

CITY OF WOLFFORTH, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2008

CITY OF WOLFFORTH, TEXAS

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CITY OF WOLFFORTH
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

This discussion and analysis of the City of Wolfforth's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2008. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- The assets of the City of Wolfforth exceeded its liabilities at the close of the fiscal year ending September 30, 2008 by \$6,525,260 (net assets).
- The City has several capital improvement projects underway. These are being funded by three certificate of obligation issues. Work is progressing at a steady pace.

Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to external customers and how the sales revenues covered the expenses of providing the goods or services.

The notes to the financial statements provide narrative explanations and additional data required for full disclosure in the government-wide statements and fund financial statements.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Wolfforth's basic financial statements. The City of Wolfforth's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Wolfforth's finances, in a manner similar to a private-sector business. The primary purpose of the Statement of Net Assets and the Statement of Activities is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the City's assets and liabilities at the end of the year, while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

The Statement of Net Assets presents information on all of the City of Wolfforth'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 of Wolfforth is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads and streets, sidewalks, etc.) to assess the overall health or financial condition of the City.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave).

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including the general administration, police, fire, EMS, streets, library, and parks. Property taxes, sales tax and franchise fees finance most of these activities.
- **Business-type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and sanitation solid waste collection are reported here.

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Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds – governmental and proprietary – utilize different accounting approaches.

Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

- The City of Wolfforth maintains two governmental funds. Information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund which is considered to be a major fund. The other governmental fund is the Debt Service Fund.
- Proprietary funds – The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

CITY OF WOLFFORTH
MANAGEMENT DISCUSSION AND ANALYSIS
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- The City of Wolfforth maintains a single individual enterprise fund. The City uses the enterprise fund to account for its water and sewer services and sanitation (solid waste disposal) services. This fund provides the same type of information as the government-wide statements, only in more detail.

Notes to the 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 immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information regarding the City's budgetary comparative information for the general fund.

THE CITY AS A WHOLE – Government-wide Financial Analysis

As stated above, the government-wide statements provide information on the City as a whole in a manner similar to businesses. The net assets statement demonstrates the differences between the City's assets and liabilities and serves as an indicator of the City's growth or decline in financial position. The statement of activities demonstrates the amount of growth or decline in the City's financial position.

The City's combined net assets were \$6.525 million as of September 30, 2008. Analyzing the net assets and net expenses of the governmental and business-type activities separately, the business-type activities net assets are \$3.213 million. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) and significant expense of the City's governmental and business-type activities.

The largest portion of the City's net assets (approximately 87%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. 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 capital assets themselves cannot be used to liquidate these liabilities. Additionally, a significant portion of the City's net assets are restricted for capital improvements or debt service.

CITY OF WOLFFORTH
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2008

Table 1
Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Current and other assets	\$ 727,025	\$ 544,556	\$ 3,559,197	\$ 2,698,318	\$ 4,286,222	\$ 3,242,874
Capital assets	<u>4,167,013</u>	<u>4,035,593</u>	<u>4,744,986</u>	<u>5,262,192</u>	<u>8,911,999</u>	<u>9,297,785</u>
Total assets	4,894,038	4,580,149	8,304,183	7,960,510	13,198,221	12,540,659
Current liabilities	319,878	295,451	440,236	273,823	760,114	569,274
Long-term liabilities	<u>1,137,109</u>	<u>972,597</u>	<u>4,596,070</u>	<u>4,473,528</u>	<u>5,733,179</u>	<u>5,446,125</u>
Total liabilities	1,456,987	1,268,048	5,036,306	4,747,351	6,493,293	6,015,399
Net assets						
Invested in capital assets,						
net of related debt	3,018,228	3,020,637	2,833,970	2,633,416	5,852,198	5,654,053
Restricted	361,674	277,050	2,803,720	1,969,865	3,165,394	2,246,915
Unrestricted	<u>57,149</u>	<u>14,414</u>	<u>(2,369,813)</u>	<u>(1,390,122)</u>	<u>(2,312,664)</u>	<u>(1,375,708)</u>
Total net assets	<u>\$ 3,437,051</u>	<u>\$ 3,312,101</u>	<u>\$ 3,267,877</u>	<u>\$ 3,213,159</u>	<u>\$ 6,704,928</u>	<u>\$ 6,525,260</u>

Governmental Activities

The City's governmental activities revenues were up approximately \$370,363 or 21.8% over the prior fiscal year. Revenues from most sources increased with the exception of interest and municipal court revenues. Expenditures were up \$365,382 or 20.6% over the previous year. The greatest expenditure increases were in the area of public safety.

Table 2
Governmental Activity Revenues

	<u>2007</u>	<u>2008</u>
Property taxes including P & I	\$ 907,745	\$ 1,032,736
Sales tax	231,597	292,812
Fire department revenue	45,786	51,425
EMS revenue	134,651	188,929
Franchise fees	135,034	147,870
Municipal court revenue	124,910	94,624
Permits and licenses	39,419	55,227
Library revenue	9,077	9,165
Park revenue	7,500	8,707
Interest revenue	26,268	15,344
Grant proceeds	1,573	44,977
Donations		93,092
Other revenues	<u>35,459</u>	<u>34,474</u>
	<u>\$ 1,699,019</u>	<u>\$ 2,069,382</u>

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Table 3 explains the changes in net assets for the City for the years ended September 30, 2007 and 2008. The governmental activities show a decrease in net assets for the year in the amount of \$124,949 while the business-type activities show a decrease in net assets in the amount of \$54,718.

Table 3
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenues:						
Program revenues						
Charges for services	\$ 198,455	\$ 253,839	\$ 1,086,310	\$ 1,088,257	\$ 1,284,765	\$ 1,342,096
Operating grants and cont	36,723	57,827			36,723	57,827
Capital grants and cont	1,573	138,069			1,573	138,069
General revenues						
Property taxes	907,745	1,032,736			907,745	1,032,736
Sales tax	231,597	292,812			231,597	292,812
Franchise fees	135,034	147,870			135,034	147,870
Other	<u>187,892</u>	<u>146,229</u>	<u>22,551</u>	<u>35,714</u>	<u>210,443</u>	<u>181,943</u>
Total Revenues	<u>1,699,019</u>	<u>2,069,382</u>	<u>1,108,861</u>	<u>1,123,971</u>	<u>2,807,880</u>	<u>3,193,353</u>
Expenses:						
City government	73,011	48,871			73,011	48,871
Municipal court	113,910	104,985			113,910	104,985
Financial administration	227,931	240,544			227,931	240,544
Building and grounds	146,837	272,492			146,837	272,492
Code enforcement		1,000				1,000
Public safety - police depart	583,953	643,518			583,953	643,518
Public safety - fire & EMS	331,853	525,084			331,853	525,084
Miscellaneous public service	2,674	12,032			2,674	12,032
Emergency management	2,559	2,499			2,559	2,499
Public works - street depart	107,966	96,457			107,966	96,457
Park	32,432	41,230			32,432	41,230
Library	113,128	116,373			113,128	116,373
Water, sewer and sanitation			1,047,328	1,220,149	1,047,328	1,220,149
Interest	<u>40,825</u>	<u>37,376</u>	<u>13,472</u>	<u>10,410</u>	<u>54,297</u>	<u>47,786</u>
Total Expenses	<u>1,777,079</u>	<u>2,142,461</u>	<u>1,060,800</u>	<u>1,230,559</u>	<u>2,837,879</u>	<u>3,373,020</u>
Increase (decrease) in net assets before transfers	(78,060)	(73,079)	48,061	(106,588)	(29,999)	(179,667)
Transfers	<u>63,733</u>	<u>(51,870)</u>	<u>(63,733)</u>	<u>51,870</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ (14,327)</u>	<u>\$ (124,949)</u>	<u>\$ (15,672)</u>	<u>\$ (54,718)</u>	<u>\$ (29,999)</u>	<u>\$ (179,667)</u>

CITY OF WOLFFORTH
MANAGEMENT DISCUSSION AND ANALYSIS
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The most significant governmental expenses for the City are administration and public safety. Public safety expenses are offset by traffic fines, fire call revenue from Lubbock County, EMS subsidy from University Medical Center, and EMS revenue from patients.

Business-type Activities

Revenues of the City's business-type activities were \$1,123,971 for the year ended September 30, 2008. Expenses for the City's business-type activities were \$1,230,559 for the year, resulting in a loss before transfers of \$106,588.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2008 fiscal year, the City had almost \$9.3 million net of depreciation invested in a broad range of fixed assets, including buildings, streets, water and sewer lines and equipment, vehicles, police and fire department equipment.

The City currently has several ongoing capital improvement projects underway. The improvements consist of water and sewer works projects in the business-type activities. The larger projects include water well rehabilitation and construction and a sewer lift station.

