

**CITY OF ABERNATHY, TEXAS**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

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

**CERTIFIED PUBLIC ACCOUNTANTS  
LUBBOCK, TEXAS**



**CITY OF ABERNATHY, TEXAS**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**AND**

**REPORT OF CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF ABERNATHY, TEXAS**

**MAYOR AND CITY COUNCIL  
SEPTEMBER 30, 2007**

**Darrell Stephens**

**Mayor**

**Elias Vecchio**

**Mayor Pro Tem**

**Colleen Cecil**

**Council Member**

**Victor Cavazos**

**Council Member**

**Kelly Ticer**

**Council Member**

**Lindsey Webb**

**Council Member**

**CITY OF ABERNATHY, TEXAS**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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**CITY OF ABERNATHY, TEXAS**

**FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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Performed in Accordance with *Governmental Auditing Standards***

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

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3808**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**INDEPENDENT AUDITORS' REPORT**

Honorable Darrell Stephens, 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, 2007, 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, 2007, 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 January 7, 2008, 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 28, 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.

*Bolinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

January 7, 2008



**CITY OF ABERNATHY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

January 7, 2008

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, 2007. 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 \$5,071,884 (net assets) as compared to \$5,064,696 for the previous fiscal year. Of this amount, \$761,023 (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 \$7,188 as a result of this year's operations as compared to an increase of \$177,545 in the previous year.

During the year ended September 30, 2007 and 2006, the City's expenses were \$1,781,082 and \$1,960,258, respectively, compared to \$1,788,270 and \$2,137,803 generated in taxes and other revenues.

The balance of cash and investments at September 30, 2007 and 2006, were \$706,404 and \$953,968, respectively.

***Expenditures***

Total fund expenditures for the year ending September 30, 2007, compared with the year ending September 30, 2006, are as follows:

<b>Expenditures</b>			
<u>Fund</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>Change</u>
General Fund	\$ 1,477,947	\$ 1,527,559	\$ (49,612)
Water/Sewer Fund	633,949	582,156	51,793
Airport Fund	16,764	18,854	(2,090)
Total	<u>\$ 2,128,660</u>	<u>\$ 2,128,569</u>	<u>\$ 91</u>

The decrease in General Fund expenditures is largely attributable to the decrease in Home Grant expenditures. The increase in the Water/Sewer Fund is attributable to increases in salaries and utility maintenance.

## **Revenues**

The City's revenues were down for the year ending September 30, 2007, when compared with the year ending September 30, 2006. Year-end revenue totals are as follows:

<b>Revenues</b>			
<u>Fund</u>	<u>2006-2007</u>	<u>2005-2006</u>	<u>Change</u>
General Fund	\$ 1,194,967	\$ 1,518,388	\$ (323,421)
Water/Sewer Fund	576,054	620,803	(44,749)
Airport Fund	<u>9,022</u>	<u>4,426</u>	<u>4,596</u>
Total	\$ <u>1,780,043</u>	\$ <u>2,143,617</u>	\$ <u>(363,574)</u>

The decrease in Fund revenues is largely attributable to grant revenues received for Home grant expenditures in the previous year.

## **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 \$5,064,696 in 2006 to \$5,071,884 in 2007. 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 \$1,006,302 to \$761,023.

**Table II**  
**City of Abernathy, Texas**  
**NET ASSETS**

	September 30,	
	2007	2006
Current and Other Assets	\$ 925,390	\$ 1,265,845
Capital Assets	4,588,488	4,317,082
Total Assets	<u>\$ 5,513,878</u>	<u>\$ 5,582,927</u>
Current Liabilities	\$ 223,005	\$ 306,671
Long-Term Liabilities	218,989	211,560
Total Liabilities	<u>\$ 441,994</u>	<u>\$ 518,231</u>
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	\$ 4,228,563	\$ 3,990,140
Restricted	82,298	68,254
Unrestricted	761,023	1,006,302
Total Net Assets	<u><u>\$ 5,071,884</u></u>	<u><u>\$ 5,064,696</u></u>

**Table II**  
**City of Abernathy, Texas**  
**CHANGES IN NET ASSETS**

	September 30,	
	2007	2006
Revenues:		
Program Revenues:		
Charges for Services	\$ 971,727	\$ 966,590
Operating Grants and Contributions	75,751	356,126
Capital Grants and Contributions	77,129	179,425
General Revenues:		
Property Taxes	323,230	314,806
Franchise Taxes	108,245	110,328
Sales Taxes	144,906	136,816
Licenses and Permits	3,086	4,098
Investment Earnings	33,015	29,927
Miscellaneous	51,181	39,687
Total Revenue	<u>\$ 1,788,270</u>	<u>\$ 2,137,803</u>
Expenses:		
Primary Government:		
General Government	\$ 338,135	\$ 620,106
Public Safety	278,473	252,420
Public Works	283,059	319,777
Health and Welfare	108,075	92,880
Cultural and Recreation	23,763	7,445
Depreciation	98,864	66,620
Business-type activities:		
Non-Departmental	125,650	120,097
Utility Accounting and Billing	100,084	108,395
Maintenance	384,332	353,011
Loss on Disposition of Assets	27,033	
Interest on Debt	13,614	19,507
Total Expenses	<u>\$ 1,781,082</u>	<u>\$ 1,960,258</u>
Increase in Net Assets	\$ 7,188	\$ 177,545
Net Assets at October 1, 2006	5,064,696	4,887,151
Net Assets at September 30, 2007	<u><u>\$ 5,071,884</u></u>	<u><u>\$ 5,064,696</u></u>

The City's total revenues decreased from to \$2,137,803 in 2006 to \$1,788,270 in 2007, a decrease of \$349,533. This decrease was attributable to Home grant revenue received in the previous year. The total expenditures of the City decreased by \$179,176 from \$1,960,258 to \$1,781,082, a result of more fixed asset purchases which are capitalized.

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

- The purchase of vehicles in the Fire, and Water Departments.
- The ongoing work on the Community Park.
- Mobilization of the Downtown Revitalization Project.
- Building Repairs at both the Clinic and Post Office.
- Street Sign Replacements.
- Motorgrader Purchase.
- Capital Improvements at Antelope Meadows.
- Sewer System Repairs.

### **Fund Balances**

The City's total Governmental Funds fund balance at September 30, 2007 and 2006, was \$118,635 and \$236,838, respectively. This fund balance is reported in the General Fund. The General Fund balance of \$118,635 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.

### **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 2007, the City had \$4,588,488 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, 2007.

### **Debt**

At the end of 2007, the City had \$359,925 of total debt outstanding. \$140,936 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, 2007.

## **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. Lubbock has started moving forward with their industrial park located just 10 minutes south of Abernathy. With the high number of projected jobs to be created this close to our community, the City began working with a local developer to provide new home sites in hopes to attract a portion of that job base to Abernathy.

The General Fund's three largest revenue sources, which are sales tax, property tax and franchise fees, make up 48% of the revenues, and all three have performed well over the last several years. For fiscal year 2007-08, sales tax, property tax, and franchise fees are projected to be \$580,400.

The Water/Sewer Fund's two largest revenue sources, water sales and sewer services, make up 91% of the revenues. For fiscal year 2007-08, water sales and sewer services are projected to be unchanged at \$542,000.

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. In the recent past, the City has had two separate parties locating business operations at the airport and recent interest from another. 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 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. Recent economic conditions are not so promising. Interest rates have continued to move downwards over the last year. Whether or not the rates will continue to drop 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.



