

**CITY OF ELECTRA, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**



**MATHIS, WEST, HUFFINES & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

**CITY OF ELECTRA, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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## Financial Section



**MATHIS, WEST, HUFFINES & Co., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

624 Indiana, P.O. Box 97000  
Wichita Falls, Texas 76307-7000  
(940) 723-1471  
Fax (940) 723-2251  
Email [mwh@mwhpc.com](mailto:mwh@mwhpc.com)  
[www.mwhpc.com](http://www.mwhpc.com)

**Independent Auditor's Report on Financial Statements**

City Commission  
City of Electra, Texas  
101 North Main  
Electra, Texas 76360

Members of the City Commission:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Electra, 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 Electra, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Electra, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of the City of Electra, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents 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.

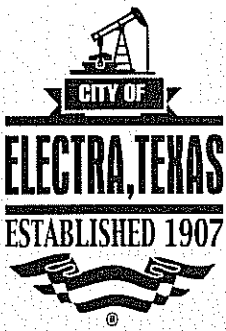
Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise the City of Electra, Texas' basic financial statements. The other supplementary information section in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

*Mathis, West, Huffines & Co., P.C.*

MATHIS, WEST, HUFFINES & CO., P.C.

Wichita Falls, Texas  
January 5, 2009



# CITY OF ELECTRA

101 NORTH MAIN • Phone 940-495-2146 • FAX 940-495-3025  
ELECTRA, TEXAS 76360-2699

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Electra, Texas, we offer readers of the City's Annual Financial Report this narrative overview and analysis of the City's financial performance during the fiscal year ended September 30, 2008. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

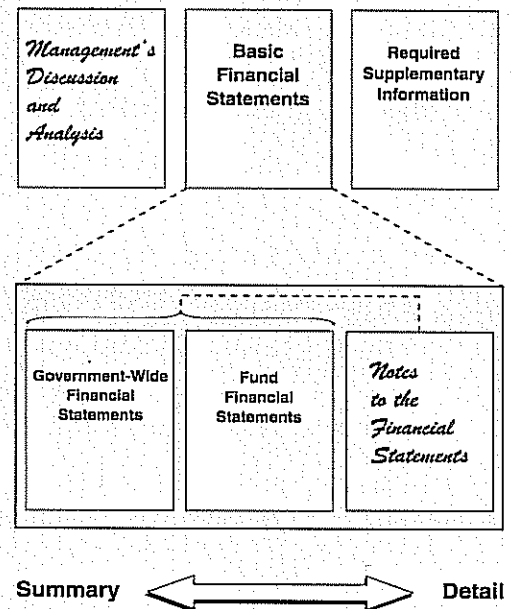
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$8,384,189 (net assets). Of this amount, \$1,941,542 (unrestricted net assets) may be used to meet the City's obligations.
- During the year, the City's total net assets increased by \$891,397. This increase is due to increases in municipal water rates, additional assets acquired including downtown sidewalks, Saratoga Estates Subdivision infrastructure, and additional water infrastructure. The downtown sidewalks, water infrastructure, and Saratoga Estates were in part funded by contributions from the Electra 4B Economic Development Corporation and/or state and federal grants.
- The governmental funds reported a fund balance this year of \$198,588, which is an increase of \$31,486 in comparison with the prior year amount. 100% of this amount is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$198,588, or approximately 11% of the total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- The *proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.

Figure A-1  
Required Components of the City's  
Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements**

Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses - the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses, and changes in net assets</li> <li>• Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements of the City are divided into three categories:

- *Governmental activities.* Most of the City's basic services are included here, such as the fire department, law enforcement, street department, sanitation, parks services, the City cemetery, animal control and general administration.
- *Business-type activities.* The City charges fees to customers to help it cover the cost of certain services it provides. The City's water, sewer, sanitation and electric system are included here.
- *Component Units.* The City includes one other entity in its report - the Business Development Corporation of Electra, Inc. Although legally separate, this "component unit" is important because the City is financially accountable for it.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) *how cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the City's proprietary funds are the same as its business-type activities, but provide more detail and information, such as cash flows.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

**Net assets.** The City's combined net assets were \$8,384,189 (\$1,039,254 for Governmental Activities and \$7,344,935 for Business-type Activities) at September 30, 2008. (See Table A-1.)

Table A-1  
City's Net Assets

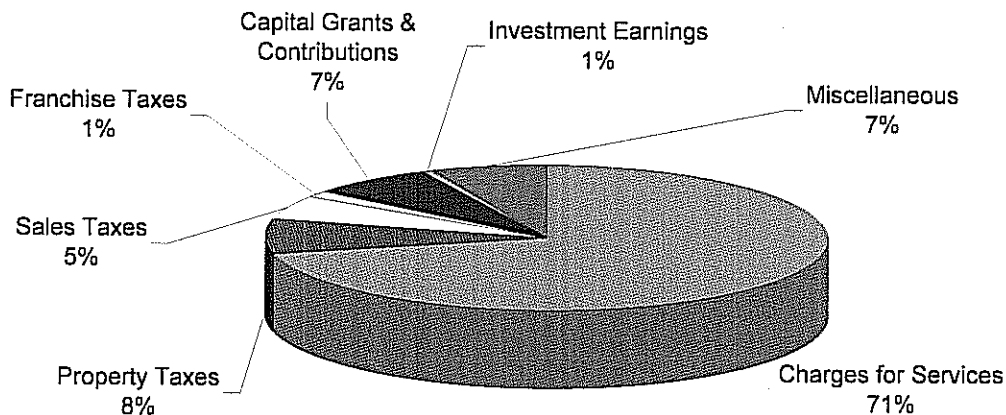
	Governmental	Governmental	Percentage	Business-type	Business-type	Percentage
	Activities	Activities		Activities	Activities	
	2007	2008	Change	2007	2008	Change
Current and other assets	\$ 223,014	\$ 252,410	26.63%	\$ 1,808,336	\$ 2,201,196	17.85%
Capital assets, net	549,934	823,904	33.25%	12,306,536	12,322,505	0.13%
Total assets	772,948	1,076,314	28.19%	14,114,872	14,523,701	2.81%
Long-term liabilities	20,773	10,728	-93.63%	7,275,000	7,060,000	-3.05%
Other liabilities	25,202	26,332	4.29%	74,053	118,766	37.65%
Total liabilities	45,975	37,060	-24.06%	7,349,053	7,178,766	-2.37%
Net assets						
Invested in capital assets, net of related debt	529,161	813,176	34.93%	5,031,536	5,262,505	4.39%
Restricted	-	-	-	353,993	366,966	3.54%
Unrestricted	197,812	226,078	12.50%	1,380,290	1,715,464	19.54%
Total net assets	\$ 726,973	\$ 1,039,254	30.05%	\$ 6,765,819	\$ 7,344,935	7.88%

The \$226,078 and \$1,715,464 of unrestricted net assets at September 30, 2008 represents resources available to fund the programs of the City next year if sufficient resources are not derived from future resources. The restricted net assets are required to be set aside for retirement of long-term debt.

