current fiscal year. Debt related to governmental activities decreased by \$231,377 as a result of scheduled debt service payments. Debt related to business-type activities decreased by \$86,674 as a result of scheduled debt service payments. The City's certificates of obligation are rated "BBB" by Standard and Poor's Corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2008-09 was \$.854127 per \$100 assessed valuation, of which \$.171086 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 2010, the City Council and management considered the following factors:

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF EVERMAN, TEXAS
Statement of Net Assets
September 30, 2009

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 3,400,214	\$ 330,647	\$ 3,730,861
Receivables			
Property taxes, net of allowance for uncollectibles	110,766	-	110,766
Accounts, net of allowances for uncollectibles	44,178	173,735	217,913
Restricted assets			
Cash and cash equivalents	-	161,213	161,213
Deferred debt issuance cost	10,733	71,582	82,315
Capital assets			
Land and construction in progress	311,334	53,425	364,759
Other capital assets, net of depreciation	3,636,358	2,445,140	6,081,498
Total capital assets	3,947,692	2,498,565	6,446,257
Total assets	7,513,583	3,235,742	10,749,325
Liabilities			
Accounts payable and accrues expenses	147,750	60,184	207,934
Interest payable	12,877	-	12,877
Due to other governments	4,442	-	4,442
Payable from restricted assets			
Customer deposits	-	114,313	114,313
Accrued interest payable	-	7,608	7,608
Net pension obligation	23,892		23,892
Vacation payable	58,771	4,714	63,485
Noncurrent liabilities			
Due within one year	182,403	91,448	273,851
Due in more than one year	1,342,545	1,040,000	2,382,545
Total liabilities	1,772,680	1,318,267	3,090,947
Net assets			
Invested in capital assets, net of related debt	2,420,600	1,431,091	3,851,691
Restricted for:			
Other purposes	1,080,281	-	1,080,281
Unrestricted	2,240,022	486,384	2,726,406
Total net assets	\$ 5,740,903	\$ 1,917,475	\$ 7,658,378

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, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities							
Administrative	\$ 641,413	\$ 152,805	\$ -	\$ -	\$ (488,608)	\$ -	\$ (488,608)
Streets	636,043	185,748	-	-	(450,295)	-	(450,295)
Parks and building maintenance	85,282	-	138	-	(85,144)	-	(85,144)
Police	1,088,457	-	-	-	(1,088,457)	-	(1,088,457)
Maintenance garage	183,280	-	-	-	(183,280)	-	(183,280)
Emergency medical services	340,322	363,112	103,836	-	126,626	-	126,626
Fire	83,194	-	92,360	-	9,166	-	9,166
Community and activity centers	4,904	50	-	-	(4,854)	-	(4,854)
Municipal court	77,933	101,471	-	-	23,538	-	23,538
Code enforcement	80,576	39,494	-	-	(41,082)	-	(41,082)
Library	85,231	2,496	10,019	-	(72,716)	-	(72,716)
Animal control	65,482	2,660	-	-	(62,822)	-	(62,822)
Interest on long-term debt	63,884	-	-	-	(63,884)	-	(63,884)
Total governmental activities	3,436,001	847,836	206,353	-	(2,381,812)	-	(2,381,812)
Business-type activities							
Water	600,609	881,552	-	81,917	-	362,860	362,860
Sewer	578,563	677,848	-	-	-	99,285	99,285
Total business-type activities	1,179,172	1,559,400	-	81,917	-	462,145	462,145
Total primary government	\$ 4,615,173	\$ 2,407,236	\$ 206,353	\$ 81,917	(2,381,812)	462,145	(1,919,667)
General revenues:							
Taxes							
Property					1,231,370	-	1,231,370
Sales tax					481,297	-	481,297
Mixed beverage tax					7,933	-	7,933
Franchise taxes					282,449	-	282,449
Bingo tax					16,952	-	16,952
Investment earnings					31,847	8,352	40,199
Miscellaneous					23,569	4,751	28,320
Transfers					519,215	(519,215)	-
Total general revenues and transfers					2,594,632	(506,112)	2,088,520
Change in net assets					212,820	(43,967)	168,853
Net assets, beginning of year					5,528,083	1,961,442	7,489,525
Net assets, end of year					\$ 5,740,903	\$ 1,917,475	\$ 7,658,378

CITY OF EVERMAN, TEXAS
Balance Sheet
Governmental Funds
September 30, 2009

ASSETS	General	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 2,291,816	\$ 803,469	\$ 304,929	\$ 3,400,214
Receivables				
Property taxes	134,377	-	33,657	168,034
Accounts, net of allowances for uncollectibles of \$8,187	34,302	-	-	34,302
Unbilled accounts	9,876	-	-	9,876
Due from other funds	23,969	-	-	23,969
Total assets	<u>\$ 2,494,340</u>	<u>\$ 803,469</u>	<u>\$ 338,586</u>	<u>\$ 3,636,395</u>
LIABILITIES AND FUND EQUITY				
Liabilities				
Accounts payable and accrued expenses	\$ 123,590	\$ 24,160	\$ -	\$ 147,750
Due to other governments	4,442	-	-	4,442
Due to other funds	-	-	23,969	23,969
Deferred revenue-property taxes	134,377	-	33,657	168,034
Total liabilities	<u>262,409</u>	<u>24,160</u>	<u>57,626</u>	<u>344,195</u>
Fund equity				
Fund Balance				
Reserved for street improvement	-	-	197,092	197,092
Reserved for crime control district	-	-	103,880	103,880
Reserved for economic development	-	779,309	-	779,309
Designated for child safety fund	468	-	-	468
Designated for LEOCE training fund	444	-	-	444
Designated for security fees	8,204	-	-	8,204
Designated for technology fees	6,979	-	-	6,979
Designated for miscellaneous	2,965	-	-	2,965
Unreserved and undesignated	2,212,871	-	-	2,212,871
Unreserved, reported in nonmajor Debt service fund	-	-	(20,012)	(20,012)
Total fund equity	<u>2,231,931</u>	<u>779,309</u>	<u>280,960</u>	<u>3,292,200</u>
Total liabilities and fund equity	<u>\$ 2,494,340</u>	<u>\$ 803,469</u>	<u>\$ 338,586</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.				3,947,692
Property tax receivable less allowance not available to pay for current period expenditures and, therefore, are deferred in the funds.				110,766
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.				(1,609,755)
Net assets of governmental activities - statement of net assets				<u>\$ 5,740,903</u>