**FINANCIAL STATEMENTS**

CITY OF ABERNATHY, TEXAS

Exhibit 1

STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 34,265	\$ 3,989	\$ 38,254
Investments	270,226	315,626	585,852
Receivables (Net)	102,447	105,760	208,207
Internal Balances		250,345	
Total Current Assets	<u>\$ 406,938</u>	<u>\$ 675,720</u>	<u>\$ 832,313</u>
Noncurrent Assets:			
Restricted Cash	\$	\$ 82,298	\$ 82,298
Capital Credits		10,779	10,779
Capital Assets:			
Buildings and Equipment, Net of Depreciation	1,561,274	3,027,214	4,588,488
Total Noncurrent Assets	<u>\$ 1,561,274</u>	<u>\$ 3,120,291</u>	<u>\$ 4,681,565</u>
Total Assets	<u>\$ 1,968,212</u>	<u>\$ 3,796,011</u>	<u>\$ 5,513,878</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 29,868	\$ 3,602	\$ 33,470
Internal Balances	243,745	6,600	
Meter and Other Deposits		48,599	48,599
Current Portion of Long-Term Obligations	25,936	115,000	140,936
Total Current Liabilities	<u>\$ 299,549</u>	<u>\$ 173,801</u>	<u>\$ 223,005</u>
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Obligations	133,989	85,000	218,989
Total Liabilities	<u>\$ 433,538</u>	<u>\$ 258,801</u>	<u>\$ 441,994</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 1,401,349	\$ 2,827,214	\$ 4,228,563
Restricted for:			
Debt Service		82,298	82,298
Unrestricted	133,325	627,698	761,023
Total Net Assets	<u>\$ 1,534,674</u>	<u>\$ 3,537,210</u>	<u>\$ 5,071,884</u>

See accompanying notes to financial statements.

## CITY OF ABERNATHY, TEXAS

Exhibit 2

STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2007

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
\$	193,251	\$ 22,567	\$ 70,130	\$	\$ (100,554)	\$ (100,554)
	2,782				(2,782)	(2,782)
	129,595				(129,595)	(129,595)
	192,311	192,721	5,621	29,750	410	410
	90,748				(55,377)	(55,377)
	61,073	36,092			(24,981)	(24,981)
	217,400				(217,400)	(217,400)
	11,502	15,321			3,819	3,819
	108,075	158,243		2,046	52,214	52,214
	12,507	20,426			7,919	7,919
	12,261			45,333	33,072	33,072
	98,864				(98,864)	(98,864)
\$	1,130,369	\$ 445,370	\$ 75,751	\$ 77,129	\$ (532,119)	\$ (532,119)
Total Governmental Activities						
Business-Type Activities:						
Non-Departmental	\$ 125,650	\$ 108,409	\$	\$	\$ (17,241)	\$ (17,241)
Utility Accounting and Billing	100,084	86,351			(13,733)	(13,733)
Maintenance	384,332	331,597			(52,735)	(52,735)
Loss on Disposition of Assets	27,033				(27,033)	(27,033)
Interest on Debt	13,614				(13,614)	(13,614)
Total Business-Type Activities	\$ 650,713	\$ 526,357	\$ 0	\$ 0	\$ (124,356)	\$ (124,356)
Total Primary Government	\$ 1,781,082	\$ 971,727	\$ 75,751	\$ 77,129	\$ (532,119)	\$ (656,475)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes Including Penalties		\$		\$	323,230	323,230
Franchise Taxes					108,245	108,245
Sales Taxes					144,906	144,906
Licenses and Permits					3,086	3,086
Unrestricted Investment Earnings					19,507	33,015
Miscellaneous					11,969	51,181
Total General Revenues and Special Items					\$ 604,944	\$ 663,663
Change in Net Assets					72,825	7,188
Net Assets—Beginning					1,461,849	5,064,696
Net Assets—Ending					\$ 1,534,674	\$ 5,071,884

See accompanying notes to financial statements.

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CITY OF ABERNATHY, TEXAS

Exhibit 3

**BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2007**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 34,265
Certificates of Deposit	270,226
Accounts Receivable (Less Provision for Uncollectibles of \$3,450)	87,757
Delinquent Taxes Receivable (Net of Allowance for Uncollectibles of \$22,946)	<u>14,690</u>
Total Assets	<u>\$ 406,938</u>
<b>LIABILITIES AND FUND EQUITY</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 29,868
Deferred Revenue - Property Taxes	14,690
Due to Other Funds	<u>243,745</u>
Total Liabilities	<u>\$ 288,303</u>
<b>FUND EQUITY</b>	
Unreserved	\$ 118,635
Total Fund Balance	<u>\$ 118,635</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)	1,561,274
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds.	(159,925)
Deferred property tax revenue is recognized in fund above but not in the statement of net assets.	<u>14,690</u>
Net assets of governmental activities	<u>\$ 1,534,674</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, 2007

	General Fund
<b>REVENUE</b>	
Property Taxes	\$ 305,664
City Sales Taxes	144,906
Penalties	9,339
Franchise Taxes	108,245
Licenses and Permits	3,086
Leases and Rents	22,567
Court Fees	20,426
Fire Calls	36,092
Mosquito Spraying	12,128
Interest Income	13,508
Ambulance Calls	158,243
Sanitation Revenue	180,593
Library Revenue	15,321
Grant Revenue	152,880
Miscellaneous Revenue	11,969
Total Revenue	\$ 1,194,967
<b>EXPENDITURES</b>	
City Hall	\$ 204,383
Legislative	2,782
Administrative	139,648
Sanitation Department	192,311
Streets	215,178
Fire Department	250,900
Police Department	248,734
Library	11,502
Ambulance	110,121
Judicial	12,507
Parks	89,881
Total Expenditures	\$ 1,477,947
Excess of Expenditures Over Revenues	\$ (282,980)
<b>OTHER FINANCING SOURCES (USES)</b>	
Loan Proceeds	164,777
Net Change in Fund Balance	\$ (118,203)

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.	424,646
Loan proceeds provide current financial resources to governmental funds, but are reflected as increases in long-term liabilities in the statement of net assets.	(164,777)
Depreciation is recorded in the statement of activities as an expense but not in governmental funds.	(98,864)
Principal payments are recorded as expenditures in governmental funds but excluded in the statement of activities.	21,795
Deferred revenue is not recorded in the statements of net assets thus the change is excluded in activities.	8,228
Change in net assets of governmental activities	\$ 72,825

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 5

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007

	Proprietary Funds		
	Water and Sewer	Airport	Total
<b>ASSETS</b>			
Current Assets:			
Cash & Investments	\$ 281,501	\$ 38,114	\$ 319,615
Accounts Receivable (Less Provision for Uncollectibles of \$8,000)	105,760		105,760
Due from Other Funds	250,345		250,345
Total Current Assets	<u>\$ 637,606</u>	<u>\$ 38,114</u>	<u>\$ 675,720</u>
Noncurrent Assets:			
Restricted Cash	\$ 82,298	\$	\$ 82,298
Capital Credits	10,779		10,779
Fixed Assets (Net of Depreciation)	2,567,585	459,629	3,027,214
Total Noncurrent Assets	<u>\$ 2,660,662</u>	<u>\$ 459,629</u>	<u>\$ 3,120,291</u>
Total Assets	<u>\$ 3,298,268</u>	<u>\$ 497,743</u>	<u>\$ 3,796,011</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 2,182	\$	\$ 2,182
Due to Other Funds		6,600	6,600
Meter Deposits	48,099		48,099
Deferred Lease Deposit		500	500
Accrued Interest	1,420		1,420
Current Portion of Bonds Payable	40,000		40,000
Current Portion of Certificates of Obligation	75,000		75,000
Total Current Liabilities	<u>\$ 166,701</u>	<u>\$ 7,100</u>	<u>\$ 173,801</u>
Noncurrent Liabilities:			
Bonds Payable	\$ 85,000	\$	\$ 85,000
Total Noncurrent Liabilities	<u>\$ 85,000</u>	<u>\$ 0</u>	<u>\$ 85,000</u>
Total Liabilities	<u>\$ 251,701</u>	<u>\$ 7,100</u>	<u>\$ 258,801</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$ 2,367,585	\$ 459,629	\$ 2,827,214
Restricted for Debt Service	82,298		82,298
Unrestricted	596,684	31,014	627,698
Total Net Assets	<u>\$ 3,046,567</u>	<u>\$ 490,643</u>	<u>\$ 3,537,210</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, 2007