Table 4
Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Land	\$ 203,537	\$ 203,537	\$ 486,271	\$ 486,271	\$ 689,808	\$ 689,808
Buildings and improvements	1,625,869	1,715,892	127,513	124,025	1,753,382	1,839,917
Street and infrastructure	1,016,163	940,007			1,016,163	940,007
Office furniture, equipment	55,810	41,369			55,810	41,369
Vehicles and equipment	1,151,928	1,029,094	86,285	80,356	1,238,213	1,109,450
Library books and equipment	69,635	61,623			69,635	61,623
Construction in progress	44,071	44,071	867,473	1,559,467	911,544	1,603,538
Water and sewer system			3,177,444	3,012,072	3,177,444	3,012,072
Totals	<u>\$ 4,167,013</u>	<u>\$ 4,035,593</u>	<u>\$ 4,744,986</u>	<u>\$ 5,262,191</u>	<u>\$ 8,911,999</u>	<u>\$ 9,297,784</u>

Debt

At year-end, the City had \$5,733,179 in debt outstanding as compared to \$6,011,830 at the end of the prior fiscal year a decrease of 4.6%. Table 5 indicates the outstanding debt at September 30, 2007 and 2008.

CITY OF WOLFFORTH
MANAGEMENT DISCUSSION AND ANALYSIS
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Table 5
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Revenue Bonds Series 1976	\$	\$	\$ 48,000	\$ 42,000	\$ 48,000	\$ 42,000
Certificates of Obligation Series 1977	6,000	5,000			6,000	5,000
Certificates of Obligation Series 1994	55,000	37,500	55,000	37,500	110,000	75,000
Certificates of Obligation Series 2006			2,090,000	2,090,000	2,090,000	2,090,000
Refunding Bonds Series 2006	885,000	860,000	2,420,000	2,350,000	3,305,000	3,210,000
Notes and Capital Leases Payable	<u>353,586</u>	<u>234,609</u>	<u>99,244</u>	<u>76,570</u>	<u>452,830</u>	<u>311,179</u>
Totals	<u>\$ 1,299,586</u>	<u>\$ 1,137,109</u>	<u>\$ 4,712,244</u>	<u>\$ 4,596,070</u>	<u>\$ 6,011,830</u>	<u>\$ 5,733,179</u>

During the year ended September 30, 2008 the City did not issue any new debt. The City retired bonds and certificates of obligation in the amount of \$137,000 and notes in the amount of \$141,651 during the year.

General Fund Budgetary Highlights

The originally adopted budget was amended at the end of the fiscal year to reflect unexpected changes in expenditures that arose during the year. Revenues came in under the budget amount by \$413,000 due primarily to property taxes for both the general and the debt service funds being budgeted in the general fund. Expenses were under budget by \$120,000.

CITY OF WOLFFORTH
MANAGEMENT DISCUSSION AND ANALYSIS
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rate, and fees that will be charged for the business-type activities. The City experienced growth during the past year that is reflected in higher property tax revenues and sales tax revenues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors 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 additional financial information, contact Frankie Pittman, at the City of Wolfforth, PO Box 36, Wolfforth, Texas 79382.

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council
City of Wolforth, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Wolforth, Texas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wolforth, Texas'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. 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 the 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, and each major fund of the City of Wolforth, Texas as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 9 and 45 through 46, are not a required part 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.

Ehler & Hettler, LLP

Ehler and Hettler, LLP
Certified Public Accountants

June 9, 2009

CITY OF WOLFFORTH, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Unit
Assets	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Wolfforth</u> <u>EDC</u>
Cash and cash in bank	\$ 24,994.20	\$	\$ 24,994.20	\$ 354,379.07
Cash equivalent - Texpool		1,470.72	1,470.72	
Certificates of deposit	163,031.47	333,511.01	496,542.48	
Receivables				
Taxes, net	55,087.51		55,087.51	
Customer accounts, net		109,623.14	109,623.14	
Accrued interest	729.55	1,492.42	2,221.97	
Other governments	37,291.91		37,291.91	
Miscellaneous sources	70,060.06	6.10	70,066.16	
City of Wolfforth				21,856.42
Unamortized debt issuance cost	69,287.98	282,350.07	351,638.05	
Restricted Assets				
Cash and cash in bank	124,073.29	1,969,864.69	2,093,937.98	
Capital Assets, nondepreciable				
Land	203,537.07	486,270.40	689,807.47	
Construction in progress	44,070.98	1,559,467.16	1,603,538.14	
Capital Assets, depreciable, net				
Buildings and improvements	1,715,891.98	124,025.37	1,839,917.35	
Streets and infrastructure	940,007.34		940,007.34	
Office furniture and equipment	41,368.42		41,368.42	
Equipment and vehicles	1,029,094.22	80,356.25	1,109,450.47	
Library books and equipment	61,623.33		61,623.33	
Water and sewer system		3,012,072.39	3,012,072.39	
 Total Assets	 <u>\$ 4,580,149.31</u>	 <u>\$ 7,960,509.72</u>	 <u>\$ 12,540,659.03</u>	 <u>\$ 376,235.49</u>

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

CITY OF WOLFFORTH, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2008

	Primary Government			Component Unit
	Governmental	Business-type		Wolfforth
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>EDC</u>
Liabilities				
Accounts payable	\$ 104,297.95	\$ 49,441.02	\$ 153,738.97	\$ 18,000.00
Bank overdraft		5,895.75	5,895.75	
Accrued compensation payable	14,805.81	8,183.59	22,989.40	
Accrued interest payable	6,394.02	4,074.61	10,468.63	
Deposits and utility deposits	450.00	58,504.40	58,954.40	
Payable from restricted assets				
Accrued interest payable	4,991.40	25,181.09	30,172.49	
Non-current Liabilities				
Due within one year:				
Notes payable	116,012.08	24,042.83	140,054.91	
Certificates of obligation payable	18,500.00	17,500.00	36,000.00	
Refunding bonds payable	30,000.00	75,000.00	105,000.00	
Revenue bonds payable		6,000.00	6,000.00	
Due in more than one year:				
Notes payable	118,596.74	52,527.47	171,124.21	
Certificates of obligation payable	24,000.00	2,110,000.00	2,134,000.00	
Refunding bonds payable	830,000.00	2,275,000.00	3,105,000.00	
Revenue bonds payable		36,000.00	36,000.00	
Total Liabilities	1,268,048.00	4,747,350.76	6,015,398.76	18,000.00
Net Assets				
Invested in capital assets,				
net of related debt	3,020,637.26	2,633,416.23	5,654,053.49	
Unrestricted	14,413.50	(1,390,121.96)	(1,375,708.46)	358,235.49
Restricted for capital improvements	124,073.29	1,967,294.96	2,091,368.25	
Restricted for debt service	152,977.26	2,569.73	155,546.99	
Total Net Assets	\$ 3,312,101.31	\$ 3,213,158.96	\$ 6,525,260.27	\$ 358,235.49

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

CITY OF WOLFFORTH, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

					Net (Expenses) Revenue and Changes in Net Assets			
Program Revenues								Component
					Primary Government			Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Wolfforth EDC
Functions / Programs								
Primary Government:								
Governmental Activities:								
City government	\$ 48,870.85	\$ 55,227.35	\$	\$	\$ 6,356.50	\$	\$ 6,356.50	\$
Municipal court	104,984.77				(104,984.77)		(104,984.77)	
Financial administration	240,544.47				(240,544.47)		(240,544.47)	
Building and grounds	272,491.48				(272,491.48)		(272,491.48)	
Code enforcement	1,000.00				(1,000.00)		(1,000.00)	
Public safety - police department	643,518.05				(643,518.05)		(643,518.05)	
Public safety - fire and EMS	525,084.26	189,904.39	50,450.00		(284,729.87)		(284,729.87)	
Miscellaneous public service	12,032.28				(12,032.28)		(12,032.28)	
Emergency management	2,499.04				(2,499.04)		(2,499.04)	
Public works - street department	96,456.51				(96,456.51)		(96,456.51)	
Park	41,229.88	8,707.02		134,091.88	101,569.02		101,569.02	
Library	116,373.24		7,377.00	3,977.00	(105,019.24)		(105,019.24)	
Interest on long-term debt	37,376.47				(37,376.47)		(37,376.47)	
Total Governmental Activities	2,142,461.30	253,838.76	57,827.00	138,068.88	(1,692,726.66)	-	(1,692,726.66)	-
Business-type Activities:								
Water, sewer and sanitation	1,230,559.46	1,088,257.34				(142,302.12)	(142,302.12)	
Total Business-type Activities	1,230,559.46	1,088,257.34	-	-	-	(142,302.12)	(142,302.12)	-
Total Primary Government	\$ 3,373,020.76	\$ 1,342,096.10	\$ 57,827.00	\$ 138,068.88	(1,692,726.66)	(142,302.12)	(1,835,028.78)	-
Component Unit:								
Wolfforth Economic Development	\$ 62,330.31	\$ -	\$ -	\$ -	-	-	-	(62,330.31)
Property taxes					1,032,735.53		1,032,735.53	
Sales tax					292,812.66		292,812.66	146,380.83
Franchise fees					147,870.06		147,870.06	
Interest income					15,343.55	15,381.19	30,724.74	9,511.50
Transfers					(51,870.21)	51,870.21	-	
Other					130,885.74	20,332.91	151,218.65	
Total general revenues and transfers					1,567,777.33	87,584.31	1,655,361.64	155,892.33
Change in net assets					(124,949.33)	(54,717.81)	(179,667.14)	93,562.02
Net assets, October 1					3,437,050.64	3,267,876.77	6,704,927.41	264,673.47
Net assets, September 30					\$ 3,312,101.31	\$ 3,213,158.96	\$ 6,525,260.27	\$ 358,235.49