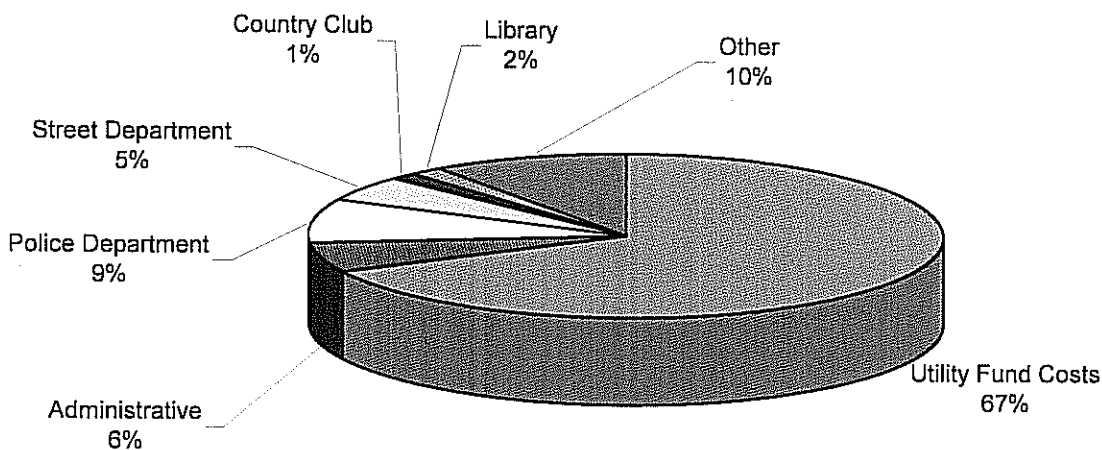
**Changes in net assets.** The City's total revenues, both program and general, were \$6,694,456. A significant portion, 71%, of the City's revenue comes from charges for services. (See Figure A-3.) 7% comes from capital grants and contributions. 8% comes from property taxes and 5% from sales taxes. Other minor categories combined make up 9% of the City's total revenues.

The total cost of all programs and services was \$5,803,059; 67% of these costs are for utility fund related expenses. The City's expenses cover a range of services, with 5% related to street maintenance and 9% for law enforcement (See Figure A-4.)

**Figure A-3  
Sources of Revenue for Fiscal Year 2008**



**Figure A-4  
Functional Expenses for Fiscal Year 2008**



## Governmental Activities

Table A-2 presents the various revenue categories and gross costs of each of the City's functional areas for the current year.

**Table A-2  
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Totals	
	2007	2008	2007	2008	2007	2008
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 191,851	\$ 123,437	\$ 4,203,619	\$ 4,640,789	\$ 4,395,470	\$ 4,764,226
Operating grants and contributions	-	21,277	-	56,663	-	77,940
Capital grants and contributions	73,528	226,967	1,497,124	173,774	1,570,652	400,741
General revenues:						
Property taxes	154,173	144,689	304,800	368,288	458,973	512,977
Sales taxes	330,417	363,000	-	-	330,417	363,000
Franchise fees	95,635	90,586	-	-	95,635	90,586
Other taxes	1,219	717	-	-	1,219	717
Investment earnings	6,102	4,521	47,953	33,211	54,055	37,732
Contributions from Electra 4B Economic Development Corp.	-	276,142	-	100,000	-	376,142
Miscellaneous	81,954	45,764	2,844	24,631	84,798	70,395
<b>Total revenues</b>	<u>934,879</u>	<u>1,297,100</u>	<u>6,056,340</u>	<u>5,397,356</u>	<u>6,991,219</u>	<u>6,694,456</u>
<b>Expenses</b>						
General administration	299,939	338,101	-	-	299,939	338,101
Police department	536,284	514,442	-	-	536,284	514,442
Fire department	51,836	47,248	-	-	51,836	47,248
Legal and judicial	53,287	54,691	-	-	53,287	54,691
Street department	275,000	277,441	-	-	275,000	277,441
Animal control	32,514	34,271	-	-	32,514	34,271
Library	96,613	103,465	-	-	96,613	103,465
Senior Citizens center	33,913	65,943	-	-	33,913	65,943
Ambulance service	36,000	36,000	-	-	36,000	36,000
Tax department	8,198	7,902	-	-	8,198	7,902
Parks and recreation	41,643	63,221	-	-	41,643	63,221
Country Club	151,907	81,754	-	-	151,907	81,754
Swimming pool	37,022	36,025	-	-	37,022	36,025
Cemetery	31,211	23,218	-	-	31,211	23,218
Main Street	54,387	209,333	-	-	54,387	209,333
Utility fund costs	-	-	3,756,254	3,910,004	3,756,254	3,910,004
<b>Total expenses</b>	<u>1,739,754</u>	<u>1,893,055</u>	<u>3,756,254</u>	<u>3,910,004</u>	<u>5,496,008</u>	<u>5,803,059</u>
Transfers	<u>872,132</u>	<u>908,236</u>	<u>(872,132)</u>	<u>(908,236)</u>	-	-
Increase (Decrease) in net assets	<u>\$ 67,257</u>	<u>\$ 312,281</u>	<u>\$ 1,427,954</u>	<u>\$ 579,116</u>	<u>\$ 1,495,211</u>	<u>\$ 891,397</u>

Explanation for the large and or unusual variances between 2007 and 2008 are as follows:

- Capital grants and contributions decreased by \$1,169,911 from 2007 due to grants received from ORCA and USDA to fund the new water supply line and replacement water distribution lines in 2007.
- Sales taxes increased 9.9%, or \$32,583 from 2007 due to continued activity in the oil field industry and the continued success of several local retail and food services businesses.
- Investment earnings decreased from 2007 by 30%, or \$16,323, primarily due to lower interest rate of return throughout 2008.
- Contributions from Electra 4B Economic Development Corporation of \$376,142 were received for the construction of the Saratoga subdivision and partial match funds on an ORCA water line improvement grant.
- Utility Fund costs increased from 2007 by 4.1%, or \$153,750, due to increased depreciation expense from the new water lines (\$123,120) and increased trash collection service costs of 17.9% or \$46,343 in 2008.
- Main Street expenses were relatively flat with the exception of \$150,000 in expenses for the new downtown sidewalks. This is not a reoccurring cost.