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

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2009

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 1,535,873	\$ 124,266	\$ 347,877	\$ 2,008,016
Licenses, permits, and fees for services	423,271	-	-	423,271
Intergovernmental revenue	86,129	-	-	86,129
Donations	288,017	-	-	288,017
Fines and fees	108,102	-	-	108,102
Interest income	22,823	6,740	2,284	31,847
Other revenues	172,239	-	-	172,239
Administrative services - other funds	507,205	-	-	507,205
Total revenues	<u>3,143,659</u>	<u>131,006</u>	<u>350,161</u>	<u>3,624,826</u>
Expenditures				
Administrative	500,925	62,055	12,660	575,640
Streets	553,988	-	-	553,988
Parks and building maintenance	74,385	-	-	74,385
Police	943,004	-	-	943,004
Maintenance garage	157,469	-	-	157,469
Emergency medical services	296,557	-	-	296,557
Fire	72,911	-	-	72,911
Community and activity centers	4,298	-	-	4,298
Municipal court	68,118	-	-	68,118
Code enforcement	70,393	-	-	70,393
Library	74,696	-	-	74,696
Animal control	56,932	-	-	56,932
Capital outlay	592,809	89,534	141,429	823,772
Debt service	27,805	-	270,097	297,902
Total expenditures	<u>3,494,290</u>	<u>151,589</u>	<u>424,186</u>	<u>4,070,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(350,631)</u>	<u>(20,583)</u>	<u>(74,025)</u>	<u>(445,239)</u>
Other financing sources (uses)				
Transfer in	36,010	-	962	36,972
Transfer out	(962)	-	-	(962)
Total other financing sources (uses)	<u>35,048</u>	<u>-</u>	<u>962</u>	<u>36,010</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(315,583)</u>	<u>(20,583)</u>	<u>(73,063)</u>	<u>(409,229)</u>
Fund balances, beginning of year	<u>2,547,514</u>	<u>799,892</u>	<u>354,023</u>	<u>3,701,429</u>
Fund balances, end of year	<u>\$ 2,231,931</u>	<u>\$ 779,309</u>	<u>\$ 280,960</u>	<u>\$ 3,292,200</u>

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

CITY OF EVERMAN, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2009

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

Net change in fund balances - total governmental funds	\$ (409,229)
Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.	407,926
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,986
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.	(26,687)
The issuance of long-term debt (e.g. certificates of obligation, notes payable, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>228,824</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 212,820</u></u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,661,556	\$ 1,582,517	\$ 1,535,873	\$ (46,644)
Licenses, permits, and fees for services	396,600	396,600	423,271	26,671
Intergovernmental revenue	65,250	90,392	86,129	(4,263)
Donations	195,000	195,000	288,017	93,017
Fines and fees	105,100	105,100	108,102	3,002
Interest income	75,000	75,000	22,823	(52,177)
Other revenues	76,900	120,606	172,239	51,633
Administrative services - Enterprise Fund	507,205	507,205	507,205	-
Total revenues	<u>3,082,611</u>	<u>3,072,420</u>	<u>3,143,659</u>	<u>71,239</u>
Expenditures				
Administrative	579,740	592,923	500,925	91,998
Streets	568,814	596,415	553,988	42,427
Parks and building maintenance	83,315	104,215	74,385	29,830
Police	993,067	991,426	943,004	48,422
Maintenance garage	156,522	169,151	157,469	11,682
Emergency medical services	348,064	351,004	296,557	54,447
Fire	72,341	83,124	72,911	10,213
Community and activity centers	6,550	6,550	4,298	2,252
Municipal court	71,997	71,997	68,118	3,879
Code enforcement	80,039	86,909	70,393	16,516
Library	98,670	78,394	74,696	3,698
Animal control	58,302	84,358	56,932	27,426
Capital outlay	63,405	590,128	592,809	(2,681)
Debt service	-	40,235	27,805	12,430
Total expenditures	<u>3,180,826</u>	<u>3,846,829</u>	<u>3,494,290</u>	<u>352,539</u>
Excess of revenues over (under) expenditures	<u>(98,215)</u>	<u>(774,409)</u>	<u>(350,631)</u>	<u>423,778</u>
Other financing sources (uses)				
Transfers in - Payment in lieu of taxes	36,010	36,010	36,010	-
Transfers out	-	-	(962)	(962)
Total other financing sources (uses)	<u>36,010</u>	<u>36,010</u>	<u>35,048</u>	<u>(962)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(62,205)</u>	<u>(738,399)</u>	<u>(315,583)</u>	<u>422,816</u>
Carryover from prior year fund balance	63,000	765,297	-	(765,297)
Fund balances, beginning of year	<u>2,547,514</u>	<u>2,547,514</u>	<u>2,547,514</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,548,309</u>	<u>\$ 2,574,412</u>	<u>\$ 2,231,931</u>	<u>\$ (342,481)</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 -
Economic Development Corporation Fund
For the Fiscal Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales tax	\$ 134,000	\$ 134,000	\$ 124,266	\$ (9,734)
Interest income	20,000	20,000	6,740	(13,260)
Total revenues	154,000	154,000	131,006	(22,994)
Expenditures				
Administrative	62,500	29,380	62,055	(32,675)
Capital outlay	124,620	124,620	89,534	35,086
Total expenditures	187,120	154,000	151,589	2,411
Excess (deficiency) of revenues over (under) expenditures	(33,120)	-	(20,583)	(20,583)
Fund balances, beginning of year	799,892	799,892	799,892	-
Fund balances, end of year	\$ 766,772	\$ 799,892	\$ 779,309	\$ (20,583)

CITY OF EVERMAN, TEXAS
Statement of Net Assets
Enterprise Fund
September 30, 2009