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

CITY OF WOLFFORTH, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2008

	General Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets				
Cash and cash in bank	\$ 2,557.29	\$ 1,920.55	\$	\$ 4,477.84
Cash in MMA	19,765.26		2,671.65	22,436.91
Cash in MMA - capital improvements	122,152.74			122,152.74
Certificates of deposit	13,395.47		149,636.00	163,031.47
Receivables (net of allowance for uncollectibles)				
Taxes	48,033.67		7,053.84	55,087.51
Due from other governments	37,291.91			37,291.91
Accrued interest	59.94		669.61	729.55
Developers	68,251.23			68,251.23
Miscellaneous sources	1,808.83			1,808.83
Total Assets	<u>\$ 313,316.34</u>	<u>\$ 1,920.55</u>	<u>\$ 160,031.10</u>	<u>\$ 475,267.99</u>
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 104,297.95	\$	\$	\$ 104,297.95
Accrued compensation payable	7,707.81			7,707.81
Deposits	450.00			450.00
Deferred tax revenue	47,033.67		7,053.84	54,087.51
Total Liabilities	159,489.43	-	7,053.84	166,543.27
Fund Balance				
Reserved for capital projects	122,152.74	1,920.55		124,073.29
Reserved for debt service			152,977.26	152,977.26
Unreserved	31,674.17			31,674.17
Total Fund Balance	<u>153,826.91</u>	<u>1,920.55</u>	<u>152,977.26</u>	<u>308,724.72</u>
Total Liabilities and Fund Balance	<u>\$ 313,316.34</u>	<u>\$ 1,920.55</u>	<u>\$ 160,031.10</u>	<u>\$ 475,267.99</u>

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

CITY OF WOLFFORTH, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2008

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

Total fund balance per balance sheet	\$ 308,724.72
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Capital assets used in the operation of governmental funds are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Construction in progress	44,070.98	
Land	203,537.07	
Buildings and improvements	2,273,146.98	
Streets and infrastructure	3,810,470.34	
Office furniture and equipment	132,246.42	
Vehicles, equipment and machinery	2,275,080.22	
Library books and equipment	158,232.33	
Accumulated depreciation	<u>(4,861,191.00)</u>	
		4,035,593.34

Other long-term assets are not available to pay for current period expenditures and are therefore deferred in the funds and recognized as revenue in the statement of activities.

Deferred debt issuance expense		69,287.98
Deferred property taxes		54,087.51

Long-term liabilities of governmental funds are not due and payable in the current period and therefore, are not reported in the funds. These consist of:

Accrued interest	11,385.42	
Accrued vacation payable	7,098.00	
Notes payable	234,608.82	
Certificates of obligation payable	42,500.00	
Refunding bonds payable	<u>860,000.00</u>	
		<u>(1,155,592.24)</u>

Net assets of governmental activities	<u>\$ 3,312,101.31</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WOLFFORTH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General <u>Fund</u>	Capital Project <u>Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Funds</u>
Revenues				
Property taxes	\$ 857,217.07		\$ 148,359.98	\$ 1,005,577.05
Penalties and interest	8,327.50		1,280.93	9,608.43
Sales tax	292,812.66			292,812.66
Fire department revenue	51,425.00			51,425.00
Permits, licenses and fees	55,227.35			55,227.35
Municipal court revenue	94,624.20			94,624.20
Franchise fees	147,870.06			147,870.06
EMS revenue	138,479.39			138,479.39
EMS subsidy	50,450.00			50,450.00
Library revenue	9,164.80			9,164.80
Park revenue	8,707.02			8,707.02
Interest revenue	7,371.66		7,971.89	15,343.55
Grant proceeds	3,977.00	41,000.00		44,977.00
Donations		93,091.88		93,091.88
Miscellaneous	34,473.74			34,473.74
Total Revenues	1,760,127.45	134,091.88	157,612.80	2,051,832.13
Expenditures				
Current--				
City government	48,870.85			48,870.85
Municipal court	105,749.41			105,749.41
Financial administration	219,165.77		373.00	219,538.77
Building and grounds	220,442.27			220,442.27
Code enforcement	1,000.00			1,000.00
Public safety - police department	568,359.30			568,359.30
Public safety - fire and EMS	435,080.22			435,080.22
Miscellaneous public service	12,032.28			12,032.28
Emergency management	2,017.04			2,017.04
Public works - street department	6,629.51			6,629.51
Park	41,229.88			41,229.88
Library	101,349.48			101,349.48
Capital outlay	77,586.23	132,171.33		209,757.56
Debt service --				
Principal retirement			43,500.00	43,500.00
Interest			37,816.19	37,816.19
Total Expenditures	1,839,512.24	132,171.33	81,689.19	2,053,372.76
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(79,384.79)	1,920.55	75,923.61	(1,540.63)
Other Financing Sources (Uses)				
Payments on long-term debt	(118,977.15)			(118,977.15)
Transfers in	116,748.45		251,925.28	368,673.73
Transfers out	(34,798.53)		(385,745.41)	(420,543.94)
Total Other Financing Sources and Uses	(37,027.23)	-	(133,820.13)	(170,847.36)
Net Change in Fund Balance	(116,412.02)	1,920.55	(57,896.52)	(172,387.99)
Fund Balance, October 1	270,238.93	-	210,873.78	481,112.71
Fund Balance, September 30	<u>\$ 153,826.91</u>	<u>\$ 1,920.55</u>	<u>\$ 152,977.26</u>	<u>\$ 308,724.72</u>

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

CITY OF WOLFFORTH, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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

Net change in fund balance -- total governmental funds	\$ (172,387.99)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	209,757.56	
Depreciation expense	<u>(341,177.00)</u>	
		(131,419.44)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	17,550.05
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The issuance of long-term debt provides current financial resources to governmental funds, while 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.

Repayment of debt which decreases long-term liabilities in the Statement of Net Assets	<u>162,477.15</u>	
		162,477.15

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 governmental funds.

Accrued interest	(851.13)	
Accrued vacation payable	2,040.15	
Amortization of debt issuance cost	<u>(2,358.12)</u>	
		(1,169.10)

Change in net assets of governmental activities	<u>\$ (124,949.33)</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF WOLFFORTH, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2008

Assets	Enterprise <u>Fund</u>	<u>Total</u>
Current Assets		
Cash and cash in bank	\$	\$ -
Cash equivalent - Texpool	1,470.72	1,470.72
Certificates of deposit	333,511.01	333,511.01
Receivables (net of allowance for uncollectibles)		
Customer accounts	109,623.14	109,623.14
Accrued interest	1,492.42	1,492.42
Miscellaneous sources	6.10	6.10
Total Current Assets	<u>446,103.39</u>	<u>446,103.39</u>
Non-current Assets		
Restricted Assets		
Cash and cash in bank	<u>1,969,864.69</u>	<u>1,969,864.69</u>
Total Restricted Assets	<u>1,969,864.69</u>	<u>1,969,864.69</u>
Other Assets		
Unamortized debt issuance cost	<u>282,350.07</u>	<u>282,350.07</u>
Total Other Assets	<u>282,350.07</u>	<u>282,350.07</u>
Capital Assets		
Land	486,270.40	486,270.40
Buildings	255,580.37	255,580.37
Equipment and vehicles	303,855.30	303,855.30
Water and sewer system	5,212,668.39	5,212,668.39
Construction in progress	1,559,467.16	1,559,467.16
Accumulated depreciation	<u>(2,555,650.05)</u>	<u>(2,555,650.05)</u>
Total Capital Assets	<u>5,262,191.57</u>	<u>5,262,191.57</u>
Total Non-current Assets	<u>7,514,406.33</u>	<u>7,514,406.33</u>
Total Assets	<u>\$7,960,509.72</u>	<u>\$7,960,509.72</u>

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

CITY OF WOLFFORTH, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2008

	Enterprise Fund	Total
Liabilities		
Current Liabilities (payable from current assets)		
Accounts payable	\$ 49,441.02	\$ 49,441.02
Bank overdraft	5,895.75	5,895.75
Accrued compensation payable	8,183.59	8,183.59
Accrued interest payable	4,074.61	4,074.61
Utility deposits	58,504.40	58,504.40
Notes payable, current	<u>24,042.83</u>	<u>24,042.83</u>
Total Current Liabilities (payable from current assets)	150,142.20	150,142.20
Current Liabilities (payable from restricted assets)		
Accrued interest payable	25,181.09	25,181.09
Certificates of obligation payable, current	17,500.00	17,500.00
General obligation refunding bonds, current	75,000.00	75,000.00
Revenue bonds payable, current	<u>6,000.00</u>	<u>6,000.00</u>
Total Current Liabilities (payable from restricted assets)	123,681.09	123,681.09
Non-current Liabilities		
Notes payable, non-current	52,527.47	52,527.47
General obligation refunding bonds, non-current	2,275,000.00	2,275,000.00
Certificates of obligation payable, non-current	2,110,000.00	2,110,000.00
Revenue bonds payable, non-current	<u>36,000.00</u>	<u>36,000.00</u>
Total Non-current Liabilities	<u>4,473,527.47</u>	<u>4,473,527.47</u>
Total Liabilities	4,747,350.76	4,747,350.76
Net Assets		
Invested in capital assets, net of related debt	2,633,416.23	2,633,416.23
Unrestricted	(1,390,121.96)	(1,390,121.96)
Restricted for capital improvements	1,967,294.96	1,967,294.96
Restricted for debt service	<u>2,569.73</u>	<u>2,569.73</u>
Total Net Assets	<u>\$3,213,158.96</u>	<u>\$3,213,158.96</u>

