

CITY OF ABERNATHY, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2005

AND

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS
CITY OF ABERNATHY, TEXAS**

**MAYOR AND CITY COUNCIL
SEPTEMBER 30, 2005**

O.C. "Hoppy" Toler

Mayor

Elias Vecchio

Mayor Pro Tem

Colleen Cecil

Council Member

Victor Cavazos

Council Member

Cory Sinkler

Council Member

Darrell Stephens

Council Member

CITY OF ABERNATHY, TEXAS

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

TABLE OF CONTENTS

	<u>Statement Identification</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditors' Report		1
Management's Discussion and Analysis (Required Supplementary Information)		3
<u>Financial Statements</u>		
Statement of Net Assets	Exhibit 1	9
Statement of Activities	Exhibit 2	10
Balance Sheet – Governmental Funds	Exhibit 3	11
Statement of Governmental Funds Revenue, Expenditures, and Changes in Fund Balances – General Fund Type	Exhibit 4	12
Statement of Net Assets – Proprietary Funds	Exhibit 5	13
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	Exhibit 6	14
Statement of Cash Flows – Proprietary Funds	Exhibit 7	15
Notes to Financial Statements		16
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund	RSI-1	26
ADDITIONAL SCHEDULES		
General Fund – Schedule of Expenditures by Department	Schedule 1	27
Water and Sewer Fund – Schedule of Operating Expenses by Department	Schedule 2	28
Water and Sewer Fund – Schedule of Debt Principal and Interest Requirements to Maturity	Schedule 3	29
Schedule of Changes in Delinquent Taxes Receivable	Schedule 4	30
Schedule of Investments	Schedule 5	31

CITY OF ABERNATHY, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2005

TABLE OF CONTENTS (Continued)

Page
No.

INTERNAL CONTROL AND COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	32
Internal Control Findings	34

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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1623 10TH STREET

LUBBOCK, TEXAS 79401-2685

INDEPENDENT AUDITORS' REPORT

Honorable O.C. "Hoppy" Toler, Mayor
and Members of the City Council
City of Abernathy, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Abernathy, Texas, as of and for the year ended September 30, 2005, 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 Abernathy, 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, each major fund, and the aggregate remaining fund information of the City of Abernathy, Texas, as of September 30, 2005, and the respective changes in financial position and cash flows where applicable, 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 November 18, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis and budgetary comparison information on pages 3-8 and 26, respectively, 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 that collectively comprise the City of Abernathy, Texas' basic financial statements. The additional schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional schedules as listed in the table of contents 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.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

November 18, 2005

CITY OF ABERNATHY
MANAGEMENT'S DISCUSSION AND ANALYSIS

November 18, 2005

Honorable Mayor, City Council Members and Citizens of the City of Abernathy, Texas,

This section of Abernathy's annual financial report presents our discussion and analysis of the City of Abernathy's financial performance during the fiscal year that ended on September 30, 2005. Please read it in conjunction with the City's financial statements and independent auditors' report.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$4,887,149 (net assets) as compared to \$4,495,824 for the previous fiscal year. Of this amount, \$843,621 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$391,325 as a result of this year's operations as compared to a decrease of \$33,523 in the previous year.

During the year ended September 30, 2005 and 2004, the City's expenses were \$1,513,672 and \$1,456,053 compared to \$1,904,997 and \$1,422,530 generated in taxes and other revenues.

The balance of cash and investments at September 30, 2005 and 2004, were \$985,500 and \$1,356,779.

Expenditures

Total fund expenditures for the year ending September 30, 2005, compared with the year ending September 30, 2004, are as follows:

Expenditures			
<u>Fund</u>	<u>2004-2005</u>	<u>2003-2004</u>	<u>Change</u>
General Fund	\$ 1,289,483	\$ 938,683	\$ 350,800
Water/Sewer Fund	563,258	613,182	(49,924)
Airport Fund	<u>49,780</u>	<u>20,775</u>	<u>29,005</u>
Total	\$ <u>1,902,521</u>	\$ <u>1,572,640</u>	\$ <u>329,881</u>

The increase in General Fund expenditures is largely attributable to capital expenditures, increase in salaries, contracted services, and insurance premiums.

Revenues

The City's revenues for were up for the year ending September 30, 2005, when compared with the year ending September 30, 2004. Year-end revenue totals are as follows:

Revenues			
<u>Fund</u>	<u>2004-2005</u>	<u>2003-2004</u>	<u>Change</u>
General Fund	\$ 1,117,267	\$ 837,776	\$ 279,491
Water/Sewer Fund	757,831	582,851	174,980
Airport Fund	<u>31,912</u>	<u>1,107</u>	<u>30,805</u>
Total	\$ <u>1,907,010</u>	\$ <u>1,421,734</u>	\$ <u>485,276</u>

The increase in Fund revenues is largely attributable to grant revenues received from various federal, state, and local organizations for capital improvements and equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

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

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

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

Reporting the City as a Whole

Government-Wide Financial Statements

The analysis of the City's overall financial condition and operations is presented in the Statement of Net Assets and the Statement of Activities. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net assets and changes in them. The City's net assets (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's infrastructure, its property tax base and the condition of the City's facilities.

In the Statement of Net Assets and the Statement of Activities, the City is reporting its governmental activities which include water, sewer, vector control (mosquito spraying) and garbage collection.

Reporting the City's Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Laws and contracts require the City to establish some funds. The City's administration establishes many other funds to help it control and manage money for particular purposes. The City's two fund types – governmental and proprietary – use different accounting approaches.

- Governmental funds – Most of the City's basic services are included in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following the fund financial statements.
- Proprietary funds – The City's business activities such as water sales, sewer services, and airport operations are included in proprietary funds. These also use modified accrual accounting in reconciliation schedules following the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Changes in Net Assets

Net assets of the City's governmental and business-type activities increased from \$4,495,824 to \$4,887,149. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$1,184,795 to \$843,621.

Table I
City of Abernathy, Texas
NET ASSETS

	September 30,	
	2005	2004
Current and Other Assets	\$ 1,308,791	\$ 1,479,533
Capital Assets	4,231,937	3,673,681
Total Assets	\$ 5,540,728	\$ 5,153,214
Current Liabilities	\$ 326,637	\$ 219,282
Long-Term Liabilities	326,942	438,108
Total Liabilities	\$ 653,579	\$ 657,390
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	\$ 3,781,754	\$ 3,133,215
Restricted	261,774	177,814
Unrestricted	843,621	1,184,795
Total Net Assets	\$ 4,887,149	\$ 4,495,824

Table II
City of Abernathy, Texas
CHANGES IN NET ASSETS

	September 30,	
	2005	2004
Revenues:		
Program Revenues:		
Charges for Services	\$ 866,324	\$ 902,407
Operating Grants and Contributions	43	
Capital Grants and Contributions	485,830	
General Revenues:		
Property Taxes	301,286	289,061
Franchise Taxes	77,229	64,676
Sales Taxes	117,081	120,502
Licenses and Permits	7,350	5,874
Investment Earnings	20,222	13,683
Miscellaneous	29,632	26,327
Total Revenue	\$ 1,904,997	\$ 1,422,530
Expenses:		
Primary Government:		
General Government	\$ 235,842	\$ 215,898
Public Safety	251,285	231,374
Public Works	276,149	246,176
Health and Welfare	70,064	71,916
Cultural and Recreation	7,713	7,890
Depreciation	59,581	48,842
Business-type activities:		
Non-Departmental	106,696	112,566
Utility Accounting and Billing	113,759	68,480
Maintenance	367,488	422,557
Interest on Debt	25,095	30,354
Total Expenses	\$ 1,513,672	\$ 1,456,053
Increase in Net Assets	\$ 391,325	\$ (33,523)
Net Assets at October 1, 2004	4,495,824	4,501,750
Prior Year Adjustment		27,597
Net Assets at September 30, 2005	\$ 4,887,149	\$ 4,495,824

The City's total revenues increased from \$1,422,530 in 2004 to \$1,904,997 in 2005, an increase of \$482,467. This increase was attributable to an increase in property taxes and federal, state, and local grants. The total expenditures of the City increased by \$57,619 from \$1,456,053 to \$1,513,672, a result of an increase in salaries, payroll related expenses, and an increase in insurance premiums.

Other factors impacting the City's financial position include the following:

- The expenditures made related to the Park View addition.
- The ongoing work on the Community Park.
- The replacement of older vehicles in the Police and Water Departments.
- Capital Improvements at the Airport.
- Capital Improvements at the Landfill
- The ongoing work on both Lift Station replacements.

Fund Balances

The City's total Governmental Funds fund balance at September 30, 2005 and 2004, was \$245,835 and \$434,771, respectively. This fund balance is reported in the General Fund. The General Fund balance of \$57,085 is available for current spending; however, it has been the practice of the City to try and maintain a fund balance that is at least several months operating expenses. Additionally, the City has designated \$188,750 of this fund balance for future construction of the Community Park.

Budgetary Highlights

Over the course of the year, the City Council revised the City's budget. These budget amendments were necessary to reflect the revised estimates of revenues and expenses. The principal amendment was construction expenditures allowing for various grants the City received during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the City had \$4,231,937 of capital assets, net of accumulated depreciation. Financial statement footnote 2 discloses the capital asset activity of the City for the fiscal year ending September 30, 2005.