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 330,647
Receivables	
Accounts, net of allowances for uncollectibles of \$33,070	139,060
Unbilled accounts	<u>34,675</u>
Total current assets	504,382
Restricted assets	
Cash and cash equivalents	161,213
Noncurrent assets	
Deferred debt issuance costs	71,582
Capital assets	
Land	53,425
Buildings and improvements	641,264
Waterworks and sewer system	5,086,583
Machinery and equipment	49,729
Accumulated depreciation	<u>(3,332,436)</u>
Total noncurrent assets	<u>2,570,147</u>
Total assets	<u>3,235,742</u>
LIABILITIES	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	60,184
Vacation payable	<u>4,714</u>
Total payable from current assets	64,898
Payable from restricted assets	
Current portion of bonds payable	80,000
Current portion of capital leases payable	11,448
Customer deposits	114,313
Accrued interest	<u>7,608</u>
Total payable from restricted assets	<u>213,369</u>
Total current liabilities	278,267
Noncurrent liabilities	
Certificates of obligation and bonds payable	<u>1,040,000</u>
Total noncurrent liabilities	<u>1,040,000</u>
Total liabilities	<u>1,318,267</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,431,091
Unrestricted	<u>486,384</u>
Total net assets	<u>\$ 1,917,475</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenses and Changes in
Net Assets - Enterprise Fund
For the Fiscal Year Ended September 30, 2009

	Water and Sewer Fund
Operating revenues	
Water and sewer sales	\$ 1,559,400
Other income	4,751
Total operating revenues	1,564,151
Operating expenses	
Water	422,476
Sewer	512,227
Administrative services - General Fund	483,205
Depreciation	171,760
Total operating expenses	1,589,668
Operating loss	(25,517)
Non-operating revenues (expenses)	
Intergovernmental revenue	81,917
Interest revenue	8,352
Interest expense and fiscal charge	(72,709)
Transfers out - Payment in lieu of taxes	(36,010)
Total non-operating revenues (expenses)	(18,450)
Change in net assets	(43,967)
Net assets, beginning of year	1,961,442
Net assets, end of year	\$ 1,917,475

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

CITY OF EVERMAN, TEXAS
Statement of Cash Flows
Enterprise Fund
For the Year Ended September 30, 2009

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,533,867
Cash paid to suppliers	(722,433)
Cash paid to employees	(216,936)
Cash paid to other funds	(483,205)
Net cash provided by operating activities	111,293
Cash Flows from Non Capital Financing Activities:	
Transfers to other funds	(36,010)
Net cash used in non capital financing activities	(36,010)
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(123,667)
Principal payments on long-term debt	(75,000)
Principal payments on capital lease	(11,674)
Interest payments and fiscal charge	(48,252)
Increase in customer deposits	1,132
Net cash used in capital and related financing activities	(257,461)
Cash Flows from Investing Activities:	
Interest income	8,352
Net cash provided by investing activities	8,352
Net decrease in cash and cash equivalents	(137,816)
Cash and cash equivalents at beginning of year	665,686
Cash and cash equivalents at end of year	\$ 527,870
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET ASSETS	
Cash and cash equivalents	\$ 330,647
Restricted cash and cash equivalents	161,213
Total cash and cash equivalents	\$ 491,860
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$ (25,517)
Adjustments to reconcile operating loss to net cash provided by operations:	
Depreciation	171,760
(Increase) decrease in:	
Accounts receivable	(15,432)
Unbilled receivables	(14,852)
Increase (decrease) in:	
Accounts payable and accrued expenses	(8,052)
Accrued vacation	3,386
Net cash provided by operating activities	\$ 111,293
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets - Intergovernmental revenue	\$ 81,917

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2009

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

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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 other Special Revenue, Capital Projects and Debt Service funds. The combined amounts for these funds are reflected in a single column in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Supplemental Information.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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 2008-2009 fiscal year, which provided for and approved all expenditures and transfers.

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note B. Summary of Significant Accounting Policies (Continued)

Cash Equivalents

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

Capital Assets

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

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

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

Long-Term Obligations

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

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

Fund Equity

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

Concentration of Credit Risk

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

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note B. Summary of Significant Accounting Policies (Continued)

Risk Management

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

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

Use of Estimates

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

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

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

- A. The governmental fund balance sheet includes reconciliation between fund balance for total governmental funds and net assets as reported in the government-wide statement of net assets. One element of that reconciliation explains "some liabilities, including bonds, notes, leases, net pension obligation, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$1,609,755 difference are as follows:

General Obligation Refunding Bonds	\$ (1,395,000)
Less: deferred charge for issuance costs (to be amortized over life of debt)	10,733
Notes payable	(87,424)
Capital leases payable	(42,524)
Accrued interest payable	(12,877)
Net pension obligation	(23,892)
Compensated absences	(58,771)
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 \$ (1,609,755)

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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

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

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

The details of this \$407,926 difference are as follows:

Capital outlay	\$ 823,772
Depreciation expense	(415,846)
	\$ 407,926
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 407,926

Another element of the reconciliation states "the issuance of long-term debt (e.g., certificates of obligation, notes payable, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect of net assets. Also governmental funds report the issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$228,824 difference are as follows:

Principal repayments	
Bonds	\$ 130,000
Notes	30,207
Capital leases	71,170
Amortization of debt issuance costs	(2,553)
	\$ 228,824
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ 228,824

Another element of the reconciliation states "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds." The details of this \$26,687 difference are as follows:

Net pension obligation	\$ (23,892)
Compensated absences	(4,696)
Accrued interest	5,194
Bad debt expense	(3,293)
	\$ (26,687)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ (26,687)

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note D. Deposits, Securities, and Investments

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

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

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

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

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

As of September 30, 2009, the City had the following investments included in cash and cash equivalents:

	Weighted Average Maturity	Market Value	% of Total
LOGIC Investment Pool	56 days	\$ 3,448,200	100.00%

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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

Interest Rate Risk – The City limits exposure to fair value losses arising from interest rates by not directly investing in securities with maturity dates that exceed 3 years from the date of purchase unless matched to a specific cash flow. Investments in LOGIC investment pool are available daily. At September 30, 2009, 100% of the City’s portfolio had maturity dates less than one year.

Credit Risk – As of September 30, 2009, the LOGIC investment pool was rated AAA or the equivalent by a nationally recognized credit rating agency as required by State statute.

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

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

As of September 30, 2009, 100.00% of the City’s portfolio was invested in Local Government Investment Pools.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name. At September 30, 2009 the City’s cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City’s name.

Note E. Local Tax Revenues and Receivables

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

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note F. Restricted Assets

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

Capital Projects/2000 CO issue - cash	\$	47,339
Customers' meter deposits - cash		113,874
Total restricted assets	\$	161,213

Note G. Interfund activity

During the course of the fiscal year, interfund payables and receivables arise. The following was outstanding as of September 30, 2009.

From	To	Amount
Debt Service Fund	General Fund	\$ 23,969

Interfund balances resulted from General Fund advances to the Debt Service Fund to assist in the payment of debt expenditures.