	Proprietary Funds		
	Water and Sewer	Airport	Total
<b>OPERATING REVENUES</b>			
Water Revenue	\$ 370,493	\$	\$ 370,493
Sewer Revenue	128,326		128,326
Water/Sewer Permits	2,900		2,900
Reconnect and Late Fees	24,638		24,638
Total Operating Revenue	\$ 526,357	\$ 0	\$ 526,357
<b>OPERATING EXPENSES</b>			
Non-Departmental	\$ 113,173	\$ 12,477	\$ 125,650
Utility Accounting and Billing	98,923	1,161	100,084
Maintenance	381,206	3,126	384,332
Total Operating Expenses	\$ 593,302	\$ 16,764	\$ 610,066
Operating Loss	\$ (66,945)	\$ (16,764)	\$ (83,709)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest Income	\$ 18,155	\$ 1,352	\$ 19,507
Miscellaneous Revenue	31,542	7,670	39,212
Loss on Disposition of Fixed Assets	(27,033)		(27,033)
Interest Expense	(13,614)		(13,614)
Total Nonoperating Revenue	\$ 9,050	\$ 9,022	\$ 18,072
Change in Net Assets	\$ (57,895)	\$ (7,742)	\$ (65,637)
TOTAL NET ASSETS - BEGINNING	3,104,462	498,385	3,602,847
TOTAL NET ASSETS - ENDING	\$ 3,046,567	\$ 490,643	\$ 3,537,210

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 7

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Proprietary Funds		
	Water and Sewer	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	\$ 552,418	\$ 7,670	\$ 560,088
Payments to Suppliers and Employees	(511,152)	(4,287)	(515,439)
Net Cash Used in Operating Activities	\$ 41,266	\$ 3,383	\$ 44,649
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net Cash Provided by Noncapital Financing Activities	\$ 0	\$ 0	\$ 0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions of Fixed Assets	\$ (86,815)	\$ (1,860)	\$ (88,675)
Interest Paid on Bonds	(13,614)		(13,614)
Payments on Certificates of Obligation	(70,000)		(70,000)
Payments on Long-Term Borrowings	(40,000)		(40,000)
Net Cash Used in Capital and Related Financing Activities	\$ (210,429)	\$ (1,860)	\$ (212,289)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned on Investments	\$ 18,155	\$ 1,352	\$ 19,507
Net Cash Provided by Investing Activities	\$ 18,155	\$ 1,352	\$ 19,507
DECREASE IN CASH AND CASH EQUIVALENTS	\$ (151,008)	\$ 2,875	\$ (148,133)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	514,807	35,239	533,786
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 363,799	\$ 38,114	\$ 385,653
Reconciliation of Operating Loss to Net Cash Flows From Operating Activities:			
Operating Loss	\$ (66,945)	\$ (16,764)	\$ (83,709)
Adjustments to Reconcile Loss From Operations to Net Cash From Operating Activities:			
Depreciation Expense	\$ 103,542	\$ 12,477	\$ 116,019
Miscellaneous Revenues	31,542	7,670	39,212
Change in Assets and Liabilities:			
Receivables	(9,620)		(9,620)
Due from Other Funds	(18,000)		(18,000)
Accounts Payable	(3,393)		(3,393)
Meter and Other Deposits	4,140		4,140
	\$ 108,211	\$ 20,147	\$ 128,358
Cash Flows From Operating Activities	\$ 41,266	\$ 3,383	\$ 44,649

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

**CITY OF ABERNATHY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

gross expenses (including depreciation) by related program revenues, operating and capital grants. 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 funds are 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.

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**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



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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 GASB No. 33. In applying GASB 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	\$ 5,750	\$	\$ 556,716
City Park	473,803	77,620		551,423
Street Paving	285,318			285,318
Fire Fighting Equipment	230,041	189,827		419,868
Furniture and Fixtures	12,216			12,216
Machinery and Equipment	258,884	92,011		350,895
Automotive	179,859	29,688		209,547
CWIP - DRP		29,750		29,750
	<u>\$ 1,991,087</u>	<u>\$ 424,646</u>	<u>\$ 0</u>	<u>\$ 2,415,733</u>



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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	\$ 132,291	\$ 12,879	\$	\$ 145,170
City Park		20,678		20,678
Street Paving	235,241	681		235,922
Fire Fighting Equipment	195,791	16,119		211,910
Furniture and Fixtures	9,706	639		10,345
Machinery and Equipment	98,227	22,970		121,197
Automotive	84,339	24,898		109,237
	<u>\$ 755,595</u>	<u>\$ 98,864</u>	<u>\$ 0</u>	<u>\$ 854,459</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	1,639		319,553
Water System	1,685,323	10,000		1,695,323
Sewer System	1,465,798	22,401		1,488,199
Automotive	173,826	52,775	31,571	195,030
	<u>\$ 4,099,182</u>	<u>\$ 86,815</u>	<u>\$ 31,571</u>	<u>\$ 4,154,426</u>

Assets – Airport

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Land	\$ 216,237	\$	\$	\$ 216,237
Improvements	455,260	1,860		457,120
	<u>\$ 671,497</u>	<u>\$ 1,860</u>	<u>\$ 0</u>	<u>\$ 673,357</u>

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CITY OF ABERNATHY, TEXAS  
NOTES TO FINANCIAL STATEMENTS

Accumulated Depreciation – Water and Sewer

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	\$ 21,857	\$ 8,112	\$	\$ 29,969
Water System	647,748	44,688		692,436
Sewer System	729,797	34,195		763,992
Automotive	88,436	16,547	4,539	100,444
	<u>\$ 1,487,838</u>	<u>\$ 103,542</u>	<u>\$ 4,539</u>	<u>\$ 1,586,841</u>

Accumulated Depreciation – Airport

	Beginning Balance	Increases	Decreases	Ending Balance
Improvements	\$ 201,251	\$ 12,477	\$ 0	\$ 213,728

### 3. LONG-TERM OBLIGATIONS

Capital Lease Obligation

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, 2007, is \$11,560. Payments to maturity are as follows:

2008	\$ 6,204
2009	6,204
	<u>12,408</u>
Less: Amount Representing Interest	<u>(848)</u>
	<u>\$ 11,560</u>

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 as of September 30, 2007, is \$82,298. These funds are carried on the Balance Sheet of the Water and Sewer Fund as restricted assets.

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CITY OF ABERNATHY, TEXAS

**NOTES TO FINANCIAL STATEMENTS**

The following is a summary of revenue bond activities for the year ended September 30, 2007, and the principal and interest requirements for the next 12 months.

	Balance 10/1/2006	Issued	Retired	Balance 9/30/2007	Next Twelve Months	
					Principal	Interest
Water and Sewer Revenue Bonds - 5-1-1998	\$ <u>145,000</u>	\$ <u>0</u>	\$ <u>70,000</u>	\$ <u>75,000</u>	\$ <u>75,000</u>	\$ <u>1,931</u>

Principal obligations to maturity are as follows:

	Amount
9/30/2008	\$ <u>75,000</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 6% and matures in 2010.