Debt

At the end of 2005, the City had \$450,183 of total debt outstanding. \$123,241 of this is due within one year. The funding for the payment of the capital leases comes from general revenues and funding for the payments on the bonds come from water utilities collected for debt repayment. Financial statement footnote 3 discloses the debt activity of the City for the fiscal year ending September 30, 2005.

FACTORS BEARING ON THE CITY'S FUTURE

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy. The City of Abernathy is a largely residential city that has a commercial section along Interstate 27. Both the City's General and Water/Sewer Funds rely heavily on revenues received from all sectors of the community.

The General Fund's three largest revenue sources, which are sales tax, property tax and franchise fees, make up 45% of the revenues, and all three have performed well over the last several years. For fiscal year 2005-06, sales tax, property tax, and franchise fees are projected to be \$470,014.

The Water/Sewer Fund's two largest revenue sources, water sales and sewer services, make up 72% of the revenues. For fiscal year 2005-06, water sales and sewer services are projected to be \$522,000.

Property taxes for the City (27% of General Fund revenues) have shown growth in recent years, and this trend is expected to continue in the near future due to a strong residential real estate market. Residential construction continues to increase with single home family dwellings expecting to continue to increase. This will serve a vital role of stimulating local businesses and enhancing the City's economic stability.

Long-term financial planning. While the City's largest revenue sources have shown positive trends over the last several years, total revenues have not increased at the same level as increases in the cost of providing services. This gap between revenues and expenditures is expected to widen in the upcoming years due to increased costs for health insurance premiums, workers compensation and general liability costs. The City is actively pursuing a number of revenue enhancements to close that gap in future years.

The City will continue to seek out expansion at the Abernathy Municipal Airport. Recently, the City has had two separate parties locating business operations at the airport. Any place the City can recapture a portion of the O&M expenses should be given a high priority.

While most of the City's revenue sources have shown positive trends in recent years, the health of the City's budget, like many cities throughout the state, hinges in large part on action at the state level.

Cash management policies and practices. With the change in banking facilities to Security Bank in late 2003, the City has been able to maintain interest bearing checking accounts. This was not the case in previous years. The City should continue to explore and take advantage of every avenue of maximizing earning capacities of operating capital in a healthy environment.

The City holds a large portion of its portfolio in Certificates of Deposits. Due to recent economic conditions, interest rates have continued to remain lower than in previous years. In the last quarter of 2005, trends have shown that interest rates have improved for the City. Whether or not the rates will continue to rise remains to be seen.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Abernathy City Manager, 811 Avenue D, Abernathy, Texas 79311.

CITY OF ABERNATHY, TEXAS

Exhibit 1

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Primary Government		
	Current Year		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 7,693	\$ 90,941	\$ 98,634
Investments	363,524	450,318	813,842
Receivables (Net)	91,240	221,272	312,512
Internal Balances		185,415	
Total Current Assets	<u>\$ 462,457</u>	<u>\$ 947,946</u>	<u>\$ 1,224,988</u>
Noncurrent Assets:			
Restricted Cash	\$	\$ 73,024	\$ 73,024
Capital Credits		10,779	10,779
Capital Assets:			
Buildings and Equipment, Net of Depreciation	1,085,422	3,146,515	4,231,937
Total Noncurrent Assets	<u>\$ 1,085,422</u>	<u>\$ 3,230,318</u>	<u>\$ 4,315,740</u>
Total Assets	<u>\$ 1,547,879</u>	<u>\$ 4,178,264</u>	<u>\$ 5,540,728</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 18,760	\$ 143,521	\$ 162,281
Internal Balances	185,415		
Meter Deposits		41,115	41,115
Current Portion of Long-Term Obligations	18,241	105,000	123,241
Total Current Liabilities	<u>\$ 222,416</u>	<u>\$ 289,636</u>	<u>\$ 326,637</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Obligations	16,942	310,000	326,942
Total Liabilities	<u>\$ 239,358</u>	<u>\$ 599,636</u>	<u>\$ 653,579</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 1,050,239	\$ 2,731,515	\$ 3,781,754
Restricted for:			
Debt Service		73,024	73,024
City Park	188,750		188,750
Unrestricted (Deficit)	69,532	774,089	843,621
Total Net Assets	<u>\$ 1,308,521</u>	<u>\$ 3,578,628</u>	<u>\$ 4,887,149</u>

See accompanying notes to financial statements.

-10-
CITY OF ABERNATHY, TEXAS

Exhibit 2

STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2005

Net (Expense) Revenue Primary Government:	Program Revenues			Net (Expense) Revenue and Changes In Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
City Hall	\$ 94,244	\$ 21,901	\$ 43	\$	\$ (72,300)	\$ (72,300)
Legislative	3,799				(3,799)	(3,799)
Administrative	110,746				(110,746)	(110,746)
Sanitation	199,780	178,458		43,723	22,401	22,401
Streets	76,369				(76,369)	(76,369)
Fire	42,998	23,828		11,250	(7,920)	(7,920)
Police	208,287			26,100	(182,187)	(182,187)
Library	6,051				(6,051)	(6,051)
Ambulance	70,064	114,456			44,392	44,392
Judicial	27,053	33,576			6,523	6,523
Parks	1,662			141,250	139,588	139,588
Depreciation	59,581				(59,581)	(59,581)
Total Governmental Activities	\$ 900,634	\$ 372,219	\$ 43	\$ 222,323	\$ (306,049)	\$ (306,049)
Business-Type Activities:						
Non-Departmental	\$ 106,696	\$ 89,667	\$	47,820	\$	\$ 30,791
Utility Accounting and Billing	113,759	95,603		50,985	32,829	32,829
Maintenance	367,488	308,835		164,702	106,049	106,049
Interest on Debt	25,095				(25,095)	(25,095)
Total Business-Type Activities	\$ 613,038	\$ 494,105	\$ 0	\$ 263,507	\$ 144,574	\$ 144,574
Total Primary Government	\$ 1,513,672	\$ 866,324	\$ 43	\$ 485,830	\$ (306,049)	\$ (161,475)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes Including Penalties		\$			\$ 301,286	\$ 301,286
Franchise Taxes					77,229	77,229
Sales Taxes					117,081	117,081
Licenses and Permits					7,350	7,350
Unrestricted Investment Earnings					9,074	20,222
Miscellaneous					8,649	20,983
Transfers					(45,000)	45,000
Total General Revenues, Special Items, and Transfers					\$ 475,669	\$ 77,131
Change in Net Assets					169,620	221,705
Net Assets—Beginning					1,138,901	3,329,326
Prior Period Adjustment						27,597
Net Assets—Ending					\$ 1,308,521	\$ 3,578,628

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 3

**BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005**

	<u>General Fund</u>
ASSETS	
Cash	\$ 7,693
Certificates of Deposit	363,524
Accounts Receivable (Less Provision for Uncollectibles of \$3,450)	78,793
Delinquent Taxes Receivable (Net of Allowance for Uncollectibles of \$24,260)	<u>12,447</u>
Total Assets	<u><u>\$ 462,457</u></u>
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts Payable	\$ 18,760
Deferred Revenue - Property Taxes	12,447
Due to Other Funds	185,415
Total Liabilities	<u><u>\$ 216,622</u></u>
FUND EQUITY	
Reserved For:	
City Park	\$ 188,750
Unreserved	57,085
Total Fund Balance	<u><u>\$ 245,835</u></u>

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (Net of accumulated depreciation)	1,085,422
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds.	(35,183)
Deferred property tax revenue is recognized in fund above but not in the statement of net assets.	<u>12,447</u>
Net assets of governmental activities	<u><u>\$ 1,308,521</u></u>

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 4

STATEMENT OF GOVERNMENTAL FUNDS REVENUE,
EXPENDITURES, AND CHANGES IN FUND BALANCES
- GENERAL FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	General Fund
REVENUE	
Property Taxes	\$ 294,654
City Sales Taxes	117,081
Penalties	8,646
Franchise Taxes	77,229
Licenses and Permits	7,350
Leases and Rents	19,900
Court Fees	33,576
Fire Calls	23,828
Mosquito Spraying	10,654
Interest Income	9,074
Ambulance Calls	114,456
Sanitation Revenue	167,804
Grant Revenue	222,366
Miscellaneous Revenue	10,649
Total Revenue	\$ 1,117,267
EXPENDITURES	
City Hall	\$ 128,728
Legislative	3,799
Administrative	110,746
Sanitation Department	248,719
Streets	76,369
Fire Department	70,356
Police Department	264,253
Library	6,051
Ambulance	70,064
Judicial	27,053
Parks	283,345
Total Expenditures	\$ 1,289,483
Excess of Revenues Under Expenditures	\$ (172,216)
OTHER FINANCING SOURCES (USES)	
Loan Proceeds	28,280
Transfers Out	(45,000)
Net Change in Fund Balance	\$ (188,936)

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

Governmental funds report capital outlay as expenditures. However, the statement of activities reports these as assets that are depreciated over their useful lives.	429,868
Loan proceeds provide current financial resources to governmental funds, but are reflected as increases in long-term liabilities in the statement of net assets.	(28,280)
Depreciation is recorded in the statement of activities as an expense but not in governmental funds.	(59,581)
Principal payments are recorded as expenditures in governmental funds but excluded in the statement of activities.	18,562
Deferred revenue is not recorded in the statements of net assets thus the change is excluded in activities.	(2,013)
Change in net assets of governmental activities	\$ 169,620