- Charges for services increased 8.4% from 2007 due to rate increases in the water and electric utilities, and increased water sales.

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$1,893,055; however, the amount that our taxpayers paid for these activities through property taxes was only \$144,689.
- Some of the cost was paid by those who directly benefited from the programs through charges for services of \$123,437.

**Table A-3  
Net Cost of Governmental Activities**

	Governmental Activities		Percentage Change	Net Cost of Services		Percentage Change
	2007	2008		2007	2008	
General administration	\$ 299,939	\$ 338,101	12.72%	\$ 299,939	\$ 338,101	12.72%
Police department	536,284	514,442	-4.07%	380,952	366,358	3.83%
Street department	275,000	277,441	0.89%	275,000	277,441	0.89%
Country club	151,907	81,754	-46.18%	75,806	53,235	-29.77%

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

### General Fund Budgetary Highlights

Over the course of the year, the City revised its budget one time. Actual expenditures were \$82,103 below final budget amounts. There most significant negative variance was in the Main Street department in the amount \$148,856. The most significant positive variances were in the areas of general administration, \$145,924, the animal control department, \$14,015, and the street department, \$40,308.

Resources available were \$96,393 above the final budgeted amount. The most significant favorable variance was operating and capital grants and contributions in the amount of \$213,289. Taxes reflected an unfavorable variance of \$106,071, primarily due to a decrease in sales tax revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2008, the City had invested in a broad range of capital assets totaling \$13,146,409 including land, equipment, buildings, and vehicles. (See Table A-4.)

**Table A-4  
Capital Assets**

	Governmental Activities		Business-type Activities		Totals	
	2007	2008	2007	2008	2007	2008
Land	\$ 18,156	\$ 18,156	\$ 188,115	\$ 188,115	\$ 206,271	\$ 206,271
Buildings, systems and improvements, net	349,124	334,249	11,986,205	12,006,559	12,335,329	12,340,808
Furniture and equipment, net	182,654	199,959	132,216	127,831	314,870	327,790
Infrastructure	-	271,540	-	-	-	271,540
Totals	<u>\$ 549,934</u>	<u>\$ 823,904</u>	<u>\$12,306,536</u>	<u>\$ 12,322,505</u>	<u>\$ 12,856,470</u>	<u>\$ 13,146,409</u>

**Long-term Debt**

At year-end the City had \$7,295,773 in notes, capital leases, and bonds as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements as well as in the supplemental schedules.

**Table A-5  
Outstanding Debt**

	Governmental Activities		Business-type Activities		Totals	
	2007	2008	2007	2008	2007	2008
Capital leases payable	\$ 20,773	\$ 10,728	\$ -	\$ -	\$ 20,773	\$ 10,728
Bonds payable	-	-	7,275,000	7,060,000	7,275,000	7,060,000
Totals	<u>\$ 20,773</u>	<u>\$ 10,728</u>	<u>\$ 7,275,000</u>	<u>\$ 7,060,000</u>	<u>\$ 7,295,773</u>	<u>\$ 7,070,728</u>

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

- Appraised Value used for the 2008-09 budget preparation is \$90,551,425, up \$7,804,927 above last year's values.

These indicators were taken into account when adopting the General Fund budget for 2008-09. Amounts available for appropriation in the General Fund budget are \$1,972,312, an increase of 1.6% under the original 2007-08 budget of \$1,940,943. Property tax revenue will decrease \$10,000 or 5% from the original 2007-08 budget of \$193,500.

Expenditures are budgeted to increase 1.6% from the final 2007-08 budget of \$1,940,943 to \$1,972,312.

If these estimates are realized, the City's budgetary General Fund's fund balance is not expected to change appreciably by the close of 2008-09.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the City's Administration Office.

## Basic Financial Statements

**CITY OF ELECTRA, TEXAS**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Electra 4B Economic Development Corporation
<b>Assets</b>				
Cash and cash equivalents	\$ 170,059	\$ 1,090,157	\$ 1,260,216	\$ 126,543
Receivables (net):				
Ad valorem taxes	27,490	-	27,490	-
Sales taxes	40,857	-	40,857	-
Utility accounts	-	20,991	20,991	-
Other	14,004	-	14,004	-
Accrued utility revenues	-	539,291	539,291	-
Restricted assets:				
Cash and cash equivalents	-	381,506	381,506	-
Capital assets, net of accumulated depreciation	823,904	12,322,505	13,146,409	2,121
Deferred charges	-	169,251	169,251	-
Total assets	<u>1,076,314</u>	<u>14,523,701</u>	<u>15,600,015</u>	<u>128,664</u>
<b>Liabilities</b>				
Accounts payable	6,257	234,289	240,546	-
Accrued payroll	11,758	1,274	13,032	-
Retainage payable	-	25,011	25,011	-
Other accrued expenses	8,317	11,794	20,111	-
Customer deposits	-	14,540	14,540	-
Long-term liabilities:				
Portion due or payable within one year	10,728	220,000	230,728	-
Accrued interest	-	45,063	45,063	-
Portion due or payable after one year	-	6,840,000	6,840,000	-
Original issue discount	-	(33,227)	(33,227)	-
Deferred loss on early retirement	-	(179,978)	(179,978)	-
Total liabilities	<u>37,060</u>	<u>7,178,766</u>	<u>7,215,826</u>	<u>-</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	813,176	5,262,505	6,075,681	-
Restricted for debt service	-	366,966	366,966	-
Unrestricted	226,078	1,715,464	1,941,542	128,664
Total net assets	<u>\$ 1,039,254</u>	<u>\$ 7,344,935</u>	<u>\$ 8,384,189</u>	<u>\$ 128,664</u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General administrative	\$ 338,101	\$ -	\$ -	\$ -
Police department	514,442	66,474	3,825	77,785
Fire department	47,248	-	-	-
Legal and judicial	54,691	6,998	-	-
Street department	277,441	-	-	-
Animal control department	34,271	2,951	3,525	-
Library	103,465	1,674	4,297	-
Senior Citizens Center	65,943	-	9,630	-
Ambulance service	36,000	-	-	-
Tax department	7,902	-	-	-
Parks and recreation	63,221	-	-	-
Country Club	81,754	28,520	-	-
Swimming pool	36,025	9,620	-	-
Cemetery	23,218	7,200	-	-
Main Street	209,333	-	-	149,182
Total governmental activities	<u>1,893,055</u>	<u>123,437</u>	<u>21,277</u>	<u>226,967</u>
Business-type activities:				
Utility	3,910,004	4,640,789	56,663	173,774
Total primary government	<u>\$ 5,803,059</u>	<u>\$ 4,764,226</u>	<u>\$ 77,940</u>	<u>\$ 400,741</u>
Component Unit - Electra 4B Economic Development Corporation	<u>\$ 345,439</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:  
 Taxes:  
   Property tax  
   Sales tax  
   Franchise fees  
   Hotel occupancy tax  
 Investment earnings  
 Contributions from Electra 4B Economic Development Corp.  
 Miscellaneous  
 Transfers  
   Total general revenues and transfers  
 Change in net assets  
 Net assets - beginning  
 Net assets - ending