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, 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, 2009 are as follows:

Administrative overhead reimbursement from enterprise fund	\$	483,205
Administrative overhead reimbursement		
from Street Improvement Fund		12,000
from Economic Development Corporation Fund		12,000
Transfer to Capital Project Fund		(962)
Payment in lieu of taxes from enterprise fund		36,010
Total interfund transfers	\$	542,253

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note H. Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	Balance 10/1/2008	Additions	Disposals	Balance 9/30/2009
Governmental activities				
Capital assets not being depreciated				
Land	\$ 200,274	\$ -	\$ -	\$ 200,274
Construction in progress	166,331	111,060	166,331	111,060
Total capital assets not being depreciated	366,605	111,060	166,331	311,334
Other capital assets				
Buildings and improvements	3,891,843	20,146	-	3,911,989
Infrastructure	2,485,708	188,452	-	2,674,160
Machinery and equipment	773,163	64,967	-	838,130
Vehicles	766,572	605,478	9,554	1,362,496
Total other capital assets	7,917,286	879,043	9,554	8,786,775
Less accumulated depreciation for:				
Building and improvements	2,411,610	155,056	-	2,566,666
Infrastructure	1,125,300	120,977	-	1,246,277
Machinery and equipment	580,656	44,967	-	625,623
Vehicles	626,559	94,846	9,554	711,851
Total accumulated depreciation	4,744,125	415,846	9,554	5,150,417
Other capital assets, net	3,173,161	463,197	-	3,636,358
Governmental activities capital assets, net	\$ 3,539,766	\$ 574,257	\$ 166,331	\$ 3,947,692

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note H. Capital Assets (Continued)

	Balance 10/1/2008	Additions	Disposals	Balance 9/30/2009
Business-type activities				
Capital assets not being depreciated				
Land	\$ 53,425	\$ -	\$ -	\$ 53,425
Total capital assets not being depreciated	53,425	-	-	53,425
Other capital assets				
Buildings and improvements	641,264	-	-	641,264
Water and sewer system	4,880,999	205,584	-	5,086,583
Machinery and equipment	49,729	-	-	49,729
Total other capital assets	5,571,992	205,584	-	5,777,576
Less accumulated depreciation for:				
Building and improvements	636,008	202	-	636,210
Water and sewer system	2,476,588	169,909	-	2,646,497
Machinery and equipment	48,080	1,649	-	49,729
Total accumulated depreciation	3,160,676	171,760	-	3,332,436
Other capital assets, net	2,411,316	33,824	-	2,445,140
Business-type activities capital assets, net	<u>\$ 2,464,741</u>	<u>\$ 33,824</u>	<u>\$ -</u>	<u>\$ 2,498,565</u>

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

Governmental activities:

Administrative	\$ 81,189
Streets	78,135
Parks and building maintenance	10,491
Police	133,004
Maintenance garage	22,210
Emergency medical services	41,827
Fire	10,283
Community and activity centers	606
Municipal court	9,607
Code enforcement	9,928
Library	10,535
Animal control	8,031
Total Governmental activities	<u>\$ 415,846</u>

Business-type activities:

Water	\$ 141,779
Sewer	29,981
Total Business-type activities	<u>\$ 171,760</u>

CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009

Note I. Long-Term Debt

Long-term debt of the City consists of certificates of obligation, notes payable, and long-term capital leases. Retirement of the governmental funds debt is provided from the debt service tax together with interest earned within the Debt Service fund. Retirement of the enterprise funds debt is provided from the revenue of the system. Long-term debt at September 30, 2009 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 \$1,395,000 at September 30, 2009.

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 \$80,000 at September 30, 2009.

Notes Payable

Texas Commission on Fire Protection

- Secured by fire equipment.
- Payable in annual installments of \$1,541 over twenty years.
- Outstanding balance of \$7,424 at September 30, 2009, bearing interest at 2.5%.

Capital Lease Arrangements

Citizen's National Bank

- To purchase emergency siren and 911 radio console.
- Principal price of \$51,338.
- Payable in annual installments of \$7,720 over seven years.
- Outstanding balance of \$7,356 at September 30, 2009, bearing interest at 4.85%.

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 \$35,168 at September 30, 2009, bearing interest at 5.00%.

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note I. Long-Term Debt (Continued)

The following is an analysis of equipment leased under a capital lease as of September 30, 2009:

	<u>Governmental Activities</u>
Equipment	\$ 104,527
Less accumulated depreciation	<u>(70,499)</u>
Total	<u>\$ 34,028</u>

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

Scheduled future minimum lease payments	\$ 46,545
Amount representing interest	<u>4,021</u>
Present value of future minimum capital lease payments (principal payoff)	<u>\$ 42,524</u>

The following is the future annual requirements for capitalized leases:

Year	Principal	Interest	Total
2010	\$ 19,047	\$ 1,614	\$ 20,661
2011	11,355	1,587	12,942
2012	<u>12,122</u>	<u>820</u>	<u>12,942</u>
Total	<u>\$ 42,524</u>	<u>\$ 4,021</u>	<u>\$ 46,545</u>

Business-type activities

Combination Tax and Limited Pledge Revenue Certificates of Obligation Bond

- Series 2000 Combination Tax and Limited Pledge Revenue Certificates of Obligation Bond.
- Original Balance of \$1,500,000, with \$925,000 partially refunded in 2007.
- Payable in annual installments of \$45,000 to \$75,000, maturing February 1, 2011.
- Interest payable February 1 and August 1 at 5.00% to 7.00%.
- Outstanding balance of \$145,000 at September 30, 2009.

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 \$975,000 at September 30, 2009.

Capital Lease Arrangement

Citizen's National Bank

- To purchase sewer jet machine and related equipment and supplies.
- Principal price of \$55,050.
- Payable in annual installments of \$12,446 over five years.
- Outstanding balance of \$11,448 at September 30, 2009, bearing interest at 5.07%.