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 5

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005

	Proprietary Funds		
	Water & Sewer	Airport	Total
ASSETS			
Current Assets:			
Cash	\$ 84,319	\$ 6,622	\$ 90,941
Investments	420,188	30,130	450,318
Accounts Receivable (Less Provision for Uncollectibles of \$813)	221,272		221,272
Due (to) from Other Funds	192,015	(6,600)	185,415
Total Current Assets	<u>\$ 917,794</u>	<u>\$ 30,152</u>	<u>\$ 947,946</u>
Noncurrent Assets:			
Restricted Cash	\$ 73,024	\$	\$ 73,024
Capital Credits	10,779		10,779
Fixed Assets (Net of Depreciation)	2,663,854	482,661	3,146,515
Total Noncurrent Assets	<u>\$ 2,747,657</u>	<u>\$ 482,661</u>	<u>\$ 3,230,318</u>
Total Assets	<u>\$ 3,665,451</u>	<u>\$ 512,813</u>	<u>\$ 4,178,264</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 140,637	\$	\$ 140,637
Meter Deposits	41,115		41,115
Accrued Interest	2,884		2,884
Current Portion of Bonds Payable	70,000		70,000
Current Portion of Certificates of Obligation	35,000		35,000
Total Current Liabilities	<u>\$ 289,636</u>	<u>\$ 0</u>	<u>\$ 289,636</u>
Noncurrent Liabilities:			
Bonds Payable	145,000		145,000
Certificates of Obligation	165,000		165,000
Total Noncurrent Liabilities	<u>\$ 310,000</u>	<u>\$ 0</u>	<u>\$ 310,000</u>
Total Liabilities	<u>\$ 599,636</u>	<u>\$ 0</u>	<u>\$ 599,636</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 2,248,854	\$ 482,661	\$ 2,731,515
Restricted for Debt Service	73,024		73,024
Unrestricted	743,937	30,152	774,089
Total Net Assets	<u>\$ 3,065,815</u>	<u>\$ 512,813</u>	<u>\$ 3,578,628</u>

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 6

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Proprietary Funds		
	Water & Sewer	Airport	Total
OPERATING REVENUES			
Water Revenue	\$ 352,118	\$	\$ 352,118
Sewer Revenue	110,336		110,336
Water/Sewer Permits	7,035		7,035
Reconnect and Late Fees	24,616		24,616
Total Operating Revenue	\$ 494,105	\$ 0	\$ 494,105
OPERATING EXPENSES			
Non-Departmental	\$ 96,253	\$ 10,443	\$ 106,696
Utility Accounting and Billing	102,698	11,061	113,759
Maintenance	339,212	28,276	367,488
Total Operating Expenses	\$ 538,163	\$ 49,780	\$ 587,943
Operating Income (Loss)	\$ (44,058)	\$ (49,780)	\$ (93,838)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	\$ 10,616	\$ 532	\$ 11,148
Miscellaneous Revenue (Expense)	19,603	1,380	20,983
Grant Revenue	233,507	30,000	263,507
Interest Expense	(25,095)		(25,095)
Total Nonoperating Revenue (Expenses)	\$ 238,631	\$ 31,912	\$ 270,543
Income (Loss) Before Transfers	\$ 194,573	\$ (17,868)	\$ 176,705
TRANSFERS			
Transfers in from General Fund	\$	\$ 45,000	\$ 45,000
Change in Net Assets	\$ 194,573	\$ 27,132	\$ 221,705
TOTAL NET ASSETS - BEGINNING	2,843,645	485,681	3,329,326
PRIOR PERIOD ADJUSTMENT	27,597		27,597
TOTAL NET ASSETS - ENDING	\$ 3,065,815	\$ 512,813	\$ 3,578,628

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 7

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Proprietary Funds		
	Water & Sewer	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	\$ 520,173	\$ 1,380	\$ 521,553
Payments to Suppliers and Employees	(467,155)	(39,337)	(506,492)
Net Cash Provided by (Used in) Operating Activities	\$ 53,018	\$ (37,957)	\$ 15,061
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from General Fund	\$	\$ 45,000	\$ 45,000
Net Cash Provided by Noncapital Financing Activities	\$ 0	\$ 45,000	\$ 45,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions of Fixed Assets	\$ (128,067)	\$ (39,427)	\$ (167,494)
Interest Paid on Bonds	(25,776)		(25,776)
Grant Revenues	102,181	30,000	132,181
Payments on Certificates of Obligation	(35,000)		(35,000)
Payments on Long-Term Borrowings	(65,000)		(65,000)
Net Cash Used in Capital and Related Financing Activities	\$ (151,662)	\$ (9,427)	\$ (161,089)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned on Investments	\$ 10,616	\$ 532	\$ 11,148
Net Cash Provided by Investing Activities	\$ 10,616	\$ 532	\$ 11,148
DECREASE IN CASH AND CASH EQUIVALENTS	\$ (88,028)	\$ (1,852)	\$ (89,880)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	665,559	38,604	704,163
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 577,531	\$ 36,752	\$ 614,283
Reconciliation of Operating Loss to Net Cash Flows From Operating Activities:			
Operating Loss	\$ (44,058)	\$ (49,780)	\$ (93,838)
Adjustments to Reconcile Loss From Operations to Net Cash From Operating Activities:			
Depreciation expense	\$ 95,071	\$ 10,443	\$ 105,514
Miscellaneous Revenues	19,603	1,380	20,983
Change in Assets and Liabilities:			
Receivables	2,740		2,740
Due from Other Funds	(1,041)		(1,041)
Accounts Payable	(17,804)		(17,804)
Meter Deposits	3,725		3,725
Accrued Payroll	(5,218)		(5,218)
	\$ 97,076	\$ 11,823	\$ 108,899
Cash Flows From Operating Activities	\$ 53,018	\$ (37,957)	\$ 15,061

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Abernathy, Texas (the "City") operates under a Council / City Manager form of government. The City's major operations include police and fire protection, sanitation and recreation, public works, and general administrative services. In addition, the City owns and operates a water and sewer system.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

These financial statements present the City (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City. The City does not have component units.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's general fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, sanitation and recreation, public works, and general administrative services are classified as governmental activities. The City's water and sewer services and airport are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants.

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

Program revenues must be directly associated with the function (police, public works, etc) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

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

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. The following is a description of the proprietary fund of the City:

Enterprise fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, to be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary funds financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent.

2. Investments:

Investments are stated at fair value, (quoted market price or the best available estimate).

3. Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 years
Water and sewer systems	15-40 years
Machinery and equipment	5-20 years
Automotive	7-10 years

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

4. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

5. Expenditures:

Expenditures are recognized when the related fund liability is incurred.

6. Compensated Absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee.

7. Interfund Activity:

Interfund activity is reported as either advances, services provided, reimbursements, or transfers. Advances 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/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

2. CAPITAL ASSETS

Governmental Activities:

Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	\$ 550,966	\$	\$	\$ 550,966
Street Paving	285,318			285,318
Fire Fighting Equipment	215,041	15,000		230,041
Furniture & Fixtures	12,216			12,216
Machinery and Equipment	154,825	77,219		232,044
Automotive	88,027	55,966		143,993
City Park - CWIP	38,136	281,683		319,819
	<u>\$ 1,344,529</u>	<u>\$ 429,868</u>	<u>\$ 0</u>	<u>\$ 1,774,397</u>

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

Accumulated Depreciation

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Buildings	\$ 106,987	\$ 12,652	\$	\$ 119,639
Street Paving	225,675	4,783		230,458
Fire Fighting Equipment	169,913	12,647		182,560
Furniture & Fixtures	8,428	639		9,067
Machinery and Equipment	73,845	10,848		84,693
Automotive	<u>44,546</u>	<u>18,012</u>		<u>62,558</u>
	<u>\$ 629,394</u>	<u>\$ 59,581</u>	<u>\$ 0</u>	<u>\$ 688,975</u>

Business-Type Activities:

Assets – Water and Sewer

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 456,321	\$	\$	\$ 456,321
Buildings	317,914			317,914
Water System	1,680,192	5,131		1,685,323
Sewer System	1,185,547			1,185,547
Automotive	171,130	15,417	12,721	173,826
CWIP	<u></u>	<u>233,508</u>		<u>233,508</u>
	<u>\$ 3,811,104</u>	<u>\$ 254,056</u>	<u>\$ 12,721</u>	<u>\$ 4,052,439</u>

Assets – Airport

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 216,237	\$	\$	\$ 216,237
Improvements	<u>415,833</u>	<u>39,427</u>		<u>455,260</u>
	<u>\$ 632,070</u>	<u>\$ 39,427</u>	<u>\$ 0</u>	<u>\$ 671,497</u>

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

Accumulated Depreciation – Water and Sewer

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Buildings	\$ 5,961	\$ 7,948	\$	\$ 13,909
Water System	558,834	44,393		603,227
Sewer System	667,017	29,638		696,655
Automotive	<u>74,423</u>	<u>13,092</u>	<u>12,721</u>	<u>74,794</u>
	<u>\$ 1,306,235</u>	<u>\$ 95,071</u>	<u>\$ 12,721</u>	<u>\$ 1,388,585</u>