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

CITY OF WOLFFORTH, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities</u>	
	<u>Enterprise Fund</u>	<u>Total</u>
Revenues		
Water	\$ 475,810.79	\$ 475,810.79
Water treatment	45,896.04	45,896.04
Sewer	231,235.16	231,235.16
Sanitation	287,418.21	287,418.21
Penalty revenue	30,847.14	30,847.14
Water and sewer taps	17,050.00	17,050.00
Farm revenue	18,304.78	18,304.78
Miscellaneous	<u>2,028.13</u>	<u>2,028.13</u>
Total Operating Revenues	1,108,590.25	1,108,590.25
Operating Expenses		
Salaries and benefits	400,358.61	400,358.61
Supplies	116,696.29	116,696.29
Purchased and contracted services	177,107.06	177,107.06
Operating expense	295,639.81	295,639.81
Depreciation and amortization	<u>230,347.75</u>	<u>230,347.75</u>
Total Operating Expenses	<u>1,220,149.52</u>	<u>1,220,149.52</u>
Operating Income	(111,559.27)	(111,559.27)
Non-operating Revenue (Expense)		
Interest income	15,381.19	15,381.19
Interest expense	<u>(10,409.94)</u>	<u>(10,409.94)</u>
Total Non-operating Revenue (Expense)	<u>4,971.25</u>	<u>4,971.25</u>
Income Before Operating Transfers	(106,588.02)	(106,588.02)
Operating transfers in	303,795.49	303,795.49
Operating transfers out	<u>(251,925.28)</u>	<u>(251,925.28)</u>
Change in Net Assets	(54,717.81)	(54,717.81)
Total Net Assets, October 1	<u>3,267,876.77</u>	<u>3,267,876.77</u>
Total Net Assets, September 30	<u>\$ 3,213,158.96</u>	<u>\$ 3,213,158.96</u>

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

CITY OF WOLFFORTH, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities Enterprise Funds	
	Enterprise Fund	Total
Cash Flows From Operating Activities		
Cash received from customers	\$ 1,127,892.42	\$ 1,127,892.42
Cash payments to suppliers	(761,878.17)	(761,878.17)
Cash payments to employees	(408,619.14)	(408,619.14)
Net Cash Provided by Operating Activities	(42,604.89)	(42,604.89)
Cash Flows From Non-capital Financing Activities		
Operating transfers in	303,795.49	303,795.49
Operating transfers out	(251,925.28)	(251,925.28)
Net Cash Provided By (Used For) Non-capital Financing Activities	51,870.21	51,870.21
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(729,658.67)	(729,658.67)
Repayment of long-term debt	(116,174.11)	(116,174.11)
Interest payment long-term debt	(12,391.48)	(12,391.48)
Net Cash Provided By (Used For) Capital and Related Financing Activities	(858,224.26)	(858,224.26)
Cash Flows From Investing Activities		
Interest received	16,221.49	16,221.49
Purchase of certificates of deposit	(14,979.70)	(14,979.70)
Net Cash Provided By Investing Activities	1,241.79	1,241.79
Net Increase (Decrease) in Cash and Cash Equivalents	(847,717.15)	(847,717.15)
Cash and cash equivalents, October 1	2,813,156.81	2,813,156.81
Cash and cash equivalents, September 30	<u>\$ 1,965,439.66</u>	<u>\$ 1,965,439.66</u>
Cash and cash in bank	\$	\$ -
Bank overdraft	(5,895.75)	(5,895.75)
Cash equivalent - Texpool	1,470.72	1,470.72
Restricted cash and cash in bank	1,969,864.69	1,969,864.69
Total cash and cash equivalents	<u>\$ 1,965,439.66</u>	<u>\$ 1,965,439.66</u>

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

CITY OF WOLFFORTH, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	<u>Business-type Activities</u>	
	<u>Enterprise</u>	<u>Total</u>
	<u>Fund</u>	
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating income	\$ (111,559.27)	\$ (111,559.27)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	230,347.75	230,347.75
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	12,116.55	12,116.55
(Increase) decrease in other receivables	3,185.62	3,185.62
Increase (decrease) in accounts payable	(172,435.01)	(172,435.01)
Increase (decrease) in accrued expenses	(8,260.53)	(8,260.53)
Increase (decrease) in meter deposits	4,000.00	4,000.00
Net cash provided by operating activities	<u>\$ (42,604.89)</u>	<u>\$ (42,604.89)</u>

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

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

1. Summary of Significant Accounting Policies

The City of Wolfforth, Texas (the City) operates under a mayor – council (5 council members) form of government and provides the following services: Public Safety (Police, Fire, and Ambulance), Highways and Streets, Sanitation, Public Improvements (Water and Sewer Systems), Planning and Zoning, and General Administrative Services. Volunteers staff the fire and ambulance services.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds 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.

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The City's financial statements include the accounts of all City operations. Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organizations to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting And Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Wolfforth has a single component unit, the Wolfforth Economic Development Corporation (EDC). The EDC was formed to provide economic growth in the City. The governing board of the EDC is appointed by the City Council. The City has assigned one-third of its sales tax revenues to the EDC for future economic development of the City. The EDC does not issue separate financial statements.

B. Government-wide and Fund Financial Statements

Financial information of the City is presented as follows:

- *Management's Discussion and Analysis* introduces the basic financial statements and provides an analytical overview of the City's financial activities.

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

- *Basic Financial Statements:* Government-wide financial statements consist of a statement of net assets and a statement of activities.

These statements report all of the non-fiduciary activities of the government. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues where as business-type activities are normally supported by fees and charges from services and are usually intended by management to be financially self-sustaining.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are clearly identifiable with a specific program or function. Program revenues include (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes and other items, are presented as general revenues.

- *Fund Financial Statements* consist of a series of statements focusing on information about the City's major governmental and enterprise funds. Separate financial statements are presented for the governmental and enterprise funds.

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model as defined by GASB Statement No. 34 the focus is either the City as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expense of a functional category (Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. 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 or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales tax, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund and the debt service fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The City has elected to present the debt service fund as a major fund. The nonmajor funds are combined in a column in the fund financial statements, if applicable.

CITY OF WOLFFORTH, TEXAS

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September 30, 2008

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 revenue as soon as all eligibility requirements have been met.

Governmental fund level financial statements are reported using the 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 to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. 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.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirement of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

The following major funds are used by the City:

1. Governmental Funds:

The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, General Administration, etc.) and is the primary operating unit of the City.
- b. Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).
- c. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

2. Proprietary Funds:

The following is a description of the major Proprietary Funds of the City:

- a. The Enterprise Fund accounts for the operation of the City's water and sewer utility and trash collection and disposal. Activities of the fund include administration, operation and maintenance of the water and sewer system, solid waste pickup as well as billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

3. Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Encumbrances

The City does not use an encumbrance system of accounting.

E. Cash, Cash Equivalents and Investments

The City maintains pooled cash accounts that are shared by the General Fund, Debt Service Fund, and the Enterprise Fund. Each fund's portion of this pool cash is allocated through its cash and cash in bank account on the balance sheet or statement of net assets. The funds pool their operating cash for the purpose of cash management and to increase income through combined investment activities. In addition, non-pooled cash is separately held and reflected in each fund's balance sheet when applicable.

The cash and cash equivalents reflected in the statement of cash flows for the Proprietary Funds are made up of cash on hand, cash in the City's depository bank, and certificates of deposit and investments with a maturity of thirty days or less. Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. Cash deposits and investments are reported at carrying amount (cost), which equals fair value, in accordance with GASB Statement No. 31. The Texas Public Funds Investment Act governs items

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

such as investment strategies and policies, training for investment officers, reporting requirements, and types of investments allowed. See Note 2.

F. Prepaid Items

Prepaid balances, if applicable, are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

G. Inventories

Inventories in Governmental and Proprietary Funds consist of expendable supplies. These amounts are not significant and thus no provision has been made for these amounts in the financial statements.

H. Interfund Receivables and Payables

Interfund receivables and payables are eliminated at the end of the fiscal year by reclassifying them as operating transfers if management does not expect the receiving fund to be able to repay the payable within a reasonable time. These transfers are treated as operating transfers and are included in the results of operations of both Governmental and Proprietary Funds.

I. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are carried at estimated fair market value on the date donated. Public domain (infrastructure) fixed assets consisting of roads, streets and sidewalks have been recorded at estimated historical cost. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Assets capitalized have an original cost of \$2,500 or more and a life expectancy of over three years. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and land improvements	7 – 40 years
Streets	25 years
Water and sewer system	5 – 50 years
Vehicles, machinery and equipment	5 – 15 years

J. Compensated Absences

All regular full-time employees of the City are eligible to accrue paid vacation leave. After the completion of the first year of employment 80 hours of vacation leave are credited to the employee's account. Full-time employees continue to earn vacation leave at the rate of 80 hours per year through the first ten years of service. After 10 years of service the employee will earn 120 hours of vacation leave per year. Certified full-time police officers receive 84 hours of vacation leave annually. Upon separation of service from the City employees are paid for any unused vacation leave in his or her account.