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note I. Long-Term Debt (Continued)

The following is an analysis of equipment leased under a capital lease as of September 30, 2009:

	Business-type Activities
Equipment	\$ 54,660
Less accumulated depreciation	(10,704)
Total	\$ 43,956

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

Scheduled future minimum lease payments	\$ 12,049
Amount representing interest	601
Present value of future minimum capital lease payments (principal payoff)	\$ 11,448

The following is the future annual requirements for capitalized leases:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 11,448	\$ 601	\$ 12,049
	<u>\$ 11,448</u>	<u>\$ 601</u>	<u>\$ 12,049</u>

The following is a summary of the changes by type of debt for the year ended September 30, 2009:

	<u>Balance 10/1/2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/2009</u>
<u>Governmental activities</u>				
General Obligation Refunding Bonds	\$ 1,525,000	\$ -	\$ 130,000	\$ 1,395,000
Notes Payable	117,631	-	30,207	87,424
Capital Leases	113,694	-	71,170	42,524
Total Governmental activities	<u>1,756,325</u>	<u>-</u>	<u>231,377</u>	<u>1,524,948</u>
<u>Business-type activities</u>				
Certificates of Obligation	210,000	-	65,000	145,000
General Obligation Refunding Bonds	985,000	-	10,000	975,000
Capital Leases	23,122	-	11,674	11,448
Total Business-type activities	<u>1,218,122</u>	<u>-</u>	<u>86,674</u>	<u>1,131,448</u>
Totals	<u>\$ 2,974,447</u>	<u>\$ -</u>	<u>\$ 318,051</u>	<u>\$ 2,656,396</u>

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note I. Long-Term Debt (Continued)

The annual requirements to amortize long-term debt as of September 30, 2009 are as follows:

Governmental activities

Fiscal Year Ending	General Obligation Refunding Bond		Notes Payable		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 135,000	\$ 49,781	\$ 28,355	\$ 3,810	\$ 19,047	\$ 1,614	\$ 237,607
2011	135,000	44,719	29,389	2,553	11,355	1,587	224,603
2012	145,000	39,469	26,424	1,249	12,122	820	225,084
2013	150,000	33,938	1,460	81	-	-	185,479
2014	150,000	28,312	1,496	45	-	-	179,853
2015-2019	680,000	52,125	300	8	-	-	732,433
Total	\$ 1,395,000	\$ 248,344	\$ 87,424	\$ 7,746	\$ 42,524	\$ 4,021	\$ 1,785,059

Business-type activities

Fiscal Year Ending	General Obligation Refunding Bond		Certificates of Obligation		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 10,000	\$ 36,375	\$ 70,000	\$ 5,758	\$ 11,448	\$ 601	\$ 134,182
2011	15,000	35,906	75,000	1,969	-	-	127,875
2012	90,000	33,938	-	-	-	-	123,938
2013	95,000	30,469	-	-	-	-	125,469
2014	100,000	26,812	-	-	-	-	126,812
2015-2019	545,000	74,719	-	-	-	-	619,719
2020-2024	120,000	2,250	-	-	-	-	122,250
Total	\$ 975,000	\$ 240,469	\$ 145,000	\$ 7,727	\$ 11,448	\$ 601	\$ 1,380,245

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, 2009 was \$63,485.

The following is a summary of the net changes in the liability for compensated absences for the year ended September 30, 2009:

	10/1/2008	Increase	Decrease	9/30/2009
Governmental activities	\$ 54,075	\$ 4,696	\$ -	\$ 58,771
Business-type activities	1,328	3,386	-	4,714
Total	\$ 55,403	\$ 8,082	\$ -	\$ 63,485

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note K. Restricted Net Assets

The government-wide statement of net assets reports \$1,080,281 of restricted net assets, which are restricted by enabling legislation for the following:

Economic development	\$ 779,309
Street improvements	197,092
Crime control district	<u>103,880</u>
Total restricted net assets	<u>\$ 1,080,281</u>

Note L. Pension Plan

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

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

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

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

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

A member is vested after 10 years.

Contributions

Under the state law governing TMRS, the 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.

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note L. Pension Plan (Continued)

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)	\$ 130,078
2. Interest on Net Pension Obligation	-
3. Adjustment to the ARC	-
4. Annual Pension Cost	<u>130,078</u>
5. Contributions Made	<u>106,186</u>
6. Increase in net pension obligation	23,892
7. Net Pension Obligation, beginning of year	-
8. Net Pension Obligation, end of year	<u><u>\$ 23,892</u></u>

<u>Fiscal Year Ending</u>	<u>Annual Pension Costs (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2007	\$ 87,995	\$ 87,995	100%	\$ -
9/30/2008	\$ 96,825	\$ 96,825	100%	\$ -
9/30/2009	\$ 130,078	\$ 106,186	82%	\$ 23,892

The required contribution rates for fiscal year 2009 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2008, also follows:

Actuarial Valuation Date	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>12/31/2008</u>
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years - Open Period	30 years - Closed Period	29 years - Closed Period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.5%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-living Adjustments	N/A	2.1%	2.1%

**CITY OF EVERMAN, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

Note L. Pension Plan (Continued)

The funded status as of December 31, 2008, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2008	\$ 2,524,638	\$ 3,173,449	79.6%	\$ 648,811	\$ 1,444,742	44.9%

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. 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 N. 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 O. Everman Crime Control and Prevention District

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

Note P. Litigation

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

**REQUIRED SUPPLEMENTAL
INFORMATION**

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage Covered of Payroll ((b-a)/c)
12/31/2006	\$ 2,204,159	\$ 2,385,744	\$ 181,585	92.39%	\$ 1,265,942	14.34%
12/31/2007	2,401,383	2,978,985	577,602	80.61%	1,261,447	45.79%
12/31/2008	2,524,638	3,173,449	648,811	79.56%	1,444,742	44.91%

SUPPLEMENTAL INFORMATION

CITY OF EVERMAN, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2009

	<u>Special Revenue Funds</u>			Capital Projects Fund	Total Nonmajor Governmental Funds
	<u>Crime Control District</u>	<u>Street Improvement Tax</u>	<u>Debt Service Fund</u>		
Assets					
Cash and cash equivalents	\$ 103,880	\$ 197,092	\$ 3,957	\$ -	\$ 304,929
Accounts receivables					
Property taxes	-	-	33,657	-	33,657
Total assets	<u>\$ 103,880</u>	<u>\$ 197,092</u>	<u>\$ 37,614</u>	<u>\$ -</u>	<u>\$ 338,586</u>
Liabilities and fund balances					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 23,969	\$ -	23,969
Deferred revenue	-	-	33,657	-	33,657
Total liabilities	-	-	57,626	-	57,626
Fund balances					
Reserved for street improvement	-	197,092	-	-	197,092
Reserved for crime control district	103,880	-	-	-	103,880
Unreserved and undesignated	-	-	(20,012)	-	(20,012)
Total fund balances	<u>103,880</u>	<u>197,092</u>	<u>(20,012)</u>	<u>-</u>	<u>280,960</u>
Total liabilities and fund balances	<u>\$ 103,880</u>	<u>\$ 197,092</u>	<u>\$ 37,614</u>	<u>\$ -</u>	<u>\$ 338,586</u>