Accumulated Depreciation – Airport

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Improvements	<u>\$ 178,393</u>	<u>\$ 10,443</u>	<u>\$ 0</u>	<u>\$ 188,836</u>

3. LONG-TERM OBLIGATIONS

Capital Lease Obligation

In 1997, the City financed \$101,995 for the purchase of an American Eagle Fire Pumper. Terms of the lease include an interest rate of 6.07% for 10 annual installments with the final installment due September 25, 2006. The outstanding balance at September 30, 2005, is \$13,108. Payments to maturity are as follows:

2006	\$ 13,904
Less: Amount Representing Interest	<u>(796)</u>
	<u>\$ 13,108</u>

During the ended September 30, 2005, the City financed \$28,280 for the purchase of a John Deere 5220 tractor. Terms of the lease include an interest rate of 4.75% for five annual installments with the final installment due November 18, 2008. The outstanding balance at September 30, 2005, is \$22,075. Payments to maturity are as follows:

2006	\$ 6,204
2007	6,204
2008	6,204
2009	<u>6,204</u>
	<u>24,816</u>
Less: Amount Representing Interest	<u>(2,741)</u>
	<u>\$ 22,075</u>

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

Revenue Bonds

The ordinance for the revenue bonds of the Water and Sewer Fund require the establishment of a Bond Sinking Fund and a Bond Reserve Fund. The Sinking Fund requires a monthly deposit of one-twelfth (1/12) of the next annual principal and interest installment. The Reserve Fund requires a monthly deposit until the fund has a balance of \$50,000. The amount in the Reserve Fund at September 30, 2005, is \$73,024. These funds are carried on the Balance Sheet of the Water and Sewer Fund as restricted assets.

The following is a summary of revenue bond activities for the year ended September 30, 2005, and the principal and interest requirements for the next 12 months.

	Balance 10/1/2004	Issued	Retired	Balance 9/30/2005	Next Twelve Months	
					Principal	Interest
Water & Sewer Revenue Bonds - 5-1-1998	\$ <u>280,000</u>	\$ <u> </u>	\$ <u>65,000</u>	\$ <u>215,000</u>	\$ <u>70,000</u>	\$ <u>11,073</u>

Principal obligations to maturity are as follows:

	Amount
9/30/2006	\$ 70,000
9/30/2007	70,000
9/30/2008	<u>75,000</u>
	\$ <u>215,000</u>

The 1998 Series bonds are payable from net revenues of the Water and Sewer Fund, with final payment due in 2008. Interest is payable annually at 5.15% per annum.

Certificates of Obligation

In 2000, the City issued certificates of obligation totaling \$350,000. Proceeds from this issue were used for the purchase of land and installation of a water well. This debt carries an interest rate of six percent and matures in 2010.

The following is a summary of certificate activities for the year ended September 30, 2005, and the principal and interest requirements for the next 12 months.

	Balance 10/1/2004	Issued	Retired	Balance 9/30/2005	Amounts Due Next Twelve Months	
					Principal	Interest
Certificates of Obligation - 2000	\$ <u>235,000</u>	\$ <u> </u>	\$ <u>35,000</u>	\$ <u>200,000</u>	\$ <u>35,000</u>	\$ <u>12,000</u>

-23-
CITY OF ABERNATHY, TEXAS
NOTES TO FINANCIAL STATEMENTS

Principal obligations to maturity are as follows:

	<u>Amount</u>
9/30/2006	\$ 35,000
9/30/2007	40,000
9/30/2008	40,000
9/30/2009	40,000
9/30/2010	<u>45,000</u>
	<u>\$ 200,000</u>

4. LITIGATION – COMMITMENTS

As of September 30, 2005, there were no claims or assessments nor any litigation pending against the City.

5. PENSION PLAN

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 801 administered by TMRS, an agent multi-employer public employee retirement system.

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.

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. Plan provisions for the City were as follows (as of 4/1/05):

Deposit Rate:	5%
Matching Ratio (City to Employee)	1 to 1
A member is vested after	5 Years

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

Members can retire at certain ages, based on the years of service with the City.
The service retirement eligibilities for the city are: 5 yrs/ age 60, 25 yrs/ any age.

Contributions

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 to budget for it, 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, 2004, valuation is effective for rates beginning January 2006).

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date		12/31/04
Actuarial Value of Assets		\$ 295,513
Actuarial Accrued Liability		\$ 499,309
Percentage Funded		59.2%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)		\$ 203,796
Annual Covered Payroll		\$ 392,078
UAAL as a Percentage of Covered Payroll		52.0%
Net Pension Obligation (NPO) at the Beginning of Period		\$ 0
Annual Pension Cost		
Annual Required Contribution (ARC)	\$ 25,740	
Interest on NPO		
Adjustment to the ARC		\$ 25,740
Contributions Made		(25,740)
Increase in NPO		
NPO at the End of Period		\$ 0

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	25 Years – Open Period
Asset Valuation Method	Amortized Cost (to accurately reflect the requirements of GASB stmt, No. 25, paragraphs 36e And 138)
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	3.5%
Cost of Living Adjustments	None

6. REINSTATEMENT OF BEGINNING NET ASSETS

An error from the prior period resulting in an understatement of net assets has been corrected through an adjustment to beginning net assets as follows:

Balance as Previously Reported - 9/30/04	\$ 3,329,326
Adjustment to Book Paving Lien Receivable	<u>27,597</u>
Balance as Adjusted - 9/30/04	<u>\$ 3,356,923</u>

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

RSI-1

CITY OF ABERNATHY, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 278,737	\$ 278,737	\$ 294,654	\$ 15,917
City Sales Taxes	115,500	115,500	117,081	1,581
Penalties	6,500	6,500	8,646	2,146
Franchise Taxes	60,000	60,000	77,229	17,229
Licenses and Permits	5,000	5,000	7,350	2,350
Leases and Rents	17,238	17,238	19,900	2,662
Court Fees	10,100	20,100	33,576	13,476
Mosquito Spraying	10,000	10,000	10,654	654
Interest Income	15,000	15,000	9,061	(5,939)
Ambulance Calls	68,000	68,000	87,650	19,650
Sanitation Revenue	169,175	169,175	167,804	(1,371)
Grant Revenue	320,000	815,000	222,366	(592,634)
Miscellaneous Revenues	7,600	7,600	10,495	2,895
Total Revenues	\$ 1,082,850	\$ 1,587,850	\$ 1,066,466	\$ (521,384)
EXPENDITURES				
City Hall	\$ 102,429	\$ 597,429	\$ 100,448	\$ 496,981
Legislative	2,750	2,750	3,799	(1,049)
Administrative	101,307	101,307	110,746	(9,439)
Sanitation	196,771	196,771	248,719	(51,948)
Streets	75,150	165,150	76,369	88,781
Fire	30,996	30,996	49,056	(18,060)
Police	210,712	210,712	264,253	(53,541)
Library	6,650	6,650	6,051	599
Ambulance	30,050	30,050	39,886	(9,836)
Judicial	12,085	22,085	27,053	(4,968)
Parks	322,600	322,600	283,345	39,255
Total Expenditures	\$ 1,091,500	\$ 1,686,500	\$ 1,209,725	\$ 476,775
Excess of Revenues Over (Under) Expenditures	\$ (8,650)	\$ (98,650)	\$ (143,259)	\$ (44,609)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 8,650	\$ 98,650	\$	\$ (98,650)
Transfers Out			(45,000)	(45,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses - Budget Basis	\$ 0	\$ 0	\$ (188,259)	\$ (188,259)
Unbudgeted Amounts:				
Fire Department Funds			2,531	
Police Department Funds			164	
Ambulance Funds			(3,372)	
Loan Proceeds			28,280	
Purchase of Equipment			(28,280)	
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES - TOTAL			\$ (188,936)	
FUND BALANCE - BEGINNING OF YEAR			434,771	
FUND BALANCE - END OF YEAR			\$ 245,835	

ADDITIONAL SCHEDULES

-27-
CITY OF ABERNATHY, TEXAS

Schedule 1

GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	City Hall	Legislative	Administrative	Sanitation	Streets	Fire	Police	Library	Ambulance	Judicial	Parks	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Auto Allowance			4,200				972					5,172
Uniforms	3,133						1,897		120			2,017
Workers' Compensation	10,703	950	200	145,933	1,357	1,118	750		7,013			3,133
Contract Services									8,381			168,024
Contract Billing				5,040								8,381
Sub-Housing Demolition				6,824								5,040
Contract Hauling												6,824
Legal Publications	1,768											1,768
Engineering					781							781
Legal	6,010											6,010
Accounting	10,750											10,750
Dues and Registrations	928	944	480			6,188	1,103		5,643	158		15,444
Travel and Meals		2,608	934			1,656	1,542					6,740
Library Services								6,051				6,051
Judicial Expenses										10,526		10,526
Office Supplies			1,314				(65)					1,249
Printing			682									682
Postage			716									716
Janitorial Supplies	159											159
Telephones	10,377						854		1,190			12,421
Election			93									93
Utilities	15,639		424	291	19,632	3,212			3,399		100	42,697
General Insurance/Safety	20,322											20,322
Small Tools	220		20		406		816					1,462
Pest Control	215					100						315
Animal Shelter							2,645					2,645
Fuel and Oil						136	9,531		497			15,474
Vector Control				(211)	5,521							14,917
Supplies	1,685	(703)	138	14,917	2,270	17,852	6,590		7,828			36,161
Vehicle Maintenance				501	1,857		1,871					3,728
Equipment Maintenance	450		165	3,412	2,734	38	853		304			7,956
Tires and Accessories					1,653		918					2,571
Street Maintenance					40,158						1,562	40,158
City Park Maintenance												1,562
Home Grant Expenses	43								1,243		43	7,200
Building and Grounds	1,072					4,885						96
Post Office	96											20,589
Leases Payable	6,685					13,904						1,497
Civil Defense			1,497									867
Special Operations							867			363		15,376
Miscellaneous	2,080		143			5,744	848		6,198			645
Software Support	645											429,868
Capital Outlay	28,280			48,939		15,000	55,966				281,683	289,319
Salary	6,888		80,831	18,559		483	141,670		26,110	14,778		24,440
TML Insurance			7,436	2,951			14,053					24,516
FICA			6,792	1,563		40	12,175		2,138	1,228		13,078
TMRS Retirement	580		4,681				8,397					
	\$ 1,28,728	\$ 3,799	\$ 110,746	\$ 248,719	\$ 76,369	\$ 70,356	\$ 264,253	\$ 6,051	\$ 70,064	\$ 27,053	\$ 283,345	\$ 1,289,483