The following is a summary of certificate activities for the year ended September 30, 2007, and the principal and interest requirements for the next 12 months.

	Balance 10/1/2006	Issued	Retired	Balance 9/30/2007	Amounts Due Next Twelve Months	
					Principal	Interest
Certificates of Obligation - 2000	\$ <u>165,000</u>	\$ <u>0</u>	\$ <u>40,000</u>	\$ <u>125,000</u>	\$ <u>40,000</u>	\$ <u>6,300</u>

Principal obligations to maturity are as follows:

	Amount
9/30/2008	\$ <u>40,000</u>
9/30/2009	<u>40,000</u>
9/30/2010	<u>45,000</u>
	\$ <u>125,000</u>

**Capital Lease Obligation**

During the ended September 30, 2007, the City financed \$89,827 for the purchase of a Firestar Pumper. Terms of the lease include an interest rate of 4.9% for eight annual installments with the first installment due May 1, 2008. The outstanding balance at September 30, 2007, is \$89,827.

**CITY OF ABERNATHY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

Payments to maturity are as follows:

2008	\$ 13,842
2009	13,842
2010	13,842
2011	13,842
2012	13,842
Thereafter	<u>41,526</u>
	\$ 110,736
Less: Amount Representing Interest	<u>(20,909)</u>
	<u>\$ 89,827</u>

**Capital Lease Obligation**

During the ended September 30, 2007, the City financed \$74,950 for the purchase of a Street Grader. Terms of the lease include an interest rate of 4.75% for five annual installments with the first installment due January 1, 2007. The outstanding balance at September 30, 2007, is \$58,538.

Payments to maturity are as follows:

2008	\$ 16,413
2009	16,413
2010	16,413
2011	<u>16,413</u>
	\$ 65,652
Less: Amount Representing Interest	<u>(7,114)</u>
	<u>\$ 58,538</u>

**4. LITIGATION – COMMITMENTS**

As of September 30, 2007, there was a lawsuit still pending against the City. Any unfavorable outcome will be covered by insurance.

**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 821 administered by TMRS, an agent multi-employer public employee retirement system.

**CITY OF ABERNATHY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

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. Plan provisions for the City were as follows (as of 4/4/07):

Deposit Rate: 5%

Matching Ratio (City to Employee) 1 to 1

A member is vested after 5 Years

Members can retire at certain ages, based on the years of service with the City.  
The service retirement eligibilities for the city 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, 2006, valuation is effective for rates beginning January, 2008).

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date		12/31/06
Actuarial Value of Assets	\$	361,117
Actuarial Accrued Liability	\$	543,623
Percentage Funded		66.43%
Unfunded Actuarial Accrued Liability (UAAL)	\$	182,506
Annual Covered Payroll	\$	355,848
UAAL as a Percentage of Covered Payroll		51.29%
Net Pension Obligation (NPO) at the Beginning of Period	\$	0
Annual Pension Cost		
Annual Required Contribution (ARC)	\$	29,857
Interest on NPO		
Adjustment to the ARC		\$ 29,857
Contributions Made		(29,857)
Increase in NPO		
NPO at the End of Period	\$	0

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



**CITY OF ABERNATHY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**6. Deposits and Investments**

**Legal and Contractual Provisions Governing Deposits and Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

**Policies Governing Deposits and Investments**

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does not address the following risks:

- a. **Custodial Credit Risk – Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The City's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The City is not exposed to custodial credit risk, for its deposits are all covered by depository insurance and pledged securities held by a third party in the City's name.
- b. **Concentration of Credit Risk –** The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At September 30, 2007, all of the City's investments are with Security Bank which are covered by FDIC insurance and pledged securities, and as such the City has no risk.
- c. **Credit Risk –** The risk that an issuer of other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2007 the City was not significantly exposed to credit risk.

CITY OF ABERNATHY, TEXAS

NOTES TO FINANCIAL STATEMENTS

d. Interest Rate Risk – Not applicable

e. Foreign Currency Risk – Not applicable

The carrying amount of the City's cash and temporary investments at September 30, 2007, approximates fair value and consisted of the following shown below:

	<u>Primary Government</u>
Cash in Bank	\$ 120,552
Certificate of Deposits	<u>585,852</u>
Total Cash and Investments	<u><u>706,404</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

REQUIRED SUPPLEMENTARY INFORMATION

RSI-1

CITY OF ABERNATHY, TEXAS  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Property Taxes	\$ 296,333	\$ 296,333	\$ 305,664	\$ 9,331
City Sales Taxes	118,500	118,500	144,906	26,406
Penalties	10,000	10,000	9,339	(661)
Franchise Taxes	103,000	103,000	108,245	5,245
Licenses and Permits	8,000	8,000	3,086	(4,914)
Leases and Rents	23,600	23,600	22,567	(1,033)
Court Fees	19,000	19,000	20,426	1,426
Mosquito Spraying	10,000	10,000	12,128	2,128
Interest Income	17,000	17,000	13,508	(3,492)
Ambulance Calls	95,000	95,000	103,271	8,271
Sanitation Revenue	174,300	174,300	180,593	6,293
Grant Revenue	645,000	645,000	152,880	(492,120)
Miscellaneous Revenues	7,385	7,385	8,687	1,302
Total Revenues	\$ 1,527,118	\$ 1,527,118	\$ 1,085,300	\$ (441,818)
<b>EXPENDITURES</b>				
City Hall	\$ 639,734	\$ 651,337	\$ 204,383	\$ 446,954
Legislative	5,950	5,950	2,782	3,168
Administrative	125,540	125,540	139,648	(14,108)
Sanitation	189,834	189,834	192,311	(2,477)
Streets	75,100	120,201	215,178	(94,977)
Fire	26,560	126,560	213,119	(86,559)
Police	231,300	231,300	247,123	(15,823)
Library	6,000	6,000	6,500	(500)
Ambulance	41,900	41,900	51,973	(10,073)
Judicial	29,600	29,600	12,507	17,093
Parks	155,600	166,766	89,881	76,885
Total Expenditures	\$ 1,527,118	\$ 1,694,988	\$ 1,375,405	\$ 319,583
Excess of Revenues Over (Under) Expenditures	\$ 0	\$ (167,870)	\$ (290,105)	\$ (122,235)
<b>Unbudgeted Amounts:</b>				
Fire Department Funds			(1,689)	
Police Department Funds			1,671	
Ambulance Funds			(3,176)	
Library Funds			10,319	
Loan Proceeds			164,777	
DEFICIT OF REVENUES UNDER EXPENDITURES - TOTAL			\$ (118,203)	
FUND BALANCE - BEGINNING OF YEAR			236,838	
FUND BALANCE - END OF YEAR			\$ 118,635	