CITY OF EVERMAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2009

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Crime Control District</u>	<u>Street Improvement Tax</u>	<u>Debt Service Fund</u>		
Revenues					
Property taxes	\$ -	\$ -	\$ 239,247	\$ -	\$ 239,247
Sales tax	46,497	62,133	-	-	108,630
Interest income	489	1,753	42	-	2,284
Total revenues	<u>46,986</u>	<u>63,886</u>	<u>239,289</u>		<u>350,161</u>
Expenditures					
Administrative	660	12,000	-	-	12,660
Capital outlay	87,399	54,030	-	-	141,429
Debt service	2,902	-	267,195	-	270,097
Total expenditures	<u>90,961</u>	<u>66,030</u>	<u>267,195</u>	<u>-</u>	<u>424,186</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,975)</u>	<u>(2,144)</u>	<u>(27,906)</u>	<u>-</u>	<u>(74,025)</u>
Other Financing Sources					
Transfers In	-	-	-	962	962
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(43,975)</u>	<u>(2,144)</u>	<u>(27,906)</u>	<u>962</u>	<u>(73,063)</u>
Fund balances, beginning of year	<u>147,855</u>	<u>199,236</u>	<u>7,894</u>	<u>(962)</u>	<u>354,023</u>
Fund balances, end of year	<u>\$ 103,880</u>	<u>\$ 197,092</u>	<u>\$ (20,012)</u>	<u>\$ -</u>	<u>\$ 280,960</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, 2009
(With Comparative Totals For the Fiscal Year Ending September 30, 2008)

	Budgeted Amounts		2009 Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
Taxes					
General property taxes					
Current	\$ 1,053,056	\$ 974,017	\$ 928,662	\$ (45,355)	\$ 974,139
Delinquent	31,000	31,000	26,534	(4,466)	35,632
Penalty and interest	29,000	29,000	24,942	(4,058)	31,815
Sales tax	285,000	285,000	248,401	(36,599)	274,624
Mixed beverage tax	4,500	4,500	7,933	3,433	4,903
Gross receipts tax	246,000	246,000	282,449	36,449	262,507
Bingo revenue tax	13,000	13,000	16,952	3,952	16,861
Totals	1,661,556	1,582,517	1,535,873	(46,644)	1,600,481
Licenses and permits					
Ambulance fees	190,000	190,000	195,319	5,319	190,869
Sanitation fees	188,200	188,200	185,748	(2,452)	169,023
Animal control fees	1,800	1,800	2,660	860	1,994
Building permits	3,000	3,000	16,126	13,126	24,744
Community center fees	200	200	50	(150)	50
Amusement machine permits	500	500	-	(500)	570
Other licenses and permits	12,900	12,900	23,368	10,468	18,756
Totals	396,600	396,600	423,271	26,671	406,006
Intergovernmental					
Federal grant	65,250	65,250	4,145	(61,105)	37,747
State grant	-	-	3,769	3,769	20,716
Local grant	-	25,142	78,215	53,073	-
Totals	65,250	90,392	86,129	(4,263)	58,463
Donations					
County runs - fire	50,000	50,000	66,250	16,250	53,750
County runs - EMS	35,000	35,000	53,836	18,836	30,657
Ambulance fees - insurance	110,000	110,000	167,793	57,793	142,361
Other donations	-	-	138	138	-
Totals	195,000	195,000	288,017	93,017	226,768
Fines and fees					
Court fines	100,000	100,000	101,471	1,471	126,197
MSB service collections	2,000	2,000	-	(2,000)	-
Security alarm fee	600	600	1,410	810	680
Labor liens recovery	1,000	1,000	2,725	1,725	11,260
Library fines and fees	1,500	1,500	2,496	996	2,083
Totals	105,100	105,100	108,102	3,002	140,220
Other revenues					
Pay phone commissions	500	500	160	(340)	686
Garage sale permits	1,400	1,400	2,531	1,131	1,842
Land rental	-	-	2,200	2,200	-
Confiscated properties income	-	-	5,694	5,694	2,813
Oil and gas royalties	50,000	93,706	138,085	44,379	54,887
Miscellaneous	25,000	25,000	23,569	(1,431)	86,679
Totals	\$ 76,900	\$ 120,606	\$ 172,239	\$ 51,633	\$ 146,907

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2009
(With Comparative Totals For the Fiscal Year Ending September 30, 2008)

	Budgeted Amounts		2009 Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
Administrative					
Salaries	\$ 320,301	\$ 317,163	\$ 291,179	\$ 25,984	\$ 286,027
Supplies	16,820	27,204	9,982	17,222	11,675
Services	223,750	230,806	195,178	35,628	214,206
Maintenance	18,869	17,750	4,586	13,164	24,967
Capital outlay	13,053	53,144	26,985	26,159	10,383
Debt service	-	1,119	208	911	208
Totals	592,793	647,186	528,118	119,068	547,466
Streets					
Salaries	266,562	277,955	252,061	25,894	229,065
Supplies	7,900	14,619	6,308	8,311	8,135
Services	254,500	269,453	266,415	3,038	246,564
Maintenance	39,852	34,388	29,204	5,184	24,671
Capital outlay	9,068	7,015	6,098	917	111,624
Debt service	-	12,942	14,062	(1,120)	14,062
Totals	577,882	616,372	574,148	42,224	634,121
Parks and building maintenance					
Salaries	41,865	42,207	35,237	6,970	18,868
Supplies	4,350	24,908	9,370	15,538	17,666
Services	36,100	36,100	29,778	6,322	29,389
Maintenance	1,000	1,000	-	1,000	-
Capital outlay	21,700	-	-	-	-
Totals	105,015	104,215	74,385	29,830	65,923
Police					
Salaries	900,043	904,984	871,214	33,770	817,251
Supplies	27,553	23,915	20,914	3,001	21,715
Services	38,130	41,711	34,905	6,806	36,839
Maintenance	27,341	20,816	15,971	4,845	16,962
Capital outlay	5,028	-	-	-	-
Debt service	-	7,741	7,880	(139)	7,880
Totals	998,095	999,167	950,884	48,283	900,647
Maintenance garage					
Salaries	56,767	54,001	53,893	108	50,607
Supplies	62,500	58,471	50,386	8,085	75,258
Services	5,700	8,974	7,409	1,565	5,878
Maintenance	31,555	47,705	45,781	1,924	33,153
Totals	\$ 156,522	\$ 169,151	\$ 157,469	\$ 11,682	\$ 164,896