CITY OF ABERNATHY, TEXAS

Schedule 2

WATER AND SEWER FUND
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Non Departmental	Utility Accounting and Billing	Maintenance	Total
Workers Compensation	\$	\$	\$ 3,133	\$ 3,133
Uniforms			4,458	4,458
Contract Services		14,520	2,762	17,282
Accounting		10,750		10,750
Legal		1,271		1,271
Dues and Registration		307	5,013	5,320
Travel			2,060	2,060
Office Supplies		1,341		1,341
Printing		516		516
Postage		4,064		4,064
Janitorial Supplies	38			38
Utilities		7,204	46,018	53,222
Telephone		639		639
General Insurance		12,119		12,119
State Fees and Permits			1,225	1,225
Fuel and Oil			15,349	15,349
Small Tools			3,460	3,460
Chemicals			1,866	1,866
Supplies		46	5,064	5,110
Vehicle Maintenance			1,893	1,893
Equipment Maintenance		392	3,333	3,725
Tires and Accessories			1,220	1,220
Building Remodeling	808			808
Building and Grounds			1,740	1,740
Water/Sewer Treatment			2,734	2,734
Utility Maintenance			23,141	23,141
Leases Payable		498		498
Miscellaneous		1,953	375	2,328
Salaries		37,707	150,729	188,436
TML Insurance		4,582	40,189	44,771
FICA		2,768	11,064	13,832
TMRS Retirement		2,021	12,386	14,407
Bad Debts	336			336
Depreciation	95,071			95,071
Totals	\$ 96,253	\$ 102,698	\$ 339,212	\$ 538,163

CITY OF ABERNATHY, TEXAS

Schedule 3

WATER AND SEWER FUND
SCHEDULE OF DEBT PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
SEPTEMBER 30, 2005

Fiscal Year Ended September 30,	1998		2000		Grand Total
	Certificates of Obligation		Certificates of Obligation		
	Principal	Interest	Principal	Interest	
2006	\$ 70,000	\$ 5,536	\$ 35,000	\$ 10,950	\$ 121,486
2007	70,000	3,734	40,000	8,700	122,434
2008	75,000	1,931	40,000	6,300	123,231
2009			40,000	3,900	43,900
2010			45,000	1,350	46,350
	<u>\$ 215,000</u>	<u>\$ 11,201</u>	<u>\$ 200,000</u>	<u>\$ 31,200</u>	<u>\$ 457,401</u>

CITY OF ABERNATHY, TEXAS

Schedule 4

SCHEDULE OF CHANGES IN DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2005

Year	Property Taxes Receivable Oct. 1, 2004	Assessed	Adjust- ments and Collections	Property Taxes Receivable Sept. 30, 2005
1990 and Prior	\$ 1,380	\$	\$ 687	\$ 693
1991	466		44	422
1992	463		41	422
1993	724		42	682
1994	479		42	437
1995	782		42	740
1996	866		35	831
1997	949		78	871
1998	1,138		81	1,057
1999	1,831		204	1,627
2000	2,719		361	2,358
2001	3,769		970	2,799
2002	8,391		3,959	4,432
2003	14,461		7,572	6,889
2004		295,986	283,539	12,447
Totals	\$ <u>38,418</u>	\$ <u>295,986</u>	\$ <u>297,697</u>	\$ <u>36,707</u>

CITY OF ABERNATHY, TEXAS

Schedule 5

SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2005

Investments - General Fund	CD #	Maturity Date	Interest Rate	
Security Bank - For the City	5300060	11/30/2005	2.10%	\$ 101,750
Security Bank - For the City	5300061	11/30/2005	2.10%	254,377
Security Bank - For EMS	5300184	1/1/2006	3.25%	<u>7,397</u>
Total General Fund				\$ <u>363,524</u>
Investments - Water and Sewer Fund				
Security Bank - For the City	5300065	11/30/2005	2.10%	\$ 101,763
Security Bank - For the City	5300066	11/30/2005	2.10%	178,084
Security Bank - For the City	5300167	11/30/2005	2.90%	<u>140,341</u>
Total Water and Sewer Fund				\$ <u>420,188</u>
Investments - Airport Fund				
Security Bank - For the City	5300181	2/23/2006	3.00%	\$ <u>30,130</u>
Total Airport Fund				\$ <u>30,130</u>
Total - All Funds				\$ <u><u>813,842</u></u>

INTERNAL CONTROL AND COMPLIANCE SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

1623 10TH STREET

LUBBOCK, TEXAS 79401-2685

**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**

Honorable O.C. "Hoppy" Toler, Mayor
and Members of the City Council
City of Abernathy, Texas

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Abernathy, Texas, as of and for the year ended September 30, 2005, which collectively comprise City of Abernathy, Texas' basic financial statements and have issued our report thereon dated November 18, 2005. 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 Abernathy, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Abernathy, Texas' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of internal control findings as item 1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also, considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining assurance about whether the City of Abernathy, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

November 18, 2005

Internal Control Findings

1. Finding – The City should maintain an audit paper trail for all transactions. During our audit we noted that an EMS certificate of deposit in the amount of \$8,796.94 was withdrawn on September 1, 2005. A new certificate of deposit in the amount of \$7,396.94 was purchased on the same day leaving \$1,400 unaccounted for. Darrell Stephens decided to pull the \$1,400 out of the certificate of deposit and surprise the EMS staff with a \$200 cash bonus.

Recommendation – The City should make sure that EMS is aware of the importance of maintaining a good audit trail.

Response – The City Manager has discussed the importance of a good audit trail with the EMS secretary and that in the future if a certificate of deposit is cashed, the money should be deposited in the checking account so that checks can be written to staff instead of giving them cash.

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

PHONE: (806) 747-3806

FAX: (806) 747-3815

1623 10TH STREET

LUBBOCK, TEXAS 79401-2685

November 18, 2005

Honorable Mayor and
Members of the City Council
City of Abernathy, Texas

As part of our responsibility in the conduct of the audit for the period ended September 30, 2005, we are required to determine that certain matters related to the conduct of the audit are communicated to those who have responsibility for oversight of the financial reporting process. It is our understanding that the oversight of the financial reporting process is your responsibility, and as such this, communication is directed to you.

Auditors' Responsibility Under U. S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 15, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U. S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. As part of our audit, we considered the internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the organization are described in Note 1 to the financial statements. No new policies were adopted, and the application of existing policies was not changed during the audit period. We noted no transactions entered into by the organization during the audit period that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates can be particularly

sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We feel these estimates are reasonable for the audit period.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the organization's financial reporting process (that is, cause future financial statements to be materially misstated). Attached to this letter are the adjustments made as a part of this audit. These adjustments are considered to be significant to the financial reporting process, either individually or in the aggregate.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any client-prepared documents that include the audited financial statements and that contain other information.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine whether the consultant has all the relevant facts. To our knowledge, management has not consulted with other accountants about auditing and accounting matters.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the organization's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties with management in performing and completing our audit.