**ADDITIONAL SCHEDULES**

## CITY OF ABERNATHY, TEXAS

## Schedule 1

**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY DEPARTMENT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	City Hall	Legislative	Administrative	Sanitation	Streets	Fire	Police	Library	Ambulance	Judicial	Parks	Total
Auto Allowance	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Uniforms			4,200				1,231		589			4,200
Contract Services	6,614	1,025	538	133,648		1,000	685		13,396			1,820
Contract Billing									9,441			156,906
Sub-Housing Demolition				3,207								9,441
Contract Hauling				15,032								3,207
Legal Publications	1,858											15,032
Engineering					5,810							1,858
Legal	14,414											5,810
Accounting	12,800											14,414
Dues and Registrations	2,368	1,692	505			4,673	163		3,014	253		12,800
Travel and Meals			396									12,505
Library Services								11,502				559
Judicial Expenses										2,935		11,502
Office Supplies			1,995									2,935
Printing			212									1,995
Postage			726									212
Janitorial Supplies	683											726
Telephones	12,051								828			683
Election			1,674									12,879
Utilities					23,844	615						1,674
General Insurance/Safety	21,588											46,047
Small Tools	24,864		115		834		782					24,864
Pest Control	45											1,776
Animal Shelter	200											200
Fuel and Oil						3,819	3,985		6,105			3,985
Vector Control					4,174		15,161					29,758
Supplies	3,924	65	325	499								14,131
Vehicle Maintenance				14,131								54,939
Equipment Maintenance				906		33,769	2,648		11,068			3,640
Tires and Accessories	329				1,278		2,362					15,229
Street Maintenance				3,074		404	749		3,376			4,006
City Park Maintenance				2,701			1,305					36,954
Home Grant Expenses	70,130			36,954							12,261	12,261
DRP Grant Expenses					5,621							70,130
Building and Grounds	11,077					1,352			284			5,621
Post Office	420				16,413							12,713
Leases Payable	6,204											420
Civil Defense			913									22,617
Miscellaneous	1,237		520		1	14,895	1,555		11,488	144		913
Software Support	645											29,840
Capital Outlay	5,750											645
Salary	6,673		10,053		108,017	189,827	31,334		2,046		77,620	424,647
TML Insurance			94,193	17,347		507	149,070		45,048	8,524		321,362
FICA			10,771	2,708		39	17,394					30,873
TMRS Retirement	509		7,189	1,324			11,377		3,438	651		24,527
			5,323	435			8,933					14,591
	\$ 204,383	\$ 2,782	\$ 139,648	\$ 192,311	\$ 215,178	\$ 250,900	\$ 248,734	\$ 11,502	\$ 110,121	\$ 12,507	\$ 89,881	\$ 1,477,947



CITY OF ABERNATHY, TEXAS

Schedule 2

WATER AND SEWER FUND  
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Non Departmental	Utility Accounting and Billing	Maintenance	Total
Uniforms	\$	\$	\$ 5,633	\$ 5,633
Contract Services		1,419	2,776	4,195
Accounting		11,875		11,875
Dues and Registration		795	1,995	2,790
Travel			438	438
Printing		124		124
Postage		5,411		5,411
Utilities		2,473	49,003	51,476
Telephone		918		918
General Insurance		21,268		21,268
State Fees and Permits			1,793	1,793
Fuel and Oil			16,208	16,208
Small Tools			1,265	1,265
Chemicals			250	250
Supplies		33	7,789	7,822
Vehicle Maintenance			1,124	1,124
Equipment Maintenance			3,744	3,744
Tires and Accessories			1,865	1,865
Building and Grounds	144		2,202	2,346
Water/Sewer Treatment			9,373	9,373
Utility Maintenance			40,953	40,953
Leases Payable		527		527
Miscellaneous		3,589	3,810	7,399
Salaries		37,670	180,430	218,100
TML Insurance		8,117	27,310	35,427
FICA		2,619	12,544	15,163
TMRs Retirement		2,085	10,701	12,786
Bad Debts	9,487			9,487
Depreciation	103,542			103,542
Totals	\$ 113,173	\$ 98,923	\$ 381,206	\$ 593,302

CITY OF ABERNATHY, TEXAS

Schedule 3

WATER AND SEWER FUND  
SCHEDULE OF DEBT PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY  
SEPTEMBER 30, 2007

Fiscal Year Ended September 30,	1998 Certificates of Obligation		2000 Certificates of Obligation		Grand Total
	Principal	Interest	Principal	Interest	
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>\$ 75,000</u>	<u>\$ 1,931</u>	<u>\$ 125,000</u>	<u>\$ 11,550</u>	<u>\$ 213,481</u>

CITY OF ABERNATHY, TEXAS

Schedule 4

SCHEDULE OF CHANGES IN DELINQUENT TAXES RECEIVABLE  
SEPTEMBER 30, 2007

Year	Property Taxes Receivable Oct. 1, 2006	Assessed	Adjustments and Collections	Property Taxes Receivable Sept. 30, 2007
1991 and Prior	\$ 477	\$	\$ 57	\$ 420
1992	133		4	129
1993	134		4	130
1994	135		4	131
1995	164		4	160
1996	281		68	213
1997	559		323	236
1998	707		290	417
1999	1,118		32	1,086
2000	1,686		227	1,459
2001	1,945		461	1,484
2002	2,832		617	2,215
2003	4,332		1,176	3,156
2004	6,461		1,633	4,828
2005	11,960		5,078	6,882
2006		315,348	300,658	14,690
Totals	\$ 32,924	\$ 315,348	\$ 310,636	\$ 37,636

CITY OF ABERNATHY, TEXAS

Schedule 5

SCHEDULE OF INVESTMENTS  
SEPTEMBER 30, 2007

Investments - General Fund

	CD #	Maturity Date	Interest Rate	
Security Bank - For the City	5300061	11-27-07	4.51%	\$ 259,551
Security Bank - For the Library	5300094	11-27-07	4.71%	2,264
Security Bank - For the Library	5300115	11-27-07	4.71%	1,117
Security Bank - For the Library	5300186	11-27-07	4.71%	2,159
Security Bank - For EMS	5300302	11-27-07	4.71%	<u>5,135</u>
Total General Fund				\$ <u>270,226</u>

Investments - Water and Sewer Fund

Security Bank - For the City	5300066	11-27-07	4.51%	\$ 181,686
Security Bank - For the City	5300065	11-27-07	4.51%	<u>103,820</u>
Total Water and Sewer Fund				\$ <u>285,506</u>

Investments - Airport Fund

Security Bank - For the City	5300181	8-4-08	4.71%	\$ <u>30,120</u>
Total Airport Fund				\$ <u>30,120</u>

Total - All Funds				\$ <u><u>585,852</u></u>
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**INTERNAL CONTROL AND COMPLIANCE SECTION**

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

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

**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 Darrell Stephens, 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, 2007, and have issued our report thereon dated January 7, 2008. 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 (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. Accordingly, we do not express an opinion on the effectiveness of the company's internal control over financial reporting.

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

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

Internal controls within the City of Abernathy, Texas are limited due to the limited number of personnel responsible for the financial records, which makes segregation of responsibilities impractical.



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

Compliance and Other Matters

As part of obtaining reasonable 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 that are required to be reported under *Government Auditing Standards*.

This communication is intended for the information of the City Council and management, and is not intended to be and should not be used by anyone other than these specified parties.

*Balinger, Segars, Gilbert & Moss LLP*

Certified Public Accountants

January 7, 2008



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

**CERTIFIED PUBLIC ACCOUNTANTS**

**PHONE: (806) 747-3806**

**FAX: (806) 747-3815**

**8215 NASHVILLE AVENUE**

**LUBBOCK, TEXAS 79423-1954**

January 7, 2008

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, 2007, 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 February 16, 2007, 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  
January 7, 2008  
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**