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, 2009
(With Comparative Totals For the Fiscal Year Ending September 30, 2008)

	Budgeted Amounts		2009 Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
Emergency medical service					
Salaries	\$ 309,114	\$ 304,022	\$ 252,975	\$ 51,047	\$ 249,701
Supplies	15,500	22,379	20,545	1,834	15,182
Services	7,515	6,613	6,560	53	6,211
Maintenance	15,935	17,990	16,477	1,513	17,176
Capital outlay	-	139,925	139,925	-	3,900
Totals	<u>348,064</u>	<u>490,929</u>	<u>436,482</u>	<u>54,447</u>	<u>292,170</u>
Fire					
Volunteer Benefits	8,475	8,083	8,048	35	9,357
Supplies	15,650	31,075	36,505	(5,430)	42,686
Services	22,000	20,689	17,333	3,356	18,104
Maintenance	26,216	23,277	11,025	12,252	17,197
Capital outlay	8,128	386,975	394,849	(7,874)	40,442
Debt service	-	11,716	5,059	6,657	3,678
Totals	<u>80,469</u>	<u>481,815</u>	<u>472,819</u>	<u>8,996</u>	<u>131,464</u>
Community and activity centers					
Supplies	600	100	-	100	-
Services	4,450	5,403	3,473	1,930	2,750
Maintenance	1,500	1,047	825	222	18,710
Totals	<u>6,550</u>	<u>6,550</u>	<u>4,298</u>	<u>2,252</u>	<u>21,460</u>
Municipal court					
Salaries	48,462	49,399	45,422	3,977	43,052
Supplies	1,500	1,350	1,350	-	1,225
Services	17,535	16,748	15,241	1,507	13,901
Maintenance	4,500	4,500	6,105	(1,605)	2,346
Capital outlay	-	-	4,806	(4,806)	-
Totals	<u>71,997</u>	<u>71,997</u>	<u>72,924</u>	<u>(927)</u>	<u>60,524</u>
Code enforcement					
Salaries	63,732	52,602	39,715	12,887	54,500
Supplies	2,500	4,331	3,175	1,156	2,259
Services	6,500	29,686	27,482	2,204	8,129
Maintenance	7,307	290	21	269	-
Debt service	-	6,717	596	6,121	596
Totals	<u>\$ 80,039</u>	<u>\$ 93,626</u>	<u>\$ 70,989</u>	<u>\$ 22,637</u>	<u>\$ 65,484</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, 2009
(With Comparative Totals For the Fiscal Year Ending September 30, 2008)

	Budgeted Amounts		2009 Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
Library					
Salaries	\$ 79,200	\$ 50,050	\$ 49,336	\$ 714	\$ 38,028
Supplies	3,720	12,756	12,468	288	4,057
Services	13,750	14,288	12,423	1,865	11,319
Maintenance	2,000	1,300	469	831	1,164
Totals	<u>98,670</u>	<u>78,394</u>	<u>74,696</u>	<u>3,698</u>	<u>54,568</u>
Animal control					
Salaries	51,102	42,352	41,619	733	41,689
Supplies	2,900	8,544	8,306	238	2,939
Services	3,500	5,176	4,936	240	1,615
Maintenance	800	28,286	2,071	26,215	781
Capital outlay	6,428	3,069	20,146	(17,077)	20,532
Totals	<u>\$ 64,730</u>	<u>\$ 87,427</u>	<u>\$ 77,078</u>	<u>\$ 10,349</u>	<u>\$ 67,556</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual -
Crime Control and Prevention District Fund
For the Fiscal Year Ended September 30, 2009
(With Comparative Totals For the Fiscal Year Ending September 30, 2008)

	Budgeted Amounts		2009 Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
Revenues					
Sales tax	\$ 57,000	\$ 57,000	\$ 46,497	\$ (10,503)	\$ 58,837
Interest income	1,500	1,500	489	(1,011)	1,561
Total revenues	58,500	58,500	46,986	(11,514)	60,398
Expenditures					
Current					
Administrative	3,349	3,349	660	2,689	12,565
Capital outlay	50,000	87,400	87,399	1	24,877
Capitalized lease debt service	-	-	2,902	(2,902)	2,902
Total expenditures	53,349	90,749	90,961	(212)	40,344
Excess (deficiency) of revenues over (under) expenditures	5,151	(32,249)	(43,975)	(11,726)	20,054
Carryover from prior year fund balance	-	37,400	-	(37,400)	0
Fund balances, beginning of year	147,855	147,855	147,855	-	127,801
Fund balances, end of year	\$ 153,006	\$ 153,006	\$ 103,880	\$ (49,126)	\$ 147,855

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 -
Street Improvement Fund
For the Fiscal Year Ended September 30, 2009
(With Comparative Totals For the Fiscal Year Ending September 30, 2008)

	Budgeted	2009	Variance with	2008
	Amounts		Final Budget	
	Original and	Actual	Favorable	Actual
	Final		(Unfavorable)	
Revenues				
Sales tax	\$ 65,000	\$ 62,133	\$ (2,867)	\$ 68,692
Interest income	3,500	1,753	(1,747)	4,400
Total revenues	68,500	63,886	(4,614)	73,092
Expenditures				
Administrative	12,000	12,000	-	
Capital outlay	68,500	66,030	2,470	6,180
Total expenditures	68,500	66,030	2,470	6,180
Excess (deficiency) of revenues over (under) expenditures	-	(2,144)	(2,144)	66,912
Fund balances, beginning of year	199,236	199,236	-	132,324
Fund balances, end of year	\$ 199,236	\$ 197,092	\$ (2,144)	\$ 199,236

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

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Debt Service Fund
For the Fiscal Year Ended September 30, 2009
(With Comparative Totals For the Fiscal Year Ending September 30, 2008)