Regular full-time employees are also entitled to paid sick leave. Full-time employees accrue sick leave at the rate of two hours per bi-weekly pay period. Sick leave not used by employees during the year in which it accrues, accumulates and is available for use in succeeding years up to a maximum of 360 hours. Annually, on the employee's anniversary date, any sick leave balance in excess of the maximum is reduced to the maximum without compensation. Employees who have in excess of 104 hours of accumulated sick leave on December 31 of each year, may at their option, sell back to the City those hours in excess of 104 hours of accumulated sick leave not to exceed 26 hours each year. Unused sick leave is canceled upon termination of employment without compensation to the employee. Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Restricted Assets

Certain resources of the City have been set aside for the repayment of debt or for capital improvements and are classified as restricted on the balance sheet or statement of net assets because their use is limited. The City records these reserves to indicate that a portion of cash and fund equity is legally segregated for a specific future use. At September 30, 2008 the governmental funds had \$277,050.55 while the proprietary funds had \$1,969,864.69 reserved for debt service and capital improvements. When an expense is incurred for which both restricted and unrestricted net assets are available it is the City's policy to first apply restricted resources to the expense.

L. Bond Issuance and Deferred Debt Expense

Bond and certificate of obligation issuance costs and the difference between the reacquisition price and the net carrying value of proprietary refunded debt are capitalized and amortized over the terms of the respective bonds and certificates of obligation using the straight-line method.

M. Capitalized Interest

In conformity with Financial Accounting Standards No. 34, "Capitalization of Interest Cost," the City capitalized interest costs for business-type activities only, net of related interest earned, from the date of borrowing until the projects acquired with those funds are ready for their intended use. For the fiscal year ended September 30, 2008, the City incurred interest costs of \$192,289.56 which were netted with interest earnings of \$72,411.23, resulting in \$119,878.33 of costs which were capitalized as fixed assets in the Enterprise Fund as part of the costs of constructing various projects.

N. Reclassifications

Certain reclassifications have been made to fiscal year 2007 amounts to conform to the fiscal year 2008 presentation.

2. Deposits and Investments

The City's cash and investments can be subject to six types of risk which are examined in more detail as follows:

CUSTODIAL CREDIT RISK OF BANK DEPOSITS – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of the State of Texas and its agencies that have a market value of not less than the deposit amounts to prevent loss of public funds. At year-end, the carrying amount of the City's deposits was \$2,609,428.92 and the respective bank balances totaled \$2,643,549.13. The City's investments consisted of certificates of deposit held by the City's depository and an investment in Texpool. The City's deposits and certificates of deposit were fully insured, up to \$100,000 by the Federal Deposit Insurance Corporation (FDIC), or collateralized by securities held by the pledging financial institution's agent as required by the state statutes at September 30, 2008.

CUSTODIAL CREDIT RISK OF INVESTMENTS – Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's minimizes this risk by investing in certificates of deposit which are fully insured or collateralized and the Texpool investment which is rated AAAm by Standard & Poors.

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

INTEREST RATE RISK – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's certificates of deposit are not subject to interest rate risk and the Texpool investment minimizes this risk by investing in securities with short-term maturities.

CREDIT RISK – Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The City's investment policy minimizes credit risk by limiting investments to the safest types of securities.

CONCENTRATION OF CREDIT RISK – Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. This type of risk is minimized by investing in certificates of deposit and the highly rated Texpool.

FOREIGN CURRENCY RISK – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk because none of the investments were denominated in foreign currencies.

Investments - Texas statutes authorize the types of investments allowable by the City. The City is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the State of Texas. The City is also authorized to invest in direct obligations of the State of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, reverse repurchase agreements, prime domestic bankers' acceptances, money market funds, and government pools.

The City pools cash resources of its various funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard & Poors. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poors, as well as the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Amounts invested in the TexPool are recorded at cost which is also the fair market value. Government Pool investments are not categorized, in accordance with GASB No. 3, because they are not evidenced by securities that exist in physical or book entry form. At September 30, 2008 the City had \$1,470.72 invested in Texpool.

3. Debt

At September 30, 2008 outstanding debt consisted of the following individual issues:

Business-type Activities

Series 1976 Revenue Bonds are 5% interest bearing. Principal is due in annual payments on January 1 and interest is due in semi-annual payments on January 1 and July 1. The balance at September 30, 2008 was \$42,000 of which \$6,000 is due within one year.

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Series 1994 Certificates of Obligation issued at variable interest rates ranging from 6.7% to 6.8%. Principal is due in annual payments on July 1 and interest is due in semi-annual payments on July 1 and January 1. The balance at September 30, 2008 was \$37,500 of which \$17,500 is due within one year.

Series 2006 Certificates of Obligation issued at variable interest rates ranging from 4.3% to 4.5%. Principal is due in annual payments on February 15 beginning in 2025 and interest is due in semi-annual payments on February 15 and August 15. The balance at September 30, 2008 was \$2,090,000.

Series 2006 General Obligation Refunding Bonds issued at variable interest rates ranging from 3.5% to 4.25%. Principal is due in annual payments on February 15 and interest is due in semi-annual payments on February 15 and August 15. The balance at September 30, 2008 was \$2,350,000 of which \$75,000 is due within one year.

A capital lease payable to Outsource Lease, Inc. dated April 19, 2004 bearing an interest rate of 6.04%. The lease is due in annual installments of \$28,665.00 which includes principal and interest. The balance at September 30, 2008 was \$76,570.30 of which \$24,042.83 is due within one year.

Governmental Activities

Series 1977 General Obligation Bonds are 5% interest bearing. Principal is due in annual payments on January 1 and interest is due in semi-annual payments on January 1 and July 1. The balance at September 30, 2008 was \$5,000 of which \$1,000 is due within one year.

Series 1994 Certificates of Obligation issued at variable interest rates ranging from 6.7% to 6.8%. Principal is due in annual payments on July 1 and interest is due in semi-annual payments on July 1 and January 1. The balance at September 30, 2008 was \$37,500 of which \$17,500 is due within one year.

Series 2006 General Obligation Refunding Bonds issued at variable interest rates ranging from 3.5% to 4.25%. Principal is due in annual payments on February 15 and interest is due in semi-annual payments on February 15 and August 15. The balance at September 30, 2008 was \$860,000 of which \$30,000 is due within one year.

A note payable to Emergency One, Inc. dated April 9, 2003 bearing an interest rate of 4.89%. The note is due in annual installments of \$38,276.20 which includes principal and interest. The balance at September 30, 2008 was \$36,491.74 which is due within one year.

A note payable to Frenship Independent School District dated May 6, 2004 bearing no stated interest. The note is due in annual installments of \$7,500.00. The balance at September 30, 2008 was \$37,500.00 of which \$7,500 is due within one year.

A note payable to Case Credit Corporation dated May 18, 2005 bearing an interest rate of 7.00%. The note is due in annual installments of \$4,369.91 which includes principal and interest. The balance at September 30, 2008 was \$4,084.09 which is due within one year.

A note payable to Kubota Credit dated August 10, 2006 bearing an interest rate of 7.49%. The note is due in monthly installments of \$310.39 which includes principal and interest. The balance at September 30, 2008 was \$6,361.99 of which \$3,362.03 is due within one year.

A note payable to Bank of the West dated September 21, 2006 bearing an interest rate of 7.07%. The note is due in monthly installments of \$1,724.23 which includes principal and interest. The balance at September 30, 2008 was \$38,483.16 of which \$18,563.52 is due within one year.

CITY OF WOLFFORTH, TEXAS

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A note payable to Ford Motor Credit Corporation dated May 10, 2007 bearing an interest rate of 6.4%. The note is due in annual installments of \$36,023.65 which includes principal and interest. The balance at September 30, 2008 was \$95,583.45 of which \$29,906.31 is due within one year.

A note payable to Peoples Bank dated September 28, 2007 bearing an interest rate of 5%. The note is due in monthly installments of \$1,380.80 which includes principal and interest. The balance at September 30, 2008 was \$16,104.39 which is due within one year.

During the year ended September 30, 2006, the City issued \$3,305,000 in general obligation refunding bonds with interest rates ranging from 3.5% to 4.25% to advance refund \$1,640,000 Series 2000 Certificates of Obligation and \$1,500,000 Series 2004 Certificates of Obligation. The interest rates for the Series 2000 Certificates of Obligation ranged from 5.35% to 7.375%. The interest rates for the Series 2004 Certificates of Obligation ranged from 3.9% to 5.75%. The net proceeds of \$3,233,096.46 (after payment of \$167,319.70 in underwriting fees, insurance and other issuance costs) of the 2006 issue (which included \$94,416.16 from the City) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded certificates of obligation. As a result, the refunded certificates of obligation in the amount of \$2,935,000 which are outstanding at September 30, 2008 are considered to be defeased, and the liability for those certificates has been removed from the statement of net assets.

The City advance refunded the certificates of obligation to reduce its total debt service payments for the next 14 years. The debt service will be greater for the last 5 years of the refunding issue beginning in 2021. The net effect will cost the City \$243,624.37 however the City obtained an economic gain (i.e., difference between the present values of the debt service payments on the old and new debt) of \$99,458.40.

Interest Expense

Interest expense in the enterprise fund was \$202,699.50 with \$192,289.56 of the amount being capitalized (see note 1.m) and \$10,409.94 of the amount being charged to expense. Interest expense in the governmental activities was \$52,278.67. Of this amount \$37,376.47 was interest on bonds and certificates of obligation and \$14,902.20 was interest on notes payable that was charged to expense in the various functions.