*The accompanying notes are an integral part of this statement.*

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (338,101)	\$ -	\$ (338,101)	\$ -
(366,358)	-	(366,358)	-
(47,248)	-	(47,248)	-
(47,693)	-	(47,693)	-
(277,441)	-	(277,441)	-
(27,795)	-	(27,795)	-
(97,494)	-	(97,494)	-
(56,313)	-	(56,313)	-
(36,000)	-	(36,000)	-
(7,902)	-	(7,902)	-
(63,221)	-	(63,221)	-
(53,234)	-	(53,234)	-
(26,405)	-	(26,405)	-
(16,018)	-	(16,018)	-
(60,151)	-	(60,151)	-
<u>(1,521,374)</u>	<u>-</u>	<u>(1,521,374)</u>	<u>-</u>
-	961,222	961,222	-
<u>(1,521,374)</u>	<u>961,222</u>	<u>(560,152)</u>	<u>-</u>
-	-	-	(345,439)
144,689	368,288	512,977	-
363,000	-	363,000	121,880
90,586	-	90,586	-
717	-	717	-
4,521	33,211	37,732	3,177
276,142	100,000	376,142	-
45,764	24,631	70,395	-
908,236	(908,236)	-	10
<u>1,833,655</u>	<u>(382,106)</u>	<u>1,451,549</u>	<u>125,067</u>
312,281	579,116	891,397	(220,372)
726,973	6,765,819	7,492,792	349,036
<u>\$ 1,039,254</u>	<u>\$ 7,344,935</u>	<u>\$ 8,384,189</u>	<u>\$ 128,664</u>

**CITY OF ELECTRA, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2008**

	General Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 170,059
Receivables (net of allowances for uncollectibles):	
Ad valorem taxes	27,490
Government agencies	40,857
Other	14,004
	<u>          </u>
Total assets	<u>\$ 252,410</u>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities:</b>	
Accounts payable	\$ 6,257
Accrued payroll	11,758
Other accrued liabilities	8,317
Deferred revenue	27,490
Total liabilities	<u>53,822</u>
<b>Fund balances:</b>	
Unreserved, Undesignated	<u>198,588</u>
Total fund balances	<u>198,588</u>
	<u>          </u>
Total liabilities and fund balances	<u>\$ 252,410</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008*

Total fund balances - governmental funds balance sheet (Exhibit A-3) \$ 198,588

Amounts reported for governmental activities in the statement of net assets (Exhibit A-1)  
are different because:

Capital assets used in governmental activities are not financial resources and  
therefore not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 1,777,908	
Related accumulated depreciation	<u>954,004</u>	823,904

Property taxes receivable are not available to pay for current period expenditures and therefore are deferred in the funds.		27,490
--	--	--------

Long-term liabilities are not due and payable in the current period and therefore  
not reported as liabilities in the funds. Long-term liabilities at year-end are  
as follows:

Capital lease payable		<u>(10,728)</u>
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Net assets of governmental activities - statement of net assets		<u><u>\$ 1,039,254</u></u>
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*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	General Fund
Revenues:	
Taxes	\$ 602,329
Licenses and permits	1,133
Revenue use of property and money	39,345
Charges for services	40,157
Fines and forfeitures	66,415
Intergovernmental	235,089
Contributions	13,155
Other	26,670
Total revenues	<u>1,024,293</u>
Expenditures:	
General administrative	325,984
Police department	559,618
Fire department	44,721
Legal and judicial	52,917
Street department	286,471
Animal control department	34,271
Library	89,307
Senior Citizens Center	59,063
Ambulance service	36,000
Tax department	7,902
Parks and recreation	59,440
Country Club	77,533
Swimming pool	35,545
Cemetery	23,218
Main Street	209,053
Total expenditures	<u>1,901,043</u>
Excess of revenues (under) expenditures	<u>(876,750)</u>
Other financing sources (uses):	
Operating transfers in	908,236
Total other financing sources (uses)	<u>908,236</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	31,486
Fund balance, October 1	<u>167,102</u>
Fund balance, September 30	<u>\$ 198,588</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2008*

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 31,486

Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 355,690	
Depreciation expense during the year	<u>81,722</u>	273,968

Because property taxes receivable will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

(3,335)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Capital lease and note payable principal payments in 2007-2008 totaled this amount.

10,162

Change in net assets of governmental activities - statement of activities

\$312,281

*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUND**  
**SEPTEMBER 30, 2008**

	<u>Enterprise Fund</u>	<u>Utility Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,090,157	
Receivables (net of allowances for uncollectibles):		
Utility accounts	20,991	
Accrued utility revenues	539,291	
Restricted assets		
Cash and cash equivalents	381,506	
Capital assets, net of accumulated depreciation	12,322,505	
Deferred charges	169,251	
Total assets	<u>\$ 14,523,701</u>	
<b>Liabilities:</b>		
Accounts payable	\$ 234,289	
Accrued payroll	1,274	
Retainage payable	25,011	
Accrued interest	45,063	
Other accrued liabilities	11,794	
Customer meter deposits	14,540	
General obligation bonds payable - current maturities	220,000	
General obligation bonds payable - less current maturities	6,840,000	
Original issue discount	(33,227)	
Deferred loss on early retirement	(179,978)	
Total liabilities	<u>7,178,766</u>	
<b>Net Assets</b>		
Invested in capital assets, net of related debt	5,262,505	
Restricted	366,966	
Unrestricted	1,715,464	
Total net assets	<u>\$ 7,344,935</u>	