Honorable Mayor and
Members of the City Council
City of Abernathy, Texas
November 18, 2005
Page 3

This information is intended solely for the use of those with the oversight responsibility over the financial reporting process, including the audit committee, the City Council, and management, and is not intended to be and should not be used by anyone other than these specified parties. If you should have any questions or wish to discuss any of the items referred to above in further detail, please do not hesitate to contact our office.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
Fund: 100				
	Adj Entry #:	1		
		Remarks:	To adjust double entry to AP for garbage transfer.	
100 00 2086 00 5 000	11420	TRANSFERS FROM OTHER FUNDS	0.00	(13,639.95)
100 00 2010 00 5 002	12005	ACCOUNTS PAYABLE	13,216.35	0.00
100 16 6590 00 5 000	15210	MISCELLANEOUS	423.60	0.00
Total Adjustments for Adj Entry # 1			\$13,639.95	(\$13,639.95)

	Adj Entry #:	2		
		Remarks: To record current year accounts payable.		
100 00 2010 00 5 002	12005	ACCOUNTS PAYABLE	0.00	(13,463.56)
100 52 6790 00 5 000	15021	CAPITAL OUTLAY (Park Const.)	1,513.51	0.00
100 16 6350 00 5 000	15119	LEGAL	572.00	0.00
100 16 6627 00 5 000	15151	UTILITIES	1,226.82	0.00
100 15 6588 00 5 000	15385	CIVIL DEFENSE	60.00	0.00
100 31 6370 00 5 000	15525	CONTRACT SERVICES	1,267.15	0.00
100 31 6627 00 5 000	15546	UTILITIES - STREET LIGHTING	1,820.51	0.00
100 31 6627 00 5 001	15553	FUEL & OIL	141.67	0.00
100 31 6662 00 5 000	15567	SUPPLIES	513.04	0.00
100 22 6627 00 5 001	15651	FUEL & OIL	324.10	0.00
100 21 6572 00 5 000	15721	POLICE AUTO ALLOWANCE	732.40	0.00
100 21 6627 00 5 000	15791	FUEL & OIL	1,480.92	0.00
100 21 6615 00 5 000	15798	SMALL TOOLS	5.25	0.00
100 21 6667 00 5 000	15805	ANIMAL SHELTER	480.50	0.00
100 42 6380 00 5 000	15896	CONTRACT EMS BILLING	542.53	0.00
100 42 6627 00 5 001	15959	FUEL & OIL	497.36	0.00
100 15 6210 00 5 000	17049	TML - ADMIN. DEPARTMENT	776.68	0.00
100 32 6210 00 5 000	17056	TML - SANITATION DEPARTMENT	388.34	0.00
100 21 6210 00 5 000	17063	TML - POLICE DEPARTMENT	1,120.78	0.00
Total Adjustments for Adj Entry # 2			\$13,463.56	(\$13,463.56)

	Adj Entry #:	3		
		Remarks: To reverse prior year accounts payable entry.		
100 52 6790 00 5 000	15021	CAPITAL OUTLAY (Park Const.)	0.00	(1,861.44)
100 12 6580 00 5 000	15056	JUDICIAL EXPENSES	0.00	(2,995.32)
100 16 6611 00 5 000	15112	LEGAL PUBLICATIONS	0.00	(35.00)
100 16 6350 00 5 000	15119	LEGAL	0.00	(1,231.70)
100 16 6581 00 5 000	15133	DUES & REGISTRATIONS	0.00	(242.75)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
100 16 6531 00 5 000	15147	TELEPHONES	0.00	(71.97)
100 16 6627 00 5 000	15151	UTILITIES	0.00	(117.24)
100 16 6589 00 5 000	15189	BUILDING & GROUNDS	0.00	(416.50)
100 16 6651 00 5 000	15196	POST OFFICE	0.00	(485.63)
100 16 6590 00 5 000	15210	MISCELLANEOUS	0.00	(3.86)
100 11 6581 00 5 000	15266	DUES & REGISTRATIONS	0.00	(1,742.00)
100 11 6662 00 5 000	15280	SUPPLIES	0.00	(975.00)
100 15 6571 00 5 000	15322	TRAVEL	0.00	(1,000.00)
100 15 6611 00 5 000	15329	OFFICE SUPPLIES	0.00	(205.83)
100 15 6611 00 5 000	15329	OFFICE SUPPLIES	0.00	(270.56)
100 15 6588 00 5 000	15385	CIVIL DEFENSE	0.00	(4.20)
100 32 6627 00 5 001	15462	FUEL & OIL	0.00	(208.59)
100 32 6587 00 5 000	15469	VECTOR CONTROL (MOSQUITO SPRAYING	0.00	(1,717.85)
100 31 6627 00 5 000	15546	UTILITIES - STREET LIGHTING	0.00	(1,681.39)
100 31 6627 00 5 001	15553	FUEL & OIL	0.00	(22.99)
100 31 6615 00 5 000	15560	SMALL TOOLS	0.00	(65.08)
100 31 6662 00 5 000	15567	SUPPLIES	0.00	(8.96)
100 31 6430 00 5 000	15574	VEHICLE MAINTENANCE	0.00	(87.48)
100 31 6430 00 5 001	15581	EQUIPMENT MAINTENANCE	0.00	(300.51)
100 31 6430 00 5 002	15588	TIRES & ACCESSORIES	0.00	(135.00)
100 31 6790 00 5 001	15602	PARKVIEW ADDITION	0.00	(3,675.88)
100 22 6627 00 5 001	15651	FUEL & OIL	0.00	(188.31)
100 22 6430 00 5 000	15665	EQUIPMENT MAINTNANCE	0.00	(8.00)
100 21 6571 00 5 000	15749	TRAVEL	0.00	(14.46)
100 21 6611 00 5 000	15756	OFFICE SUPPLIES	0.00	(65.00)
100 21 6627 00 5 000	15791	FUEL & OIL	0.00	(479.50)
100 21 6667 00 5 000	15805	ANIMAL SHELTER	0.00	(196.58)
100 21 6590 00 5 000	15840	MISCELLANEOUS	0.00	(32.45)
100 42 6380 00 5 000	15896	CONTRACT EMS BILLING	0.00	(1,037.87)
100 42 6662 00 5 000	15966	SUPPLIES	0.00	(582.49)
100 42 6430 00 5 000	15973	EQUIPMENT MAINTNANCE	0.00	(447.00)
100 21 6140 00 5 000	17042	POLICE SALARIES	0.00	(3,300.00)
100 16 6520 00 5 000	15154	GENERAL INSURANCE/SAFETY	0.00	(3,642.42)
100 00 2010 00 5 002	12005	ACCOUNTS PAYABLE	29,556.81	0.00
Total Adjustments for Adj Entry # 3			\$29,556.81	(\$29,556.81)

Adj Entry #: 4

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
Remarks: To adjust delinquent accounts receivable.				
100 00 1070 00 5 000	11030	DEL. TAXES RECEIVABLES	0.00	(1,711.24)
100 00 2220 00 5 000	12031	DEFERRED REVENUE- TAXES	2,013.75	0.00
100 00 1071 00 5 000	11031	ALLOW - UNCOLLECTED TAXES	0.00	(302.51)
Total Adjustments for Adj Entry # 4			\$2,013.75	(\$2,013.75)
Adj Entry #: 5				
Remarks: To record lease activity.				
100 00 2260 00 5 000	11450	AMOUNTS TO BE PROVIDED FOR DEBT	9,717.01	0.00
100 00 2260 00 5 001	12610	LEASE PAYABLE	0.00	(9,717.01)
Total Adjustments for Adj Entry # 5			\$9,717.01	(\$9,717.01)
Adj Entry #: 8				
Remarks: To clear unchanged balances.				
100 00 5459 00 5 002	14127	MISCELLANEOUS EMS	0.00	(954.26)
100 00 1150 00 5 000	11023	A/R AMBULANCE	954.26	0.00
100 00 1150 00 5 002	11027	RETURNED CHECKS	385.80	0.00
100 00 5700 00 5 001	14070	MISCELLANEOUS	0.00	(385.80)
Total Adjustments for Adj Entry # 8			\$1,340.06	(\$1,340.06)
Adj Entry #: 9				
Remarks: To adjust paving lien receivable.				
100 00 1150 00 5 001	11026	A/R PAVING	56,439.61	0.00
100 31 6790 00 5 001	15602	PARKVIEW ADDITION	0.00	(81,765.90)
100 00 5429 00 5 000	14150	PAVING LIENS COLLECTED	20,869.14	0.00
100 31 6430 00 5 003	15595	STREET MAINTENANCE	4,457.15	0.00
Total Adjustments for Adj Entry # 9			\$81,765.90	(\$81,765.90)
Adj Entry #: 10				
Remarks: To adjust court tech fees.				
100 00 2010 00 5 000	11421	COURT TECH. FEES - PY CARRYOVER	0.00	(688.00)
100 00 5411 00 5 001	14056	COURT TECHNOLOGY FEES	644.00	0.00
100 00 5700 00 5 001	14070	MISCELLANEOUS	44.00	0.00
Total Adjustments for Adj Entry # 10			\$688.00	(\$688.00)
Adj Entry #: 11				
Remarks: To adjust accrued payroll.				
100 00 2010 00 5 006	12305	ACCRUED PAYROLL	6,849.31	0.00
100 12 6140 00 5 000	17007	JUDICIAL SALARY	0.00	(225.34)
100 16 6140 00 5 000	17014	CUSTODIAL SALARY (PT)	0.00	(201.37)
100 15 6140 00 5 000	17021	ADMINISTRATIVE SALARIES	0.00	(2,134.93)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
100 32 6140 00 5 000	17028	SANITATION SALARIES	0.00	(535.62)
100 21 6140 00 5 000	17042	POLICE SALARIES	0.00	(3,752.05)
Total Adjustments for Adj Entry # 11			\$6,849.31	(\$6,849.31)

Adj Entry #: 12

Remarks: To adjust FICA and W/H payables.