Revenue Bonds

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The Revenue Bonds are collateralized by the revenue of the water and sewer system. The bond ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The City is in compliance with all significant financial requirements as of September 30, 2008.

General Obligation Bonds

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity.

Certain General Obligation Certificates of Obligation are to be repaid by revenues of the Enterprise Fund. Enterprise Fund General Obligation Certificates of Obligation are secured both by a pledge of ad valorem taxes levied on all taxable property within the City and by a lien on and pledge of revenues to be generated by the Enterprise Fund.

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

Changes in Outstanding Debt

Transactions for the year ended September 30, 2008 are summarized as follows:

<u>Business-type Activities</u>	<u>Balance</u> <u>10/1/2007</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2008</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	\$ 99,244.41	\$	\$ (22,674.11)	\$ 76,570.30	\$ 24,042.83
Revenue Bonds	48,000.00		(6,000.00)	42,000.00	6,000.00
Certificates of Obligation	2,145,000.00		(17,500.00)	2,127,500.00	17,500.00
Refunding Bonds	2,420,000.00		(70,000.00)	2,350,000.00	75,000.00
Total Enterprise Fund	<u>\$ 4,712,244.41</u>	<u>\$ -</u>	<u>\$ (116,174.11)</u>	<u>\$ 4,596,070.30</u>	<u>\$ 122,542.83</u>
<u>Governmental Activities</u>					
Notes Payable	\$ 353,585.97	\$	\$ (118,977.15)	\$ 234,608.82	\$ 116,012.08
Certificates of Obligation	61,000.00		(18,500.00)	42,500.00	18,500.00
Refunding Bonds	885,000.00		(25,000.00)	860,000.00	30,000.00
Total General Long-term Debt	<u>\$ 1,299,585.97</u>	<u>\$ -</u>	<u>\$ (162,477.15)</u>	<u>\$ 1,137,108.82</u>	<u>\$ 164,512.08</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities of bonds, certificates of obligation, notes and capital leases payable for the years subsequent to September 30, 2008 are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 164,512.08	\$ 46,753.46	\$ 122,542.83	\$ 191,712.58	\$ 525,520.95
2010	113,239.91	38,435.35	126,494.18	186,171.37	464,340.81
2011	82,356.83	32,884.82	144,033.29	179,738.71	439,013.65
2012	48,500.00	29,271.03	122,000.00	173,816.47	373,587.50
2013	53,500.00	27,704.49	123,000.00	169,370.51	373,575.00
2014-2018	255,000.00	111,386.75	713,000.00	770,269.50	1,849,656.25
2019-2023	320,000.00	54,811.57	870,000.00	614,553.43	1,859,365.00
2024-2028	100,000.00	3,400.00	1,345,000.00	390,946.25	1,839,346.25
2029-2031			1,030,000.00	71,100.00	1,101,100.00
	<u>\$ 1,137,108.82</u>	<u>\$ 344,647.47</u>	<u>\$ 4,596,070.30</u>	<u>\$ 2,747,678.82</u>	<u>\$ 8,825,505.41</u>

The general and debt service funds have been used in the past to liquidate long-term liabilities, including compensated absences.

4. Property Tax

Property taxes are levied each October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the City. Taxable assessed value represents the appraisal value less applicable exemptions authorized by law. In Texas, central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. The Lubbock Central Appraisal District establishes appraised values at 100% of estimated fair market value for the City. The 2007 certified tax roll for the City was \$179,623,659.

CITY OF WOLFFORTH, TEXAS

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Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 of each year. The tax lien is part of a lawsuit for property that can be filed any time after taxes become delinquent (February 1). The 2007 tax rate was \$0.58047 per \$100 valuation. Current tax collections for the year ended September 30, 2008 were 96.85% of the tax levy.

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

5. Retirement Benefits

A. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time (and employees who work in excess of 1,000 hours per year) 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.

Benefits

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

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

Deposit rate:	5%
Matching Ratio (City to Employee)	1.5 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City.

The Service Retirement Eligibilities for the City (expressed as years of service / age) are:

5 yrs/age 60, 20 yrs/any age

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

Funding Policy

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The unit credit actuarial cost method has been used for determining the City contribution rate. For the December 31, 2007 valuation, the TMRS Board of Trustees determined that the projected unit credit method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless the city requests that the period remain at 25 years. These changes will likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate). Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007 valuation is effective for rates beginning January 2009).

Required Supplementary Information Schedule of Funding Progress

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 of Covered Payroll (b-a)/(c)
12/31/2005	\$ 775,094	\$ 948,452	\$ 173,358	81.7%	\$ 596,678	29.1%
12/31/2006	878,632	1,106,126	227,494	79.4%	729,204	31.2%
12/31/2007	1,005,528	1,417,810	412,282	70.9%	874,625	47.1%

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the City's unfunded actuarial accrued liability would have been \$283,438 and the funded ratio would have been 78%.

Three-Year Trend Information Annual Required

Fiscal Year Ending	Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
September 30, 2006	\$ 41,740	\$ 41,740	100%
September 30, 2007	47,745	47,745	100%
September 30, 2008	57,683	57,683	100%

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

	<u>Actuarial Methods and Assumptions</u>		
Valuation Date	12-31-05	12-31-06	12-31-07
Actuarial Cost Method	Unit Credit	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	25 years, open period	30 years, closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	None	None	Varies by age and service
Includes Inflation at	3.5%	3.5%	3.0%
Cost of Living Adjustments	None	None	2.10%

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

B. Texas Emergency Services Retirement System

The City provides volunteer fire fighters with pension coverage through the Texas Emergency Services Retirement Fund. The contribution to this fund during the year ended September 30, 2008 was \$9,864.00.

Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2008, there were 186 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2008, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,939
Terminated participants entitled to benefits but not yet receiving them	1,975
Active participants (vested and nonvested)	<u>4,340</u>
	8,254

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

On and off-duty benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2008 total contributions (dues and prior service) of \$2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition the State appropriated \$8,800,000 for the fiscal year ending August 31, 2008. Total contributions made were greater than the contributions required by the state statute and were greater than the contributions required based on the August 31, 2006 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2008 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009 (\$415,405 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contribution amount in future years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$425,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009 are equal to the contributions required.

The actuary does not prepare information for each of the 186 member departments within the TESRS. The following supplementary information is for the TESRS as a whole, which includes the Wolfforth Volunteer Fire Department.

Schedule of Funding Progress						
Actuarial	Actuarial	Actuarial	Unfunded	Funded	Total	UAAL Per
Valuation	Value of	Liability	AAL	Ratio	Members	Member
Date	Assets	(AAL)	(UAAL)	(a/b)	Covered	Covered
	(a)	Entry Age	(b) - (a)		(c)	(b-a)/(c)
		(b)				
8/31/2004	\$ 38,140,501	\$ 51,567,426	\$ 13,426,925	74.0%	7,994	\$ 1,680
8/31/2006	42,268,305	58,082,828	15,814,523	72.8%	8,061	1,962
8/31/2008	60,987,157	64,227,341	3,240,184	95.0%	8,254	393

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

Three-Year Trend Information			
Fiscal Year Ending	Annual Required		Percentage of ARC Contributed
	Contributions (ARC)	Actual Contributions	
August 31, 2006	\$ 2,753,035	\$ 2,753,035	100%
August 31, 2007	3,162,742	3,162,742	100%
August 31, 2008	3,160,764	11,239,339	356%

Actuarial Assumptions

Valuation Date	August 31, 2006	August 31, 2008
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Dollar, Open	Level Dollar, Open
Remaining Amortization Period	30 Years	6 Years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 90%/110% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 90%/110% corridor on market value
Investment Rate of Return	8% per year, net of investment expenses	8% per year, net of investment expenses
Projected Salary Increases	N/A	N/A
Includes Inflation at	3.75%	3.50%
Cost-of-Living Adjustments	None	None

C. Supplemental Death Benefits Plan

Plan Description

The City provides supplemental death benefits through the Texas Municipal Retirement System. The contribution to this fund during the year ended September 30, 2008 was \$2,467.13 and the rate was 0.24% of covered payroll for October through December 2007 and 0.27% of covered payroll for January through September 2008. The Supplemental Death Benefits Fund (SDBF) is a cost-sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (TMRS); this is a separate trust administered by the TMRS Board of Trustees. This is a voluntary program in which participating municipalities may elect to provide group term life insurance coverage ("supplemental death benefits") for their active members and/or retirees. Participating cities may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City is one of 714 entities offering these supplemental death benefits through TMRS. The City has elected to cover active employees as well as retirees under the plan.

Funding Policy

Contributions are made monthly based on the covered payroll of employee members of the participating municipality. The contractually required contribution rate is determined annually for each municipality. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the municipality. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS September 30, 2008

Three-Year Trend Information			
Fiscal Year Ending	Annual Required		
	Contributions (ARC)	Actual Contributions	Percentage of ARC Contributed
September 30, 2006	\$ 1,616	\$ 1,616	100%
September 30, 2007	1,872	1,872	100%
September 30, 2008	2,467	2,467	100%

Actuarial Methods and Assumptions

Valuation Date	12-31-07
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 years, open period
Asset Valuation Method	Fund Value
Actuarial Assumptions:	
Investment Rate of Return	4.25
Projected Salary Increases	None
Includes Inflation at	3.0%
Cost of Living Adjustments	None

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered a post employment benefit other than pension benefit (OPEB or other post employment benefit) and is a fixed amount of \$7,500.