1/4/2008

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
<b>Fund: 100</b>				
	<b>Adj Entry #:</b>	<b>1</b>		
		Remarks: To reclass Fire Department checking account activity.		
100 00 5429 00 7 001	14151	MISC FIRE	0.00	(36,091.53)
100 22 6590 00 7 000	15693	MISCELLANEOUS	14,894.91	0.00
100 22 6662 00 7 000	15670	REPAIRS & SUPPLIES	22,271.46	0.00
100 22 6627 00 7 001	15638	UTILITIES	615.05	0.00
100 16 6590 00 7 000	15210	MISCELLANEOUS	0.00	(1,689.89)
Total Adjustments for Adj Entry # 1			\$37,781.42	(\$37,781.42)
	<b>Adj Entry #:</b>	<b>2</b>		
		Remarks: To adjust water, sewer, and sanitation revenue.		
100 00 5459 00 7 000	14119	MOSQUITO SPRAYING	1,333.75	0.00
100 00 5440 00 7 000	14084	SANITATION CHARGES	14,555.16	0.00
100 00 2086 00 7 000	11420	TRANSFERS FROM OTHER FUNDS	0.00	(15,888.91)
Total Adjustments for Adj Entry # 2			\$15,888.91	(\$15,888.91)
	<b>Adj Entry #:</b>	<b>3</b>		
		Remarks: To reclass Pitney Bowes lease expense.		
100 16 6912 00 7 000	15203	LEASES PAYABLE	0.00	(235.38)
100 15 6370 00 7 000	15308	CONTRACT SERVICES	235.38	0.00
Total Adjustments for Adj Entry # 3			\$235.38	(\$235.38)
	<b>Adj Entry #:</b>	<b>4</b>		
		Remarks: To adjust grant receivable.		
100 00 1264 00 7 000	11025	GRANT RECEIVABLE	0.00	(141,289.31)
100 00 5640 00 7 005	14414	TDHCA GRANT FUNDS (HOME)	117,536.07	0.00
100 00 2010 00 7 002	12005	ACCOUNTS PAYABLE	118,051.34	0.00
100 16 6541 00 7 000	15225	TDHCA PROJECT (HOME)	0.00	(117,536.07)
100 52 6790 00 7 000	15021	CAPITAL OUTLAY (Park Const.)	0.00	(515.27)
100 00 5640 00 7 001	14407	TP&W GRANT FUNDS	23,753.24	0.00
Total Adjustments for Adj Entry # 4			\$259,340.65	(\$259,340.65)
	<b>Adj Entry #:</b>	<b>5</b>		
		Remarks: To reverse prior year AP.		
100 00 2010 00 7 002	12005	ACCOUNTS PAYABLE	18,097.86	0.00
100 42 6627 00 7 001	15959	FUEL & OIL	0.00	(650.32)
100 21 6627 00 7 000	15791	FUEL & OIL	0.00	(698.73)
100 31 6430 00 7 002	15588	TIRES & ACCESSORIES	0.00	(115.00)
100 32 6627 00 7 001	15462	FUEL & OIL	0.00	(50.15)



# Adjusting Entries By Fund and Adjusting Entry Number

**CITY OF ABERNATHY**

1/4/2008

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
100 31 6627 00 7 001	15553	FUEL & OIL	0.00	(1,428.61)
100 12 6580 00 7 000	15056	JUDICIAL EXPENSES	0.00	(2,044.40)
100 42 6380 00 7 000	15896	CONTRACT EMS BILLING	0.00	(889.98)
100 31 6430 00 7 003	15595	STREET MAINTENANCE	0.00	(774.40)
100 21 6627 00 7 000	15791	FUEL & OIL	0.00	(701.35)
100 31 6430 00 7 001	15581	EQUIPMENT MAINTENANCE	0.00	(10.23)
100 32 6370 00 7 000	15434	CONTRACT SERVICES	0.00	(10,734.69)
Total Adjustments for Adj Entry # 5			\$18,097.86	(\$18,097.86)
<b>Adj Entry #: 6</b>				
Remarks: To adjust delinquent taxes.				
100 00 1070 00 7 000	11030	DEL. TAXES RECEIVABLES	4,712.10	0.00
100 00 2220 00 7 000	12031	DEFERRED REVENUE- TAXES	0.00	(8,228.89)
100 00 1071 00 7 000	11031	ALLOW - UNCOLLECTED TAXES	3,516.79	0.00
Total Adjustments for Adj Entry # 6			\$8,228.89	(\$8,228.89)
<b>Adj Entry #: 7</b>				
Remarks: To adjust property tax revenue accounts.				
100 00 5110 00 7 001	14007	AD VALOREM TAXES	667.68	0.00
100 00 5110 00 7 000	14004	DISCOUNT CURRENT TAXES	4,662.72	0.00
100 00 5110 00 7 002	14014	DELINQUENT AD VALOREM TAXES	164.36	0.00
100 00 5191 00 7 000	14021	PENALTIES AND INTEREST	0.00	(5,494.76)
Total Adjustments for Adj Entry # 7			\$5,494.76	(\$5,494.76)
<b>Adj Entry #: 8</b>				
Remarks: To adjust amounts due on leases payable.				
100 00 2260 00 7 000	11450	AMOUNTS TO BE PROVIDED FOR DEBT	142,982.57	0.00
100 00 2260 00 7 001	12610	LEASE PAYABLE	0.00	(142,982.57)
Total Adjustments for Adj Entry # 8			\$142,982.57	(\$142,982.57)
<b>Adj Entry #: 9</b>				
Remarks: To record loan proceeds for leases payable.				
100 00 7914 00 7 000	14099	LOAN PROCEEDS	0.00	(164,777.00)
100 22 6790 00 7 000	15700	CAPITAL OUTLAY	89,827.00	0.00
100 31 6790 00 7 000	15504	CAPITAL OUTLAY	74,950.00	0.00
Total Adjustments for Adj Entry # 9			\$164,777.00	(\$164,777.00)
<b>Adj Entry #: 13</b>				
Remarks: To reclass amount due from builder.				
100 31 6430 00 7 003	15595	STREET MAINTENANCE	0.00	(2,702.50)
100 00 2086 00 7 000	11420	TRANSFERS FROM OTHER FUNDS	2,702.50	0.00

# Adjusting Entries By Fund and Adjusting Entry Number

CITY OF ABERNATHY

1/4/2008

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
Total Adjustments for Adj Entry # 13			\$2,702.50	(\$2,702.50)
Adj Entry #: 14				
Remarks: To adjust DRP grant.				
100 00 1264 00 7 000	11025	GRANT RECEIVABLE	30,366.46	0.00
100 00 2010 00 7 002	12005	ACCOUNTS PAYABLE	0.00	(10,000.00)
100 00 5640 00 7 000	14415	DRP GRANT FUNDS	0.00	(30,366.46)
100 31 6541 00 7 050	15610	DRP PROJECT	10,000.00	0.00
Total Adjustments for Adj Entry # 14			\$40,366.46	(\$40,366.46)
Adj Entry #: 15				
Remarks: To record EMS grant for AED devices.				
100 00 5640 00 7 030	14435	EMS GRANT	0.00	(2,046.00)
100 42 6790 00 6 000	15994	CAPITAL OUTLAY	2,046.00	0.00
Total Adjustments for Adj Entry # 15			\$2,046.00	(\$2,046.00)
Adj Entry #: 16				
Remarks: To reclass FICA expense.				
100 16 6220 00 7 001	17600	PAYROLL TAX EXPENSE (FICA)	0.00	(24,526.21)
100 12 6220 00 7 000	17070	FICA - JUDICIAL	650.53	0.00
100 15 6220 00 7 000	17084	FICA - ADMIN. DEPARTMENT	7,188.75	0.00
100 16 6220 00 7 000	17077	FICA - NONDEPARTMENTAL	509.28	0.00
100 21 6220 00 7 000	17098	FICA - POLICE DEPARTMENT	11,376.98	0.00
100 22 6220 00 7 000	17091	FICA - FIRE	38.69	0.00
100 32 6220 00 7 000	17092	FICA EXPENSE - SANITATION	1,323.92	0.00
100 42 6220 00 7 000	17093	FICA EXPENSE - EMS	3,438.06	0.00
Total Adjustments for Adj Entry # 16			\$24,526.21	(\$24,526.21)
Adj Entry #: 17				
Remarks: To adjust court technology fees.				
100 00 2010 00 7 000	11421	COURT TECH. FEES - PY CARRYOVER	0.00	(192.00)
100 00 5411 00 7 001	14056	COURT TECHNOLOGY FEES	192.00	0.00
Total Adjustments for Adj Entry # 17			\$192.00	(\$192.00)
Adj Entry #: 20				
Remarks: To record Library cash accounts.				
100 00 1010 00 7 013	11010	CASH IN BANK - LIBRARY	4,802.81	0.00
100 00 5459 00 7 013	14129	LIBRARY SERVICES	0.00	(15,321.16)
100 00 1030 00 7 013	11018	CERTIFICATE OF DEPOSIT - LIBRARY	5,539.95	0.00
100 55 6582 00 7 000	15868	LIBRARY SERVICES	5,001.68	0.00
100 00 5611 00 7 000	14133	INTEREST INCOME	0.00	(235.50)