100 00 2010 00 5 008	12320	FICA TAXES	0.00	(509.37)
100 00 2010 00 5 007	12310	FEDERAL WITHHOLDINGS	0.00	(3,539.67)
100 16 6220 00 5 000	17077	FICA - NONDEPARTMENTAL	0.00	(19,887.13)
100 12 6220 00 5 000	17070	FICA - JUDICIAL	1,228.25	0.00
100 15 6220 00 5 000	17084	FICA - ADMIN. DEPARTMENT	6,792.15	0.00
100 21 6220 00 5 000	17098	FICA - POLICE DEPARTMENT	12,175.47	0.00
100 22 6220 00 5 000	17091	FICA - FIRE	39.54	0.00
100 32 6220 00 5 000	17092	FICA EXPENSE - SANITATION	1,563.21	0.00
100 42 6220 00 5 000	17093	FICA EXPENSE - EMS	2,137.55	0.00
Total Adjustments for Adj Entry # 12			\$23,936.17	(\$23,936.17)

Adj Entry #: 13

Remarks: To adjust TMRS payable.

100 00 2010 00 5 001	12003	TMRS PAYABLE	373.57	0.00
100 15 6230 00 5 000	17105	TMRS - ADMIN. DEPARTMENT	0.00	(133.72)
100 21 6230 00 5 000	17119	TMRS - POLICE DEPARTMENT	0.00	(239.85)
Total Adjustments for Adj Entry # 13			\$373.57	(\$373.57)

Adj Entry #: 14

Remarks: To adjust other payables.

100 00 2010 00 5 004	12008	AFLAC PAYABLE	1,783.60	0.00
100 00 2010 00 5 005	12012	SALARY PAY SUPPLIMENTAL (DECEMBER)	0.00	(1,644.99)
100 15 6590 00 5 000	15392	MISCELLANEOUS	0.00	(138.61)
Total Adjustments for Adj Entry # 14			\$1,783.60	(\$1,783.60)

Adj Entry #: 15

Remarks: To adjust TML insurance payable.

100 00 2010 00 5 003	12007	TML INSURANCE PAYABLE	3,228.53	0.00
100 15 6210 00 5 000	17049	TML - ADMIN. DEPARTMENT	0.00	(970.50)
100 21 6210 00 5 000	17063	TML - POLICE DEPARTMENT	0.00	(1,884.64)
100 32 6210 00 5 000	17056	TML - SANITATION DEPARTMENT	0.00	(373.39)
Total Adjustments for Adj Entry # 15			\$3,228.53	(\$3,228.53)

Adj Entry #: 16

Remarks: To adjust interest income.

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
100 00 5611 00 5 000	14133	INTEREST INCOME	1,996.04	0.00
100 00 5700 00 5 001	14070	MISCELLANEOUS	534.53	0.00
100 16 6590 00 5 002	17999	SUSPENSE	0.00	(2,530.57)
Total Adjustments for Adj Entry # 16			\$2,530.57	(\$2,530.57)
Adj Entry #: 17				
Remarks: To record receivable due from TCEQ and in-kind match.				
100 00 1264 00 5 000	11025	GRANT RECEIVABLE	5,373.28	0.00
100 00 5640 00 5 002	14421	TCEQ GRANT FUNDS (LANDFILL)	0.00	(15,544.63)
100 31 6790 00 5 000	15504	CAPITAL OUTLAY	10,171.35	0.00
Total Adjustments for Adj Entry # 17			\$15,544.63	(\$15,544.63)
Adj Entry #: 18				
Remarks: To record receivable due from TDHCA.				
100 00 1264 00 5 000	11025	GRANT RECEIVABLE	43.45	0.00
100 00 5640 00 5 005	14414	TDHCA GRANT FUNDS (HOME)	0.00	(43.45)
Total Adjustments for Adj Entry # 18			\$43.45	(\$43.45)
Adj Entry #: 19				
Remarks: To book receivable due from TP&W.				
100 00 1264 00 5 000	11025	GRANT RECEIVABLE	10,768.78	0.00
100 00 5640 00 5 001	14407	TP&W GRANT FUNDS	0.00	(10,768.78)
Total Adjustments for Adj Entry # 19			\$10,768.78	(\$10,768.78)
Adj Entry #: 30				
Remarks: To reclass capital outlay.				
100 21 6790 00 5 000	15847	CAPITAL OUTLAY	0.00	(4,722.74)
100 21 6662 00 5 000	15812	SUPPLIES	4,722.74	0.00
100 22 6790 00 5 000	15700	CAPITAL OUTLAY	0.00	(4,982.46)
100 22 6662 00 5 000	15670	REPAIRS & SUPPLIES	4,982.46	0.00
100 52 6790 00 5 000	15021	CAPITAL OUTLAY (Park Const.)	0.00	(817.27)
100 52 6430 00 5 000	15014	CITY PARK MAINTENANCE	817.27	0.00
Total Adjustments for Adj Entry # 30			\$10,522.47	(\$10,522.47)
Adj Entry #: 32				
Remarks: To record John Deere tractor being financed.				
100 15 6790 00 5 000	15399	CAPITAL OUTLAY	28,279.50	0.00
100 00 7914 00 5 000	14099	LOAN PROCEEDS	0.00	(28,279.50)
Total Adjustments for Adj Entry # 32			\$28,279.50	(\$28,279.50)
Total Adjustments for Fund 100			\$256,045.62	(\$256,045.62)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
Fund: 711				
Adj Entry #: 1				
Remarks: To adjust double entry to AP for garbage transfer.				
711 00 1301 00 5 000	21032	INTERFUND BALANCE	13,639.95	0.00
711 00 5431 00 5 000	24056	METERED WATER SALES	0.00	(26,636.28)
711 00 5433 00 5 000	24063	SEWER SERVICE SALES	12,996.33	0.00
Total Adjustments for Adj Entry # 1			\$26,636.28	(\$26,636.28)

Adj Entry #: 2				
Remarks: To record current year accounts payable.				
711 00 2010 00 5 003	22005	ACCOUNTS PAYABLE	0.00	(10,951.37)
711 06 6627 00 5 000	25067	UTILITIES	733.56	0.00
711 08 6627 00 5 000	25525	UTILITIES	3,868.62	0.00
711 08 6627 00 5 001	25546	FUEL & OIL	2,259.19	0.00
711 08 6430 00 5 002	25588	TIRES & ACCESSORIES	104.00	0.00
711 08 6410 00 5 000	25609	UTILITY MAINTENANCE	871.00	0.00
711 06 6210 00 5 000	27021	TML - ADMIN. DEPARTMENT	388.34	0.00
711 08 6210 00 5 000	27056	TML - MAINTENACNE DEPARTMENT	2,726.66	0.00
Total Adjustments for Adj Entry # 2			\$10,951.37	(\$10,951.37)

Adj Entry #: 3				
Remarks: To reverse prior year accounts payable entry.				
711 08 6613 00 5 000	25462	UNIFORMS	0.00	(345.00)
711 08 6627 00 5 000	25525	UTILITIES	0.00	(445.75)
711 08 6627 00 5 001	25546	FUEL & OIL	0.00	(45.98)
711 08 6615 00 5 000	25553	SMALL TOOLS	0.00	(8.88)
711 08 6662 00 5 000	25567	SUPPLIES	0.00	(77.34)
711 08 6430 00 5 000	25574	VEHICLE MAINENANCE	0.00	(72.70)
711 08 6430 00 5 001	25581	EQUIPMENT MAINTENANCE	0.00	(277.42)
711 08 6589 00 5 000	25595	BUILDING & GROUNDS	0.00	(8.28)
711 08 6589 00 5 001	25631	PARKVIEW UTILITIES DEVELOPEMENT	0.00	(27,596.61)
711 08 6410 00 5 000	25609	UTILITY MAINTENANCE	0.00	(68.96)
711 08 6590 00 5 020	25623	MISCELLANEOUS	0.00	(4.97)
711 00 2010 00 5 003	22005	ACCOUNTS PAYABLE	28,951.89	0.00
Total Adjustments for Adj Entry # 3			\$28,951.89	(\$28,951.89)

Adj Entry #: 6				
Remarks: To adjust bonds payable and accrued interest.				
711 00 2140 00 5 000	22368	ACCRUED INTEREST EXPENSE	680.94	0.00

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
711 00 2250 00 5 000	22698	CURRENT MATURITIES - CERT. OF OBL.	0.00	(5,000.00)
711 00 2250 00 5 001	22699	CURRENT MATURITIES - BONDS	0.00	(10,000.00)
711 00 2510 00 5 000	22610	CERTIFICATES OF OBLIGATION	40,000.00	0.00
711 00 2510 00 5 001	22611	BONDS PAYABLE	75,000.00	0.00
711 06 8952 00 5 000	25056	BOND PRINCIPAL	0.00	(100,000.00)
711 06 8952 00 5 001	25063	BOND INTEREST & SERVICE	0.00	(680.94)
Total Adjustments for Adj Entry # 6			\$115,680.94	(\$115,680.94)

Adj Entry #: 7

Remarks: To adjust meter deposits and accounts receivable water and sewer.

711 00 1010 00 5 005	21130	Deposits in Transit/Refunds	0.00	(949.00)
711 00 1150 00 5 000	21022	A/R WATER/SEWER	0.00	(4,423.63)
711 00 2590 00 5 000	22010	METER DEPOSITS (REFUNDABLE)	4,540.17	0.00
711 07 6590 00 5 000	25259	MISCELLANEOUS	832.46	0.00
Total Adjustments for Adj Entry # 7			\$5,372.63	(\$5,372.63)

Adj Entry #: 11

Remarks: To adjust accrued payroll.