6. Accounts Receivable and Due From Other Governments

Accounts receivable for the City's governmental and business-type activities, including the applicable allowance for uncollectible accounts at September 30, 2008 are as follows:

	General Fund	Debt Service Fund	Enterprise Fund	Total
Receivables:				
Property taxes	\$ 53,318.16	\$ 7,564.54	\$	\$ 60,882.70
Customers			293,394.18	293,394.18
Other governments	37,291.91			37,291.91
Developers	68,251.23			68,251.23
Other	1,808.83		6.10	1,814.93
Accrued interest	59.94	669.61	1,492.42	2,221.97
Gross receivables	160,730.07	8,234.15	294,892.70	463,856.92
Less: Allowance for uncollectibles	(5,284.49)	(510.70)	(183,771.04)	(189,566.23)
Net total receivables	\$ 155,445.58	\$ 7,723.45	\$ 111,121.66	\$ 274,290.69

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

Due from other governments for the City's governmental activities at September 30, 2008 are as follows:

State of Texas -- sales tax	\$ 35,208.91
Lubbock County -- UMC Health System	<u>2,083.00</u>
Total due from other governments	<u>\$ 37,291.91</u>

The property taxes receivable account represents the current and past years uncollected tax levies on real property. Customer accounts receivable consists of amounts owed from organizations or private individuals for good or services. Receivables from other governments consist primarily of sales tax owed to the City by the State of Texas. The receivable from developers is mostly for engineering fees and other costs associated with various new developments. It is the opinion of management that the amount due from developers is collectible at the present time, although legal action may be required.

7. Capital Assets

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

	<u>Balance</u> <u>10/1/2007</u>	<u>Transfers and</u> <u>Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>Balance</u> <u>9/30/2008</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 203,537.07	\$	\$ -	\$ 203,537.07
Construction in progress	<u>44,070.98</u>			<u>44,070.98</u>
Total capital assets, not being depreciated	247,608.05	-	-	247,608.05
Capital assets, being depreciated				
Buildings and improvements	2,130,975.65	142,171.33		2,273,146.98
Streets and infrastructure	3,810,470.34			3,810,470.34
Office furniture and equipment	127,246.31	5,000.11		132,246.42
Vehicles, equipment and machinery	2,220,049.88	55,030.34		2,275,080.22
Library books and equipment	<u>150,676.55</u>	<u>7,555.78</u>		<u>158,232.33</u>
Total capital assets, being depreciated	<u>8,439,418.73</u>	<u>209,757.56</u>	-	<u>8,649,176.29</u>
Less accumulated depreciation for:				
Buildings and improvements	505,107.00	52,148.00		557,255.00
Streets and infrastructure	2,794,307.00	76,156.00		2,870,463.00
Office furniture and equipment	71,436.00	19,442.00		90,878.00
Vehicles, equipment and machinery	1,068,122.00	177,864.00		1,245,986.00
Library books and equipment	<u>81,042.00</u>	<u>15,567.00</u>		<u>96,609.00</u>
Total accumulated depreciation	<u>4,520,014.00</u>	<u>341,177.00</u>	-	<u>4,861,191.00</u>
Total capital assets, being depreciated, net	<u>3,919,404.73</u>	<u>(131,419.44)</u>	-	<u>3,787,985.29</u>
Governmental activities capital assets, net	<u>\$ 4,167,012.78</u>	<u>\$ (131,419.44)</u>	<u>\$ -</u>	<u>\$ 4,035,593.34</u>

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

	<u>Balance</u> <u>10/1/2007</u>	<u>Transfers and</u> <u>Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>Balance</u> <u>9/30/2008</u>
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 486,270.40	\$	\$	\$ 486,270.40
Construction in progress	<u>867,472.68</u>	<u>691,994.48</u>		<u>1,559,467.16</u>
Total capital assets, not being depreciated	<u>1,353,743.08</u>	<u>691,994.48</u>	<u>-</u>	<u>2,045,737.56</u>
Capital assets, being depreciated				
Buildings	252,080.37	3,500.00		255,580.37
Water and sewer system	5,201,568.39	11,100.00		5,212,668.39
Vehicles, equipment and machinery	<u>273,189.77</u>	<u>30,665.53</u>		<u>303,855.30</u>
Total capital assets, being depreciated	5,726,838.53	45,265.53	-	5,772,104.06
Less accumulated depreciation for:				
Buildings	124,567.00	6,988.00		131,555.00
Water and sewer system	2,024,124.00	176,472.00		2,200,596.00
Vehicles, equipment and machinery	<u>186,905.05</u>	<u>36,594.00</u>		<u>223,499.05</u>
Total accumulated depreciation	<u>2,335,596.05</u>	<u>220,054.00</u>	<u>-</u>	<u>2,555,650.05</u>
Total capital assets, being depreciated, net	<u>3,391,242.48</u>	<u>(174,788.47)</u>	<u>-</u>	<u>3,216,454.01</u>
Enterprise fund assets, net	<u>\$ 4,744,985.56</u>	<u>\$ 517,206.01</u>	<u>\$ -</u>	<u>\$ 5,262,191.57</u>

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

Governmental activities:	
Financial administration	\$ 19,442.00
Building and grounds	52,148.00
Public safety - police department	75,141.00
Public safety - fire and EMS	88,570.00
Public works - street department	89,827.00
Emergency management	482.00
Library	<u>15,567.00</u>
Total depreciation expense -- governmental activities	<u>\$ 341,177.00</u>
Business-type activities:	
Buildings	\$ 6,988.00
Water and sewer system	176,472.00
Vehicles, equipment and machinery	<u>36,594.00</u>
Total depreciation expense -- business-type activities	<u>\$ 220,054.00</u>

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

8. Interfund Transfers

Interfund transfers during the year ended September 30, 2008 were as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
Governmental Funds:		
General Fund	\$ 116,748.45	\$ 34,798.53
Debt Service Fund	251,925.28	385,745.41
Proprietary Funds:		
Enterprise Fund	<u>303,795.49</u>	<u>251,925.28</u>
	<u>\$ 672,469.22</u>	<u>\$ 672,469.22</u>

Interfund transfers are made between funds to cover expenses in the receiving fund.

9. Individual Fund Disclosures

The water and sewer system of the City services approximately 1,314 properties. During the year ended September 30, 2008 the City sold approximately 148,690,000 gallons of water.

The City provides solid waste pickup and disposal services for its citizens with revenues and expenses recorded in the enterprise fund. The City contracts with a private company for waste collection and disposal. This waste is disposed of at the City of Lubbock's regional landfill or a landfill owned by a private company where the City is charged a fee based on weight to dispose of its waste. These fees will cover the City's share of any post-closure expenses and thus no provision is made in the financial statements for future costs associated with the landfill. Citizens are charged a monthly fee to cover the costs of these services.

10. Risk Management

The City manages risk by purchasing property, liability, and workers compensation insurance through the Texas Municipal League Intergovernmental Risk Pool (the Pool). The Pool's mission is to provide Texas municipalities and other units of local government with a stable source of risk financing and loss prevention services at the lowest cost consistent with sound business practices. The Pool provides property, liability and workers' compensation coverage for certain governmental entities of the State of Texas. Member entities include municipalities, housing authorities, councils of governments, hospital districts, water districts and tax appraisal districts. At September 30, 2008 (the date of the last completed audit) the pool consisted of 2,638 members. The Pool consists of separate funds: the Workers' Compensation Fund, the Liability Fund, the Property Fund, the Reinsurance Fund, the Stability Fund, the Large Loss Fund, Property Improvements Fund, and the Lifetime Benefits Fund. The financial results of these coverages are accounted for in separate funds by the Pool.

The Texas Workers' Compensation Joint Insurance Fund (the Workers' Compensation Fund) was created in 1974 by the Texas Municipal League. This Fund provides coverage that conforms to the workers' compensation law of Texas. The Texas Municipal League Joint-Self Insurance Liability and Property Funds (the Liability Fund and Property Fund) were created in October 1981 by TML. The coverages provided by these Funds include comprehensive general liability, comprehensive automobile liability, automobile physical damage, law enforcement liability, public officials' errors and omissions, hangarkeepers liability, chartered aircraft and airport liability, real and personal property, mobile equipment and boiler and machinery. As part of the coverage, the Pool provides risk management services with emphasis on loss control.

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

On August 26, 1990, the Board of Trustees of the Pool (the Board) created the Texas Municipal League Intergovernmental Risk Pool Stability Fund (the Stability Fund). The Stability Fund provides protection for the Workers' Compensation Fund, the Liability Fund and Property Fund for each program year to offset cash short falls due to unexpected and/or catastrophic loss experience. Payments from each fund were based on 2% of each Fund's member contributions from inception of the respective fund. On January 23, 1994, the Board reduced the payments from each fund to 1% effective October 1, 1993. On July 30, 1994, the Board again reduced the payments from each fund to ½% effective October 1, 1994. Distributions from the Stability Fund are only made upon Board authorization and are limited to the Stability Fund's assets. Contributions to the Stability Fund will be accumulated until such accumulated equity equals one third of contributions for all members for all related programs for the most recent completed fiscal year. Equity in the Stability Fund shall not be considered excessive unless the equity in the Stability Fund exceeds ½ of total contributions for the last completed fiscal year of the Workers' Compensation, Liability and Property Funds.