# Adjusting Entries By Fund and Adjusting Entry Number

CITY OF ABERNATHY

1/4/2008

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
100 00 1010 00 7 014	11019	CASH IN BANK - LIBRARY GRANT	212.22	0.00
Total Adjustments for Adj Entry # 20			\$15,556.66	(\$15,556.66)

Adj Entry #: 21

Remarks: To reclass amounts not to be capitalized.

100 31 6541 00 7 050	15610	DRP PROJECT	0.00	(29,750.00)
100 31 6790 00 7 000	15504	CAPITAL OUTLAY	29,750.00	0.00
100 16 6589 00 7 000	15189	BUILDING & GROUNDS	0.00	(5,750.20)
100 16 6790 00 7 000	15224	CAPITAL OUTLAY	5,750.20	0.00
100 22 6790 00 7 000	15700	CAPITAL OUTLAY	0.00	(11,497.46)
100 22 6662 00 7 000	15670	REPAIRS & SUPPLIES	11,497.46	0.00
100 21 6790 00 7 000	15847	CAPITAL OUTLAY	0.00	(2,327.88)
100 21 6662 00 7 000	15812	SUPPLIES	2,327.88	0.00
100 31 6790 00 7 040	15608	STREET SIGN PROJECT	0.00	(3,316.75)
100 31 6790 00 7 000	15504	CAPITAL OUTLAY	3,316.75	0.00
100 16 6589 00 7 000	15189	BUILDING & GROUNDS	0.00	(1,595.17)
100 15 6790 00 7 000	15399	CAPITAL OUTLAY	1,595.17	0.00
100 32 6430 00 7 000	15483	EQUIPMENT MAINTENANCE	0.00	(300.00)
100 31 6430 00 7 002	15588	TIRES & ACCESSORIES	0.00	(1,100.00)
100 21 6692 00 7 000	15833	TIRES & ACCESSORIES	0.00	(600.00)
100 00 2086 00 7 000	11420	TRANSFERS FROM OTHER FUNDS	0.00	(2,200.00)
100 15 6790 00 7 000	15399	CAPITAL OUTLAY	4,200.00	0.00
100 16 6651 00 7 000	15196	POST OFFICE	0.00	(4,257.43)
100 15 6790 00 7 000	15399	CAPITAL OUTLAY	4,257.43	0.00
Total Adjustments for Adj Entry # 21			\$62,694.89	(\$62,694.89)

Adj Entry #: 24

Remarks: To record current year accounts payable.

100 42 6380 00 7 000	15896	CONTRACT EMS BILLING	752.07	0.00
100 15 6611 00 7 000	15329	OFFICE SUPPLIES	503.60	0.00
100 32 6381 00 7 000	15448	CONTRACT HAULING	11,027.20	0.00
100 32 6587 00 7 000	15469	VECTOR CONTROL (MOSQUITO	1,275.00	0.00
100 22 6627 00 7 005	15651	FUEL & OIL	528.78	0.00
100 21 6627 00 7 000	15791	FUEL & OIL	1,189.90	0.00
100 42 6627 00 7 001	15959	FUEL & OIL	622.28	0.00
100 00 2010 00 7 002	12005	ACCOUNTS PAYABLE	0.00	(15,898.83)
Total Adjustments for Adj Entry # 24			\$15,898.83	(\$15,898.83)

Adj Entry #: 25

# Adjusting Entries By Fund and Adjusting Entry Number

CITY OF ABERNATHY

1/4/2008

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
Remarks: To adjust payroll liabilities.				
100 00 2010 00 7 001	12003	TMRS PAYABLE	1,700.41	0.00
100 00 2010 00 7 003	12007	TML INSURANCE PAYABLE	489.66	0.00
100 00 2010 00 7 004	12008	AFLAC PAYABLE	1,322.89	0.00
100 00 2010 00 7 007	12310	FEDERAL WITHHOLDINGS	0.00	(594.04)
100 00 2010 00 7 008	12320	FICA TAXES	453.94	0.00
100 00 2010 00 7 020	12350	UNEMPLOYMENT - STATE	10.66	0.00
100 00 2010 00 7 021	12002	FICA PAYABLES	0.00	(75.16)
100 00 1150 00 7 002	11027	RETURNED CHECKS	182.00	0.00
100 16 6590 00 7 000	15210	MISCELLANEOUS	0.00	(3,490.36)
Total Adjustments for Adj Entry # 25			\$4,159.56	(\$4,159.56)
Total Adjustments for Fund 100			\$820,970.55	(\$820,970.55)

## Adjusting Entries By Fund and Adjusting Entry Number

**CITY OF ABERNATHY**

1/4/2008

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
<b>Fund: 711</b>				
	<b>Adj Entry #:</b>	<b>2</b>		
		Remarks: To adjust water, sewer, and sanitation revenue.		
711 00 1150 00 7 001	21024	A/R ALLOW FOR DOUBTFUL	2,934.12	0.00
711 00 1301 00 7 000	21032	INTERFUND BALANCE	15,888.91	0.00
711 00 1010 00 7 005	21130	Deposits in Transit/Refunds	0.00	(651.10)
711 00 1150 00 7 000	21022	A/R WATER/SEWER	0.00	(25,232.58)
711 00 2590 00 7 000	22010	METER DEPOSITS (REFUNDABLE)	4,171.59	0.00
711 00 5431 00 7 000	24056	METERED WATER SALES	71.60	0.00
711 00 5433 00 7 000	24063	SEWER SERVICE SALES	7,903.16	0.00
711 00 5437 00 7 000	24028	RETURNED CHECK / LATE FEES	563.26	0.00
711 00 5700 00 7 000	24200	Sales Returns/Disc. (ABS sys req)	0.00	(8,129.71)
711 06 6589 00 7 001	25065	BAD DEBT / RETURNED CHECKS	0.00	(1,826.92)
711 00 2010 00 7 000	21216	SALES TAX TRASH RESERVE	212.15	0.00
711 00 2010 00 7 002	22004	SALES TAX PAYABLE	190.88	0.00
711 07 6590 00 7 000	25259	MISCELLANEOUS	3,904.64	0.00
Total Adjustments for Adj Entry # 2			\$35,840.31	(\$35,840.31)
	<b>Adj Entry #:</b>	<b>5</b>		
		Remarks: To reverse prior year AP.		
711 00 2010 00 7 003	22005	ACCOUNTS PAYABLE	3,940.69	0.00
711 08 6627 00 7 001	25546	FUEL & OIL	0.00	(1,256.53)
711 08 6430 00 7 002	25588	TIRES & ACCESSORIES	0.00	(30.00)
711 08 6627 00 7 001	25546	FUEL & OIL	0.00	(486.64)
711 08 6627 00 7 000	25525	UTILITIES	0.00	(1,123.34)
711 07 6590 00 7 000	25259	MISCELLANEOUS	0.00	(1,044.18)
Total Adjustments for Adj Entry # 5			\$3,940.69	(\$3,940.69)
	<b>Adj Entry #:</b>	<b>10</b>		
		Remarks: To adjust principal payments on bonds.		
711 00 2250 00 7 001	22699	CURRENT MATURITIES - BONDS	0.00	(5,000.00)
711 00 2510 00 7 000	22610	CERTIFICATES OF OBLIGATION	40,000.00	0.00
711 00 2510 00 7 001	22611	BONDS PAYABLE	75,000.00	0.00
711 06 8952 00 7 000	25056	BOND PRINCIPAL	0.00	(110,000.00)
Total Adjustments for Adj Entry # 10			\$115,000.00	(\$115,000.00)
	<b>Adj Entry #:</b>	<b>11</b>		
		Remarks: To adjust accrued interest on bonds.		
711 00 2140 00 7 000	22368	ACCRUED INTEREST EXPENSE	750.63	0.00