711 00 2010 00 5 008	22305	ACCRUED PAYROLL	5,217.60	0.00
711 06 6140 00 5 000	27007	ADMINISTRATIVE SALARIES	0.00	(1,058.65)
711 08 6140 00 5 000	27014	MAINTENANCE SALARIES	0.00	(4,158.95)
Total Adjustments for Adj Entry # 11			\$5,217.60	(\$5,217.60)

Adj Entry #: 12

Remarks: To adjust FICA and W/H payables.

711 06 6220 00 5 000	27600	PAYROLL TAX EXPENSE (FICA)	0.00	(13,831.90)
711 07 6220 00 5 000	27063	FICA - ADMIN. DEPARTMENT	2,767.83	0.00
711 08 6220 00 5 000	27070	FICA - MAINTENANCE DEPARTMENT	11,064.07	0.00
Total Adjustments for Adj Entry # 12			\$13,831.90	(\$13,831.90)

Adj Entry #: 13

Remarks: To adjust TMRS payable.

711 00 2010 00 5 001	22003	TMRS PAYABLE	0.00	(1,148.38)
711 06 6230 00 5 000	27077	TMRS - ADMIN. DEPARTMENT	161.10	0.00
711 08 6230 00 5 000	27084	TMRS - MAINTENANCE DEPARTMENT	987.28	0.00
Total Adjustments for Adj Entry # 13			\$1,148.38	(\$1,148.38)

Adj Entry #: 14

Remarks: To adjust other payables.

711 00 2010 00 5 006	22008	AFLAC PAYABLE	0.00	(3,880.88)
711 00 7981 00 5 002	24084	MISCELLANEOUS	2,283.01	0.00

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
711 07 6590 00 5 000	25259	MISCELLANEOUS	832.49	0.00
711 00 2010 00 5 004	22006	ATTORNEY GENERAL - PAYABLES	765.38	0.00
Total Adjustments for Adj Entry # 14			\$3,880.88	(\$3,880.88)
Adj Entry #: 15				
Remarks: To adjust TML insurance payable.				
711 00 2010 00 5 005	22007	TML INSURANCE PAYABLE	0.00	(15,223.35)
711 08 6210 00 5 000	27056	TML - MAINTENACNE DEPARTMENT	13,665.41	0.00
711 06 6210 00 5 000	27021	TML - ADMIN. DEPARTMENT	1,557.94	0.00
Total Adjustments for Adj Entry # 15			\$15,223.35	(\$15,223.35)
Adj Entry #: 20				
Remarks: To record september interest on the TCDP cash account.				
711 00 1030 00 5 001	21008	TCDP - #723899 BANK ACCT.	2.11	0.00
711 00 7955 00 5 000	24014	INTEREST INCOME	0.00	(2.11)
Total Adjustments for Adj Entry # 20			\$2.11	(\$2.11)
Adj Entry #: 21				
Remarks: To adjust certificate of deposit balance.				
711 00 1030 00 5 000	21006	WATER/SEWER FUND C D's	2,554.70	0.00
711 00 7955 00 5 000	24014	INTEREST INCOME	0.00	(2,554.70)
Total Adjustments for Adj Entry # 21			\$2,554.70	(\$2,554.70)
Adj Entry #: 22				
Remarks: To reclass Parkview utilities expenditures.				
711 00 1150 00 5 005	21025	A/R WATER AND SEWER LIEN	32,283.50	0.00
711 08 6589 00 5 001	25631	PARKVIEW UTILITIES DEVELOPEMENT	0.00	(4,686.89)
711 00 3600 00 5 003	23200	Fund Balance	0.00	(27,596.61)
Total Adjustments for Adj Entry # 22			\$32,283.50	(\$32,283.50)
Adj Entry #: 23				
Remarks: To adjust allowance for uncollectibles.				
711 00 1150 00 5 001	21024	A/R ALLOW FOR DOUBTFUL	0.00	(137.66)
711 06 6589 00 5 003	25260	BAD DEBTS	137.66	0.00
Total Adjustments for Adj Entry # 23			\$137.66	(\$137.66)
Adj Entry #: 24				
Remarks: To clear returned checks and reclass suspense account.				
711 00 1150 00 5 002	21027	RETURNED CHECKS	0.00	(385.74)
711 06 6590 00 5 000	27999	SUSPENSE	2,668.75	0.00
711 00 7981 00 5 002	24084	MISCELLANEOUS	0.00	(2,283.01)
Total Adjustments for Adj Entry # 24			\$2,668.75	(\$2,668.75)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
Adj Entry #: 25				
Remarks: To adjust Fixed Assets and Grant Receivable.				
711 00 1264 00 5 000	21026	GRANT RECEIVABLE	131,326.00	0.00
711 00 2010 00 5 003	22005	ACCOUNTS PAYABLE	0.00	(129,388.00)
711 00 1760 00 5 009	21590	CONSTRUCTION WORK IN PROGRESS	233,507.00	0.00
711 00 1760 00 5 003	21550	AUTO EQUIPMENT	15,417.00	0.00
711 00 1760 00 5 004	21570	WATER SYSTEM IMPROVEMENTS	5,130.90	0.00
711 08 6589 00 5 001	25631	PARKVIEW UTILITIES DEVELOPEMENT	0.00	(5,130.90)
711 08 6790 00 5 000	25630	CAPITAL OUTLAY	0.00	(19,093.92)
711 08 6662 00 5 000	25567	SUPPLIES	776.92	0.00
711 08 6589 00 5 003	25638	TCPD/CDBG PROJECT	0.00	(118,119.00)
711 07 6370 00 5 000	25147	CONTRACT SERVICES	14,000.00	0.00
711 06 6790 00 5 000	25070	CAPITAL OUTLAY	0.00	(375.00)
711 08 6590 00 5 020	25623	MISCELLANEOUS	375.00	0.00
711 00 7952 00 5 000	24414	TCDP/CDBG GRANT FUNDS	0.00	(131,326.00)
711 08 6615 00 5 000	25553	SMALL TOOLS	2,900.00	0.00
Total Adjustments for Adj Entry # 25			\$403,432.82	(\$403,432.82)
Adj Entry #: 26				
Remarks: To record retirement of 1994 Chevy 1/2 Ton Pickup.				
711 00 1760 00 5 003	21550	AUTO EQUIPMENT	0.00	(12,721.10)
711 00 1761 00 5 001	21551	ACCUMULATED DEPRECIATION - AUTOS	12,721.10	0.00
Total Adjustments for Adj Entry # 26			\$12,721.10	(\$12,721.10)
Adj Entry #: 27				
Remarks: To record depreciation expense.				
711 00 1761 00 5 000	21531	ACCUMULATED DEPRECIATION - BUILDING	0.00	(7,947.84)
711 00 1761 00 5 001	21551	ACCUMULATED DEPRECIATION - AUTOS	0.00	(13,091.66)
711 00 1761 00 5 002	21571	ACCUMU. DEPRECIATION - WATER SYSTEM	0.00	(44,392.61)
711 00 1761 00 5 003	21581	ACCUMU. DEPERCIATION - SEWER SYSTEM	0.00	(29,638.67)
711 06 6800 00 5 000	25300	DEPRECIATION EXPENSE	95,070.78	0.00
Total Adjustments for Adj Entry # 27			\$95,070.78	(\$95,070.78)
Adj Entry #: 28				
Remarks: To clear sales tax related accounts.				
711 00 2010 00 5 000	21216	SALES TAX TRASH RESERVE	1,122.50	0.00
711 00 2010 00 5 002	22004	SALES TAX PAYABLE	3,145.62	0.00
711 00 5431 00 5 000	24056	METERED WATER SALES	0.00	(4,210.94)
711 00 2010 00 5 007	22130	A/P SANITATION	0.00	(57.18)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
		Total Adjustments for Adj Entry # 28	\$4,268.12	(\$4,268.12)
		Total Adjustments for Fund 711	\$780,034.76	(\$780,034.76)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

12/28/2005

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
Fund: 712				
	Adj Entry #:	29		
		Remarks: To record accrued interest on CD#5300181		
712 00 1030 00 5 000	31005	C.D.'s	54.38	0.00
712 00 7955 00 5 000	34014	INTEREST INCOME	0.00	(54.38)
Total Adjustments for Adj Entry # 29			\$54.38	(\$54.38)
	Adj Entry #:	30		
		Remarks: To reclass capital outlay.		
712 00 1760 00 5 001	31520	AIRPORT IMPROVEMENTS	39,426.86	0.00
712 08 6370 00 5 000	35007	CONTRACT SERVICES	10,700.00	0.00
712 08 6589 00 5 000	35098	BUILDING & GROUNDS	26,422.00	0.00
712 08 6790 00 5 000	35126	CAPITAL OUTLAY	0.00	(76,548.86)
Total Adjustments for Adj Entry # 30			\$76,548.86	(\$76,548.86)
	Adj Entry #:	31		
		Remarks: To record depreciation expense.		
712 00 1761 00 5 000	31540	ACCUMULATED DEPRECIATION	0.00	(10,443.28)
712 06 6800 00 5 000	35200	DEPRECIATION EXPENSE	10,443.28	0.00
Total Adjustments for Adj Entry # 31			\$10,443.28	(\$10,443.28)
Total Adjustments for Fund 712			\$87,046.52	(\$87,046.52)