On August 26, 1990 the Board also agreed to establish the Reinsurance Fund. The purpose of the Reinsurance Fund is to provide additional self-funded layers of risk. The initial amounts of member's equity classified for the Reinsurance Fund are based upon a special allocation of contributions for years 1985-86 through 1988-89. Equity in the Reinsurance Fund shall be used solely for reinsurance protection for coverages provided by the Pool. If the Board determines that excess equity exists in the Reinsurance Fund, such excess equity will be returned to the participating Funds on a percentage basis of all contributions paid to the Reinsurance Fund or on any other basis determined by the Board to be equitable.

On July 19, 2003 the Board authorized the separation of the Large Loss Fund from the Reinsurance Fund and established it as a separate fund effective September 30, 2003. The Large Loss Fund was created to provide additional protection against large losses. Utilizing the Pool's Reinsurance Fund and Large Loss Fund, the Pool purchased reinsurance protection from its own Funds. The use of these funds, combined with the increased level of retention that the Funds are accepting has allowed the Pool to reduce the amount of reinsurance that the Pool needs to purchase from outside sources. By accepting more risk, the Pool has been able to pass these savings on to its members.

The member's equity in the Pool at September 30, 2007 was \$276,300,651 up from \$255,187,746 for the previous fiscal year. The Pool purchases excess insurance to protect against catastrophic losses that exceed the Pool's self-insurance retention. This excess insurance is purchased from domestic A-rated companies.

The City carried property insurance through the Pool in the amount of \$4,462,672 and liability insurance in the amount of \$1,000,000 or \$2,000,000 depending on the policy area covered for the fiscal year ended September 30, 2008. The City's coverage includes fire and windstorm with flood and earthquake coverage excluded. The premiums paid for Workers' Compensation Coverage are based on estimated payroll amounts and are subject to fluctuations based upon an audit of payroll costs by the insurer. Any increase or decrease is not expected to be material to the financial statements.

There have been no significant reductions in insurance coverage during the fiscal year ended September 30, 2008. Settled claims have not exceeded coverage in any of the past three years.

11. Leases and Lease Purchase Agreements

The City is currently entered into three lease purchase agreements. The agreements are being accounted for as capital asset purchases with the liability as a note payable in the statement of net assets. Applicable depreciation has been recorded on the assets. See Note 3 for the terms of the notes to Case Credit Corporation, Outsource Lease, Inc., and Bank of the West. The purchased equipment is collateral for the notes and the payee holds a lien against the equipment. A description of the assets and details relating to the note payments follows:

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>
Radio frequency water meters	\$ 163,933.00	\$ 8,197.00	\$ 36,203.00
Tractor	14,802.50	1,480.00	4,933.00
Hardware and software	87,055.00	17,411.00	34,822.00
Total	\$ 265,790.50	\$ 27,088.00	\$ 75,958.00

Note payments relating to the four capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
09/30/09	\$ 46,690.44	\$ 7,035.20	\$ 53,725.64
09/30/10	45,413.82	3,941.94	49,355.76
09/30/11	27,033.29	1,631.71	28,665.00
	<u>\$ 119,137.55</u>	<u>\$ 12,608.85</u>	<u>\$ 131,746.40</u>

12. Commitments and Contingencies

Grant Audits

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be significant.

Litigation

From time to time the City is party to various legal proceedings which normally occur in governmental operations. Although the outcome of these lawsuits is not presently determinable, in the opinion of City management, after consultation with legal counsel, these legal proceedings are not likely to have a significant adverse impact on the affected funds of the City.

Construction Commitments

The City has active construction projects as of September 30, 2008. The projects include construction projects in the general fund and water and sewer improvement projects. The City has issued Certificates of Obligation to fund these projects and estimated the following amounts to be expensed on each project. The year end commitments are as follows:

	<u>Remaining Commitment</u>
Construction projects	\$ 124,073.29
Water and Sewer Improvements	1,967,294.96
	<u>\$ 2,091,368.25</u>

CITY OF WOLFFORTH, TEXAS

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2008

13. Grants,

In the normal course of operations, the City receives grant funds from various Federal and State agencies as well as private foundations. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. See note 12.

The City received the following grants during the year ended September 30, 2008:

Lone Star Library Grant - library	\$ 3,977.00
M S Doss Foundation - park	<u>41,000.00</u>
	<u>\$ 44,977.00</u>

Supplementary Information

CITY OF WOLFFORTH, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts			Actual Amounts		Variance With
				Adjustments	Actual on	Final Budget
	Original	Final	Actual	to Budgetary	Budgetary	Positive
				Basis	Total	(Negative)
Revenues						
Property taxes	\$ 1,024,661.00	\$ 1,275,561.00	\$ 857,217.07	\$	\$ 857,217.07	\$(418,343.93)
Penalties and interest	15,000.00	9,600.00	8,327.50		8,327.50	(1,272.50)
Sales tax	275,000.00	289,725.00	292,812.66		292,812.66	3,087.66
Fire department revenue	45,700.00	51,400.00	51,425.00		51,425.00	25.00
Permits and licenses	55,820.00	54,500.00	55,227.35		55,227.35	727.35
Municipal court revenue	129,100.00	93,150.00	94,624.20		94,624.20	1,474.20
Franchise fees	138,000.00	147,800.00	147,870.06		147,870.06	70.06
EMS revenue	125,000.00	137,600.00	138,479.39		138,479.39	879.39
EMS subsidy	50,000.00	52,500.00	50,450.00		50,450.00	(2,050.00)
Library revenue	6,650.00	9,020.00	9,164.80		9,164.80	144.80
Park revenue	7,500.00	8,700.00	8,707.02		8,707.02	7.02
Interest revenue	19,700.00	7,340.00	7,371.66		7,371.66	31.66
Grant proceeds	3,000.00	3,950.00	3,977.00		3,977.00	27.00
Miscellaneous	22,000.00	32,175.00	34,473.74		34,473.74	2,298.74
Total Revenues	1,917,131.00	2,173,021.00	1,760,127.45	-	1,760,127.45	(412,893.55)
Expenditures						
Current--						
City government	62,600.00	49,000.00	48,870.85		48,870.85	129.15
Municipal court	123,147.00	70,741.00	105,749.41		105,749.41	(35,008.41)
Financial administration	233,933.00	289,345.00	219,165.77		219,165.77	70,179.23
Building and grounds	101,000.00	119,100.00	220,442.27		220,442.27	(101,342.27)
Code enforcement			1,000.00		1,000.00	(1,000.00)
Public safety - police department	576,064.00	604,485.00	568,359.30		568,359.30	36,125.70
Public safety - fire department & EMS	357,348.00	452,964.00	435,080.22		435,080.22	17,883.78
Miscellaneous public service	6,000.00	8,500.00	12,032.28		12,032.28	(3,532.28)
Emergency management	3,200.00	2,100.00	2,017.04		2,017.04	82.96
Public works - street department	7,800.00	7,600.00	6,629.51		6,629.51	970.49
Park	32,650.00	45,000.00	41,229.88		41,229.88	3,770.12
Library	194,659.00	199,475.00	101,349.48		101,349.48	98,125.52
Capital outlay	146,820.00	111,544.00	77,586.23		77,586.23	33,957.77
Debt service --						
Principal retirement					-	-
Interest					-	-
Total Expenditures	1,845,221.00	1,959,854.00	1,839,512.24	-	1,839,512.24	120,341.76
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	71,910.00	213,167.00	(79,384.79)	-	(79,384.79)	(292,551.79)
Other Financing Sources (Uses)						
Proceeds of long-term debt					-	-
Payments on long-term debt	(63,203.00)	(60,824.00)	(118,977.15)		(118,977.15)	(58,153.15)
Transfers in		92,000.00	116,748.45		116,748.45	24,748.45
Transfers out	-		(34,798.53)		(34,798.53)	(34,798.53)
Total Other Financing Sources and Uses	(63,203.00)	31,176.00	(37,027.23)	-	(37,027.23)	(68,203.23)
Net Change in Fund Balance	8,707.00	244,343.00	(116,412.02)	-	(116,412.02)	(360,755.02)
Fund Balance, October 1	270,238.93	270,238.93	270,238.93	-	270,238.93	-
Fund Balance, September 30	\$ 278,945.93	\$ 514,581.93	\$ 153,826.91	\$ -	\$ 153,826.91	\$(360,755.02)

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

CITY OF WOLFFORTH, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SEPTEMBER 30, 2008

Budgetary Control - Policy and Practice

The City operates on a twelve-month fiscal year which begins on October 1. The City Administrator is the budget officer and submits a budget of estimated revenues and expenditures to the City Council. Upon receipt of the budget estimates the City Council holds a budget workshop and a public budget hearing. Prior to October 1, the budget is legally enacted through approval by the City Council. Once approved, the Council may amend the legally adopted budget by a majority vote when unexpected modifications are required in estimated revenues and appropriations. In addition to the legally adopted budget the Council approves payment of expenditures at each monthly Council meeting. Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year. Budgets are prepared on the accrual basis of accounting and include debt principal retirements and capital outlays as expenses.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. The legal level of control is the total expenditures of the budgeted funds. Expenditures may not exceed appropriations at the total levels. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations between line items without Council approval.

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results.