*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS - ENTERPRISE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	<u>Enterprise Fund</u>
	<u>Utility Fund</u>
Operating revenues:	
Water service	\$ 821,078
Sewer service	152,665
Electric service	3,281,490
Sanitation and refuse collection	385,555
Other revenues	24,633
Total operating revenues	<u>4,665,421</u>
Operating expenses:	
Water production	592,504
Electrical production	2,237,518
Sanitary sewer	111,999
Sanitation and refuse collection	316,122
Bad debt expense	9,057
Depreciation and amortization	333,368
Total operating expenses	<u>3,600,568</u>
Operating income	<u>1,064,853</u>
Nonoperating revenues (expenses):	
Ad valorem taxes	368,288
Interest income	33,211
Intergovernmental capital grants	230,437
Contributions	100,000
Bond interest expense	(307,512)
Paying agent and escrow fees	(1,925)
Total nonoperating revenues (expenses)	<u>422,499</u>
Income before transfers	<u>1,487,352</u>
Interfund operating transfers out	<u>(908,236)</u>
Change in net assets	579,116
Net assets, October 1	<u>6,765,819</u>
Net assets, September 30	<u><u>\$ 7,344,935</u></u>

*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Enterprise Fund <u>Utility Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 4,665,421
Cash payments to employees for services	(257,471)
Cash payments to other suppliers for goods and services	<u>(2,967,275)</u>
Net Cash Provided by Operating Activities	<u>1,440,675</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Intergovernmental operating grants	230,437
Sales tax receipts	368,288
Net decrease in utility deposits	(1,735)
Transfers to other funds	<u>(908,236)</u>
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(311,246)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal and interest paid on capital debt	(524,437)
Contributions	100,000
Acquisition or construction of capital assets	<u>(341,366)</u>
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(765,803)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest on investments	33,211
Net Cash Provided for Investing Activities	<u>33,211</u>
Net Increase in Cash and Cash Equivalents	396,837
Cash and Cash Equivalents at Beginning of Year	<u>1,074,826</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,471,663</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income	\$ 1,064,853
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation and amortization	333,368
Bad debt expense	9,057
Change in Assets and Liabilities:	
Increase in accounts receivable	(1,535)
Increase in accrued utility revenues	(9,188)
Increase in accounts payable	17,983
Increase in retainage payable	25,011
Increase in accrued expenses	1,126
Total Adjustments	<u>375,822</u>
Net Cash Provided by Operating Activities	<u>\$ 1,440,675</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2008**

	Private-Purpose Trust Fund	Agency Fund
	Memorial & Gift Fund	Main Street Organization
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,544	\$ 31,200
Due from Main Street Organization	-	12,005
Total assets	<u>\$ 8,544</u>	<u>\$ 43,205</u>
<b>LIABILITIES</b>		
Due to Main Street Organization	\$ -	\$ 12,005
Total liabilities	<u>-</u>	<u>12,005</u>
<b>NET ASSETS</b>		
Unrestricted	8,544	31,200
Total Net Assets	<u>\$ 8,544</u>	<u>\$ 31,200</u>

*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Private-Purpose Trust Fund
	Memorial & Gift Fund
<b>Additions:</b>	
Investment Income	\$ 300
Total Additions	<u>300</u>
<b>Deductions:</b>	
Benefits	<u>2,417</u>
Total Deductions	<u>2,417</u>
<b>Change in Net Assets</b>	<b>(2,117)</b>
Net Assets-Beginning of the Year	<u>10,661</u>
Net Assets-End of the Year	<u><u>\$ 8,544</u></u>

*The accompanying notes are an integral part of this statement.*

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

A. Summary of Significant Accounting Policies

The combined financial statements of the City of Electra, Texas (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare privilege-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local Governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of a "management's discussion and analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component unit on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure. In addition to the government-wide financial statements, the City has prepared governmental fund financial statements which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, the City's major governmental fund, is similar to that presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34.

Statement of Net Assets - The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories, 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The new government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**2. Reporting Entity**

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", an Amendment of GASB Statement No. 14, include whether:

- the organization is legally separate (can sue and be sued in its 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
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has one component unit, the Electra 4B Economic Development Corporation. This discretely presented component unit is reported in a separate column in the combined financial statements that emphasize that it is legally separate from the City. The discretely presented component unit has a September 30th year end. The Electra 4B Development Corporation has not issued separate financial statements for the period ended September 30, 2008.

**3. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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 specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

The City reports the following major governmental fund:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major enterprise fund:

Utility Fund. This fund accounts for electrical, water, and sewer utility services to residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen to apply future FASB standards.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed.

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2008, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$ 62,654
Allowance for uncollectible taxes	<u>(35,164)</u>
Net property taxes receivable	<u>\$ 27,490</u>

c. Inventories and Prepaid Items

Inventory items are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings, Systems, and Improvements	20-50
Furniture and Equipment	5-15

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables, other than delinquent property taxes receivable, which are not scheduled for collection within one year of year end. Of the \$62,654 outstanding at September 30, 2008, it is expected that the City will collect approximately \$20,000 during the 2008-2009 fiscal year. This is similar to the delinquent taxes collected for the year ended September 30, 2008.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

The City does not have violations of finance-related legal and contractual provisions.

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

The City does not have any funds with a deficit fund balance or deficit fund net assets.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits:

At September 30, 2008, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,641,722 and the bank balance was \$1,413,888. The City's cash deposits at September 30, 2008 and during the year ended September 30, 2008, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

At September 30, 2008, the carrying amount of the component unit's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$126,543 and the bank balance was \$126,543. The component unit's cash deposits at September 30, 2008 and during the year ended September 30, 2008, were entirely covered by FDIC insurance or by pledged collateral held by the component unit's agent bank in the component unit's name.

Under the terms of revenue bond agreements, the City is required to establish and maintain special funds in its official depository bank. The bond issue requires the establishment of three funds; the Reserve Fund, the Interest and Sinking Fund and the Revenue Fund. The City is required to deposit all gross revenue from the operation of the water system into the Revenue Fund. It is required to make monthly installments into the Interest and Sinking Fund in amounts necessary to make the next due principal and interest amounts. It is required to maintain a Reserve Fund in amounts specified by the agreements which is to be used only to make interest and principal payments when the amounts in the Interest and Sinking Fund are not adequate.

Restricted Assets:

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

For Debt Service:	
Cash and cash equivalents	\$ 366,966
For Customer Meter Deposits:	
Cash and cash equivalents	<u>14,540</u>
Total	<u>\$ 381,506</u>

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Investments:

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentrations of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. 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.