	Budgeted Amounts		2009 Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
Revenues					
Property taxes	\$ 250,969	\$ 250,969	\$ 239,247	\$ (11,722)	\$ 244,620
Interest Income	150	150	42	(108)	135
Total revenues	251,119	251,119	239,289	(11,830)	244,755
Expenditures					
Debt and capitalized lease debt service:					
Principal retirement	241,699	266,841	204,294	62,547	196,416
Interest and fiscal charges	2,000	2,000	62,901	(60,901)	49,826
Total expenditures	243,699	268,841	267,195	1,646	246,242
Excess (deficiency) of revenues over (under) expenditures	7,420	(17,722)	(27,906)	(10,184)	(1,487)
Other Financing Sources (Uses)					
Refunding bond proceeds	-	-	-	-	1,560,000
Payment to refunded bond escrow agent	-	-	-	-	(1,562,504)
Debt issuance costs	-	-	-	-	(5,896)
Total other financing sources (uses)	-	-	-	-	(8,400)
Excess (deficiency) of revenues and financing sources over (under) other expenditures and other financing uses	7,420	(17,722)	(27,906)	(10,184)	(9,887)
Fund balances, beginning of year	7,894	7,894	7,894	-	17,781
Fund balances, end of year	\$ 15,314	\$ (9,828)	\$ (20,012)	\$ (10,184)	\$ 7,894

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, 2009
(With Comparative Totals For the Fiscal Year Ending September 30, 2008)

	Budgeted Amounts		2009 Actual	Variance with Final Budget Favorable (Unfavorable)	2008 Actual
	Original	Final			
Water					
Salaries	\$ 240,002	\$ 219,217	\$ 220,322	\$ (1,105)	\$ 186,102
Supplies	98,430	55,226	38,611	16,615	58,797
Services	192,740	171,417	136,721	34,696	128,470
Maintenance	36,802	60,021	16,944	43,077	23,498
Equipment	79,818	100,911	9,878	91,033	26,705
Totals	<u>647,792</u>	<u>606,792</u>	<u>422,476</u>	<u>184,316</u>	<u>423,572</u>
Sewer					
Supplies	8,800	8,800	2,879	5,921	9,736
Services	471,000	471,000	509,348	(38,348)	469,263
Equipment	12,300	12,300	-	12,300	-
Totals	<u>\$ 492,100</u>	<u>\$ 492,100</u>	<u>\$ 512,227</u>	<u>\$ (20,127)</u>	<u>\$ 478,999</u>

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

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2009

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2010	\$ 135,000	\$ 49,781	\$ 184,781
2011	135,000	44,719	179,719
2012	145,000	39,469	184,469
2013	150,000	33,938	183,938
2014	150,000	28,312	178,312
2015	160,000	22,500	182,500
2016	170,000	16,313	186,313
2017	170,000	9,937	179,937
2018	180,000	3,375	183,375
	<u>\$ 1,395,000</u>	<u>\$ 248,344</u>	<u>\$ 1,643,344</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2006 Tax Note Payable -
Debt Service Requirement in Future Years
September 30, 2009

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

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2010	\$ 27,000	\$ 3,624	\$ 30,624
2011	28,000	2,401	30,401
2012	<u>25,000</u>	<u>1,132</u>	<u>26,132</u>
	<u>\$ 80,000</u>	<u>\$ 7,157</u>	<u>\$ 87,157</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Notes Payable -
Texas Commission on Fire Protection
Debt Service Requirement in Future Years
September 30, 2009

FIRE EQUIPMENT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2010	\$ 1,355	\$ 186	\$ 1,541
2011	1,389	152	1,541
2012	1,424	117	1,541
2013	1,460	81	1,541
2014	1,496	45	1,541
2015	300	8	308
	<u>\$ 7,424</u>	<u>\$ 589</u>	<u>\$ 8,013</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Citizen's National Bank
Debt Service Requirement in Future Years
September 30, 2009

EMERGENCY SIREN/911 RADIO CONSOLE

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2010	<u>\$ 7,356</u>	<u>\$ 364</u>	<u>\$ 7,720</u>
	<u><u>\$ 7,356</u></u>	<u><u>\$ 364</u></u>	<u><u>\$ 7,720</u></u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Community Bank of Louisiana
Debt Service Requirement in Future Years
September 30, 2009

2 PUBLIC WORK TRUCKS /
ANIMAL CONTROL TRUCK

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2010	\$ 11,691	\$ 1,250	\$ 12,941
2011	11,355	1,587	12,942
2012	<u>12,122</u>	<u>820</u>	<u>12,942</u>
	<u>\$ 35,168</u>	<u>\$ 3,657</u>	<u>\$ 38,825</u>

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of Combination Tax and Limited Pledge
Revenue Certificates of Obligation, Series 2000
Debt Service Requirement in Future Years
September 30, 2009

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2010	\$ 70,000	\$ 5,758	\$ 75,758
2011	<u>75,000</u>	<u>1,969</u>	<u>76,969</u>
	<u><u>\$ 145,000</u></u>	<u><u>\$ 7,727</u></u>	<u><u>\$ 152,727</u></u>

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2009

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2010	\$ 10,000	\$ 36,375	\$ 46,375
2011	15,000	35,906	50,906
2012	90,000	33,938	123,938
2013	95,000	30,469	125,469
2014	100,000	26,812	126,812
2015	100,000	23,062	123,062
2016	105,000	19,219	124,219
2017	115,000	15,094	130,094
2018	115,000	10,781	125,781
2019	110,000	6,563	116,563
2020	120,000	2,250	122,250
	<u>\$ 975,000</u>	<u>\$ 240,469</u>	<u>\$ 1,215,469</u>

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

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of Capital Lease Payable -
Citizen's National Bank
Debt Service Requirement in Future Years
September 30, 2009

SEWER JET MACHINE

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2010	<u>\$ 11,448</u>	<u>\$ 601</u>	<u>\$ 12,049</u>
	<u><u>\$ 11,448</u></u>	<u><u>\$ 601</u></u>	<u><u>\$ 12,049</u></u>

CITY OF EVERMAN, TEXAS
Schedule of Insurance Coverage
September 30, 2009

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2008	10/1/2009	\$ 3,791	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2008	10/1/2009	10,185	3663	6,214,226	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2008	10/1/2009	1,167	3663	256,163	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2008	10/1/2009	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2008	10/1/2009	7,010	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2008	10/1/2009	4,866	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2008	10/1/2009	16,903	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2008	10/1/2009	7,010	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2008	10/1/2009	647	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2008	10/1/2009	49,543	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
Total Premiums			<u>\$ 101,122</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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 4, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Everman's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. 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 4, 2010.

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 4, 2010