# Adjusting Entries By Fund and Adjusting Entry Number

CITY OF ABERNATHY

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Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
711 06 8952 00 7 001	25063	BOND INTEREST & SERVICE	0.00	(750.63)
Total Adjustments for Adj Entry # 11			\$750.63	(\$750.63)
<b>Adj Entry #: 12</b>				
Remarks: To adjust allowance for uncollectibles.				
711 00 1150 00 7 001	21024	A/R ALLOW FOR DOUBTFUL	0.00	(8,000.00)
711 06 6589 00 7 001	25065	BAD DEBT / RETURNED CHECKS	8,000.00	0.00
Total Adjustments for Adj Entry # 12			\$8,000.00	(\$8,000.00)
<b>Adj Entry #: 13</b>				
Remarks: To reclass amount due from builder.				
711 00 1150 00 7 006	21028	A/R OTHER	4,340.29	0.00
711 08 6790 00 7 000	25630	CAPITAL OUTLAY	0.00	(253.63)
711 08 6410 00 7 000	25609	UTILITY MAINTENANCE	0.00	(1,384.16)
711 00 1301 00 7 000	21032	INTERFUND BALANCE	0.00	(2,702.50)
Total Adjustments for Adj Entry # 13			\$4,340.29	(\$4,340.29)
<b>Adj Entry #: 16</b>				
Remarks: To reclass FICA expense.				
711 06 6220 00 7 000	27600	PAYROLL TAX EXPENSE (FICA)	0.00	(15,163.15)
711 08 6220 00 7 000	27070	FICA - MAINTENANCE DEPARTMENT	12,544.20	0.00
711 07 6220 00 7 000	27063	FICA - ADMIN. DEPARTMENT	2,618.95	0.00
Total Adjustments for Adj Entry # 16			\$15,163.15	(\$15,163.15)
<b>Adj Entry #: 21</b>				
Remarks: To reclass amounts not to be capitalized.				
711 08 6430 00 7 002	25588	TIRES & ACCESSORIES	0.00	(800.00)
711 08 6430 00 7 000	25574	VEHICLE MAINTENANCE	0.00	(500.00)
711 08 6430 00 7 001	25581	EQUIPMENT MAINTENANCE	0.00	(900.00)
711 00 1301 00 7 000	21032	INTERFUND BALANCE	2,200.00	0.00
Total Adjustments for Adj Entry # 21			\$2,200.00	(\$2,200.00)
<b>Adj Entry #: 22</b>				
Remarks: To book fixed assets.				
711 08 6790 00 7 000	25630	CAPITAL OUTLAY	0.00	(74,296.65)
711 08 6410 00 7 000	25609	UTILITY MAINTENANCE	0.00	(12,401.32)
711 08 6589 00 7 000	25595	BUILDING & GROUNDS	0.00	(1,638.75)
711 00 1760 00 7 003	21550	AUTO EQUIPMENT	52,775.00	0.00
711 00 1760 00 7 004	21570	WATER SYSTEM IMPROVEMENTS	10,000.00	0.00
711 00 1760 00 7 005	21580	SEWER SYSTEM IMPROVEMENTS	22,401.32	0.00
711 00 1760 00 7 002	21530	BUILDINGS	1,638.75	0.00



# Adjusting Entries By Fund and Adjusting Entry Number

CITY OF ABERNATHY

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Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
711 08 6662 00 7 000	25567	SUPPLIES	1,521.65	0.00
711 00 7951 00 7 000	24049	SALE OF PROPERTY	27,032.67	0.00
711 00 1760 00 7 003	21550	AUTO EQUIPMENT	0.00	(31,571.00)
711 00 1761 00 7 001	21551	ACCUMULATED DEPRECIATION - AUTOS	4,538.33	0.00
Total Adjustments for Adj Entry # 22			\$119,907.72	(\$119,907.72)
<b>Adj Entry #: 23</b>				
Remarks: To book current year depreciation.				
711 00 1761 00 7 000	21531	ACCUMULATED DEPRECIATION -	0.00	(8,111.71)
711 00 1761 00 7 002	21571	ACCUMU. DEPRECIATION - WATER	0.00	(44,687.88)
711 00 1761 00 7 003	21581	ACCUMU. DEPERCIATION - SEWER	0.00	(34,194.61)
711 00 1761 00 7 001	21551	ACCUMULATED DEPRECIATION - AUTOS	0.00	(16,548.11)
711 06 6800 00 7 000	25300	DEPRECIATION EXPENSE	103,542.31	0.00
Total Adjustments for Adj Entry # 23			\$103,542.31	(\$103,542.31)
<b>Adj Entry #: 24</b>				
Remarks: To record current year accounts payable.				
711 08 6627 00 7 001	25546	FUEL & OIL	1,051.30	0.00
711 00 2010 00 7 003	22005	ACCOUNTS PAYABLE	0.00	(1,051.30)
Total Adjustments for Adj Entry # 24			\$1,051.30	(\$1,051.30)
<b>Adj Entry #: 25</b>				
Remarks: To adjust payroll liabilities.				
711 00 2010 00 7 004	22006	ATTORNEY GENERAL - PAYABLES	481.02	0.00
711 00 2010 00 7 006	22008	AFLAC PAYABLE	0.00	(803.22)
711 00 2010 00 7 030	22310	FEDERAL WITHHOLDINGS	0.00	(320.80)
711 07 6590 00 7 000	25259	MISCELLANEOUS	643.00	0.00
Total Adjustments for Adj Entry # 25			\$1,124.02	(\$1,124.02)
Total Adjustments for Fund 711			\$410,860.42	(\$410,860.42)

# Adjusting Entries By Fund and Adjusting Entry Number

CITY OF ABERNATHY

1/4/2008

Control Code:	Account #	Account Name	Adjustments	
			Debits	Credits
<b>Fund: 712</b>				
	<b>Adj Entry #:</b>	<b>18</b>		
		Remarks: To reclass airport fixed assets.		
712 08 6790 00 7 000	35126	CAPITAL OUTLAY	0.00	(1,860.00)
712 00 1760 00 7 001	31520	AIRPORT IMPROVEMENTS	1,860.00	0.00
Total Adjustments for Adj Entry # 18			\$1,860.00	(\$1,860.00)
	<b>Adj Entry #:</b>	<b>19</b>		
		Remarks: To record current year depreciation.		
712 00 1761 00 7 000	31540	ACCUMULATED DEPRECIATION	0.00	(12,476.63)
712 06 6800 00 7 000	35200	DEPRECIATION EXPENSE	12,476.63	0.00
Total Adjustments for Adj Entry # 19			\$12,476.63	(\$12,476.63)
Total Adjustments for Fund 712			\$14,336.63	(\$14,336.63)