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 18,156	\$ -	\$ -	\$ 18,156
Capital assets being depreciated:				
Buildings, systems and improvements	627,891	-	-	627,891
Furniture and equipment	776,171	79,548	-	855,719
Infrastructure	-	276,142	-	276,142
Total capital assets being depreciated	1,404,062	355,690	-	1,759,752
Less accumulated depreciation for:				
Buildings, systems and improvements	278,767	14,875	-	293,642
Furniture and equipment	593,515	62,245	-	655,760
Infrastructure	-	4,602	-	4,602
Total accumulated depreciation	872,282	81,722	-	954,004
Total capital assets being depreciated, net	531,780	273,968	-	805,748
Governmental activities capital assets, net	\$ 549,936	\$ 273,968	\$ -	\$ 823,904
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 188,114	\$ -	\$ -	\$ 188,114
Capital assets being depreciated:				
Buildings, systems and improvements	16,849,035	322,560	(54,556)	17,117,039
Furniture and equipment	363,947	70,297	-	434,244
Total capital assets being depreciated	17,212,982	392,857	(54,556)	17,551,283
Less accumulated depreciation for:				
Buildings, systems and improvements	4,805,719	304,761	-	5,110,480
Furniture and equipment	292,760	13,652	-	306,412
Total accumulated depreciation	5,098,479	318,413	-	5,416,892
Total capital assets being depreciated, net	12,114,503	74,444	(54,556)	12,134,391
Governmental activities capital assets, net	\$12,302,617	\$ 74,444	\$ (54,556)	\$12,322,505
<b>4B Economic Development Corporation:</b>				
Capital assets not being depreciated:				
Land	\$ 2,121	\$ -	\$ -	\$ 2,121

Depreciation was charged to functions as follows:

<b>General Fund:</b>	
Administration	\$ 12,117
Fire department	2,527
Golf	4,221
Legal	1,774
Library	14,158
Parks and recreation	3,781
Police	21,901
Swimming	480
Senior Citizens	6,880
Street department	13,603
Main Street	280
Total	\$ 81,722

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**E. Interfund Balances and Activity**

1. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2008 consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Enterprise Fund	General Fund	<u>\$ 908,236</u>	Fund operating deficits

**F. Long-Term Obligations**

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2008, are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Capital leases payable	<u>\$ 20,773</u>	<u>\$ -</u>	<u>\$ 10,045</u>	<u>\$ 10,728</u>	<u>\$ 10,728</u>
<u>Business-type activities:</u>					
Bonds payable	<u>\$ 7,275,000</u>	<u>\$ -</u>	<u>\$ 215,000</u>	<u>\$ 7,060,000</u>	<u>\$ 220,000</u>

2. Debt Service Requirements

Combined debt service requirements on long-term debt at September 30, 2008, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 10,728</u>	<u>\$ 729</u>	<u>\$ 11,457</u>

The City uses the General Fund to make all debt service payments related to governmental activities.

<u>Year Ending September 30,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 220,000	\$ 295,691	\$ 515,691
2010	225,000	287,684	512,684
2011	235,000	278,979	513,979
2012	240,000	269,864	509,864
2013-2018	1,690,000	1,392,170	3,082,170
2019-2024	2,200,000	886,723	3,086,723
2025-2030	425,000	521,794	946,794
2031-2036	545,000	398,756	943,756
2037-2042	705,000	240,231	945,231
2043-2046	575,000	50,256	625,256
Totals	<u>\$ 7,060,000</u>	<u>\$ 4,622,148</u>	<u>\$ 11,682,148</u>

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

3. Capital Leases

The City has one non-cancellable lease which is categorized as a capital lease. The lease is for 2 street department trucks. The lease term runs to 60 months. Interest was charged to governmental activities in the amount of \$1,412.

Commitments under capitalized lease agreements for equipment provide for minimum future rental payments as of September 30, 2008 as follows:

<u>Year Ending September 30,</u> 2009	<u>Principal</u> <u>\$ 10,728</u>	<u>Interest</u> <u>\$ 729</u>	<u>Total</u> <u>\$11,457</u>
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4. Bonds Payable

A summary of changes in bonds payable for the year ended September 30, 2008, is as follows:

	Range of Interest Rates	Amounts Outstanding September 30, 2007	New Obligations Issued	Obligations Retired	Amounts Outstanding September 30, 2008
1998 Combination Tax and Revenue Certificates of Obligation	4.75%-5.50%	\$ 185,000	\$ -	\$ 185,000	\$ -
2005 Combination Tax and Revenue Certificates of Obligation	4.00%-4.70%	1,480,000	-	-	1,480,000
2005 Combination Tax and Revenue Refunding Bonds	2.65%-4.50%	2,610,000	-	-	2,610,000
2006 Combination Tax and Revenue Certificates of Obligation	4.25%	<u>3,000,000</u>	<u>-</u>	<u>30,000</u>	<u>2,970,000</u>
Totals		<u>\$ 7,275,000</u>	<u>\$ -</u>	<u>\$ 215,000</u>	<u>\$ 7,060,000</u>

In 1998, the City issued Combination Tax and Revenue Certificates of Obligation, Series 1998 in the amount of \$680,000. The purpose of the issue was to provide for improvements to the City's water and wastewater treatment plant. The interest rates on these obligations range from 4.75% to 5.50%. The final maturity date was February 1, 2008.

In 2005, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2005 in the amount of \$1,500,000. The purpose of the issue was to provide for the construction of a waterline to Iowa Park, Texas. The interest rates on these certificates of obligation range from 4.00% to 4.70%. The final maturity date is February 1, 2024. The annual series payment ranges from \$10,000 to \$350,000.

Also in 2005, the City issued Combination Tax and Revenue Refunding Bonds, Series 2005 in the amount of \$2,900,000. The purpose of the issue was to refund certain of the City's outstanding General Obligation Refunding Bonds, Series 1992, Combination Tax and Revenue Bonds, Series 1998, and Combination Tax and Revenue Bonds, Series 2000, for the purpose of achieving a debt service charge savings over the life of the refunded bonds. The interest rates on these bonds range from 2.65% to 4.50%. The final maturity date is February 1, 2020. The annual series principal payment ranges from \$175,000 to \$270,000.

In 2007, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2006 in the amount of \$1,254,469 in addition to the \$1,745,531 issued in 2006 totaling \$3,000,000 for the purpose of constructing a waterline, pumps, and water storage tanks into the City to supply water needs to residents. The interest on these bonds is 4.25%. The final maturity date is February 1, 2046 and the certificates are callable on February 1, 2016. The annual series principal payment ranges from \$30,000 to \$155,000.

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

The City's current year payments for debt service included \$305,185 of interest and \$1,925 in fees.

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the City is in compliance with all significant limitations and restrictions.

5. Advance Refunding

The Combination Tax and Revenue Refunding Bonds, Series 2005 were used to advance refund a portion of the Series 1998 bonds and all of the Series 1992 and Series 2000 bonds. Proceeds from the issuance of the Series 2005 bonds totaled \$2,853,024 with \$2,746,736 going into the escrow account to service the refunded debt. The difference between the cash flow required to service the old debt and that required to service the new debt and complete the refunding is \$218,745. The economic gain from the advance refunding; i.e., the difference between the present value of the old debt service requirements and the present value of the new debt service requirements discounted at the effective interest rate on the new debt is \$26,958.

During the years ended September 30, 2005 and 1992, the City defeased certain outstanding general obligation bonds by placing the proceeds of new bonds and additional cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust escrow accounts and the defeased bonds are not included in the City's financial statements. At September 30, 2008, the following outstanding bonds are considered defeased:

	<u>Amount</u>
General Obligation Bonds:	
1987 General Obligation	\$ 400,000
1998 Revenue Certificates	410,000
2000 Revenue Certificates	1,715,000
Total Outstanding Defeased	<u>\$ 2,525,000</u>

G. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 827 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/07 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.

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 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.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

2. Contributions

The contribution rate for the employees is 6%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. 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 (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

**Schedules of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	12/31/2007
Actuarial Value of Assets	\$ 908,665
Actuarial Accrued Liability	\$ 1,351,440
Percentage Funded	67.2%
Unfunded (Overfunded) Actuarial Liability (UAAL)	\$ 442,775
Annual Covered Payroll	\$ 891,519
UAAL as a Percentage of Covered Payroll	49.7%
Net Pension Obligation (NPO) at the Beginning of the Period	\$ -
Annual Pension Cost:	
Annual Required Contribution (ARC)	\$ 61,245
Contributions Made	\$ (61,245)
NPO at the end of the Period	\$ -
Two Preceding Years:	
12/31/2006:	
Annual Pension Cost	\$ 61,245
Percentage of Annual Pension Cost Contributed	100%
NPO at the end of the Period	\$ -
12/31/2005:	
Annual Pension Cost	\$ 64,478
Percentage of Annual Pension Cost Contributed	100%
NPO at the end of the Period	\$ -

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

H. Other

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

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of 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 a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios; however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approx. 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city's unfunded actuarial accrued liability would have been \$425,380 and the funded ratio would have been 69.9%.

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

I. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2008, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

J. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2008.

**CITY OF ELECTRA, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

K. Subsequent Events

The U.S Department of Agriculture – Rural Development has agreed to allow the City of Electra to use the remaining estimated \$1,000,000 in unspent grant funds from previous year's projects on other water system improvements which are expected to be completed during the year ended September 30, 2009.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF ELECTRA, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 708,400	\$ 708,400	\$ 602,329	\$ (106,071)
Licenses and permits	1,000	1,000	1,133	133
Revenue use of property and money	38,250	38,250	39,345	1,095
Charges for services	32,000	32,000	40,157	8,157
Fines and forfeitures	96,000	96,000	66,415	(29,585)
Intergovernmental	21,800	21,800	235,089	213,289
Contributions	8,200	8,200	13,155	4,955
Other	22,250	22,250	26,670	4,420
Total revenues	<u>927,900</u>	<u>927,900</u>	<u>1,024,293</u>	<u>96,393</u>
<b>Expenditures:</b>				
General administrative	471,908	471,908	325,984	145,924
Police department	561,406	561,406	559,618	1,788
Fire department	52,580	52,580	44,721	7,859
Legal and judicial	54,395	54,395	52,917	1,478
Street department	326,779	326,779	286,471	40,308
Animal control department	48,286	48,286	34,271	14,015
Library	87,054	90,000	89,307	693
Senior Citizens Center	58,353	58,353	59,063	(710)
Ambulance service	42,000	42,000	36,000	6,000
Tax department	13,000	13,000	7,902	5,098
Parks and recreation	48,144	60,000	59,440	560
Country Club	62,023	80,000	77,533	2,467
Swimming pool	29,576	39,000	35,545	3,455
Cemetery	25,242	25,242	23,218	2,024
Main Street	60,197	60,197	209,053	(148,856)
Total expenditures	<u>1,940,943</u>	<u>1,983,146</u>	<u>1,901,043</u>	<u>82,103</u>
Excess of revenues (under) expenditures	<u>(1,013,043)</u>	<u>(1,055,246)</u>	<u>(876,750)</u>	<u>(178,496)</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	<u>1,013,043</u>	<u>1,013,043</u>	<u>908,236</u>	<u>(104,807)</u>
Total other financing sources (uses)	<u>1,013,043</u>	<u>1,013,043</u>	<u>908,236</u>	<u>(104,807)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (42,203)</u>	<u>31,486</u>	<u>\$ 73,689</u>
Fund balance, October 1			<u>167,102</u>	
Fund balance, September 30			<u>\$ 198,588</u>	

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**CITY OF ELECTRA, TEXAS**  
**DEBT REQUIREMENTS TO MATURITY**  
**COMBINATION TAX AND REVENUE REFUNDING BONDS**  
**- SERIES 2005**  
**SEPTEMBER 30, 2008**

Fiscal Year Ending September 30	Payment Due			Total
	Principal February 1	Semi-Annual Interest		
		February 1	August 1	
2009	\$ 175,000	\$ 52,920	\$ 49,989	\$ 277,909
2010	180,000	49,989	46,794	276,783
2011	185,000	46,764	43,372	275,136
2012	195,000	43,372	39,666	278,038
2013	200,000	39,666	35,766	275,432
2014	210,000	35,766	31,566	277,332
2015	220,000	31,566	27,056	278,622
2016	230,000	27,056	22,226	279,282
2017	235,000	22,226	17,233	274,459
2018	250,000	17,233	11,795	279,028
2019	260,000	11,795	6,075	277,870
2020	270,000	6,075	-	276,075
	<u>\$ 2,610,000</u>	<u>\$ 384,428</u>	<u>\$ 331,538</u>	<u>\$ 3,325,966</u>

Original Issue: \$2,900,000

Date of Issue: March 21, 2005

Interest Rate: Interest rate for 2008 is 2.95% and increases slightly each year until maturity in 2020 when rate will be 4.50%

**CITY OF ELECTRA, TEXAS**  
**DEBT REQUIREMENTS TO MATURITY**  
**COMBINATION TAX AND REVENUE CERTIFICATE OF**  
**OBLIGATION BONDS - SERIES 2005**  
**SEPTEMBER 30, 2008**

Fiscal Year Ending September 30	Payment Due			Total
	Principal February 1	Semi-Annual Interest		
		February 1	August 1	
2009	\$ 15,000	\$ 33,698	\$ 33,698	\$ 82,396
2010	10,000	33,398	33,197	76,595
2011	15,000	33,197	32,897	81,094
2012	10,000	32,897	32,697	75,594
2013	15,000	32,697	32,397	80,094
2014	15,000	32,397	32,098	79,495
2015	10,000	32,098	31,873	73,971
2016	15,000	31,873	31,535	78,408
2017	15,000	31,535	31,197	77,732
2018	20,000	31,197	30,748	81,945
2019	20,000	30,748	30,297	81,045
2020	20,000	30,297	29,847	80,144
2021	305,000	29,847	22,985	357,832
2022	315,000	22,985	15,897	353,882
2023	330,000	15,897	8,225	354,122
2024	350,000	8,225	-	358,225
	<u>\$ 1,480,000</u>	<u>\$ 462,986</u>	<u>\$ 429,588</u>	<u>\$ 2,372,574</u>

Original Issue: \$1,500,000

Date of Issue: March 21, 2005

Interest Rate: 2008-2014: 4.00%  
2015-2022: 4.50%  
2023: 4.65%  
2024: 4.70%

**CITY OF ELECTRA, TEXAS**  
**DEBT REQUIREMENTS TO MATURITY**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF**  
**OBLIGATION BONDS - SERIES 2006**  
**SEPTEMBER 30, 2008**

Fiscal Year Ending September 30,	Payment Due			Total
	Principal February 1	Semi-Annual Interest		
		February 1	August 1	
2009	\$ 30,000	\$ 63,112	\$ 62,475	\$ 155,587
2010	35,000	62,475	61,731	159,206
2011	35,000	61,731	60,988	157,719
2012	35,000	60,988	60,243	156,231
2013	40,000	60,244	59,394	159,638
2014	40,000	59,394	58,543	157,937
2015	40,000	58,543	57,694	156,237
2016	45,000	57,693	56,738	159,431
2017	45,000	56,737	55,781	157,518
2018	45,000	55,781	54,825	155,606
2019	50,000	54,825	53,763	158,588
2020	50,000	53,762	52,700	156,462
2021	55,000	52,700	51,531	159,231
2022	55,000	51,531	50,363	156,894
2023	60,000	50,363	49,087	159,450
2024	60,000	49,087	47,813	156,900
2025	65,000	47,512	46,431	158,943
2026	65,000	46,431	45,050	156,481
2027	70,000	45,050	43,563	158,613
2028	70,000	43,563	42,075	155,638
2029	75,000	42,075	40,481	157,556
2030	80,000	40,481	38,781	159,262
2031	80,000	38,781	37,081	155,862
2032	85,000	37,081	35,275	157,356
2033	90,000	35,275	33,363	158,638
2034	95,000	33,362	31,344	159,706
2035	95,000	31,343	29,325	155,668
2036	100,000	29,325	27,200	156,525
2037	105,000	27,200	24,969	157,169
2038	110,000	24,968	22,631	157,599
2039	115,000	22,631	20,188	157,819
2040	120,000	20,188	17,637	157,825
2041	125,000	17,638	14,981	157,619
2042	130,000	14,981	12,219	157,200
2043	135,000	12,219	9,350	156,569
2044	140,000	9,350	6,375	155,725
2045	145,000	6,375	3,294	154,669
2046	155,000	3,294	-	158,294
	<u>\$ 2,970,000</u>	<u>\$ 1,538,089</u>	<u>\$ 1,475,282</u>	<u>\$ 5,983,371</u>

Original Issue: \$3,000,000  
Date of Issue: June 23, 2006  
Interest Rate: 4.25%



**MATHIS, WEST, HUFFINES & Co., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

624 Indiana, P.O. Box 97000  
Wichita Falls, Texas 76307-7000  
(940) 723-1471  
Fax (940) 723-2251  
Email [mwh@mwhpc.com](mailto:mwh@mwhpc.com)  
[www.mwhpc.com](http://www.mwhpc.com)

**Independent Auditor's Report**

**Report on Internal Control over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

City Commission  
City of Electra, Texas  
101 North Main  
Electra, Texas 76360

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Electra, Texas as of and for the year ended September 30, 2008, which collectively comprise the City of Electra, Texas' basic financial statements and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency, is a control deficiency, or combination of control deficiencies, that adversely affects the City of Electra, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Electra, Texas' financial statements that is more than inconsequential will not be prevented or detected by the City of Electra, Texas' internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. The findings reference numbers are 2008-1 and 2008-2.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and other Matters

As part of obtaining reasonable assurance about whether the City of Electra, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2008-3.

We noted certain matters that we reported to management of the City of Electra, Texas, in a separate letter dated January 5, 2009.

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

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

Respectfully submitted,



MATHIS, WEST, HUFFINES & CO., P.C.

January 5, 2009

City of Electra, Texas  
Schedule of Findings and Responses  
September 30, 2008

Finding No. 2008-1

Finding:

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough in number to provide optimum segregation of duties.

Response:

The City is aware of the limitations it has with regard to internal control because of the limited number of office staff. Furthermore, the City will always be cognizant of its need to improve internal controls when the opportunity presents itself, and will remain committed to the involvement of the City Commission in oversight and review of City functions and financial affairs.

Finding No. 2008-2

Finding:

The City's system of internal control does not include personnel with the experience and training sufficient to produce financial statements, including all related footnote disclosures, in accordance with accounting principles generally accepted in the United States of America, nor does the system include the expertise to prevent, detect, and correct a material misstatement to the financial statements and the related footnotes.

Response:

The City is aware that its system of internal control does not include personnel with the experience and training necessary to prevent this weakness in internal control but will always be cognizant of its need for improvement in this area and will utilize other means to minimize this weakness, as they are available. The City Commission will remain committed to oversight and review of City functions and financial affairs.

Finding No. 2008-3

Finding:

During the year ended September 30, 2008, the City's expenditures exceeded the budget in two areas.

Response:

The City is monitoring expenditures against budgeted amounts, and made adjustments to the budget throughout the year to address expenditure overages, however one required budget amendment was overlooked. The City has begun monitoring this area more closely to assist in eliminating this finding.