CITY OF ABERNATHY, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2009

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ABERNATHY, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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CITY OF ABERNATHY, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2009

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CITY OF ABERNATHY, TEXAS

MAYOR AND CITY COUNCIL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Darrell Stephens	Mayor
Elias Vecchio	Mayor Pro Tem
Eldon Sparkman	Council Member
Victor Cavazos	Council Member
Bill Black	Council Member
Lindsey Webb	Council Member

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
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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 (City), as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2009, 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 19, 2010, 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 accompanying Management's Discussion and Analysis, funding progress for the retirement plan, and budgetary information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's 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

January 19, 2010

January 19, 2010

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, 2009. 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 $5,641,428 (net assets) as compared to $5,458,672 for the previous fiscal year. Of this amount, $986,942 (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 $182,756 as a result of this year's operations as compared to an increase of $386,788 in the previous year.

During the year ended September 30, $1,914,784 and $2,161,504 generated in taxes and other revenues.

The balance of cash and investments at September 30, 2009 and 2008, were $912,930 and $724,027, respectively.

Expenditures

Total fund expenditures for the year ending September 30, 2009, compared with the year ending September 30, 2008, are as follows:

Expenditures

Fund	2008-2009	2007-2008	Change
General Fund	$ 1,128,637	$ 1,451,489	$ (322,852)
Water/Sewer Fund	604,452	642,592	(38,140)
Airport Fund	18,492	19,349	(857)
Total	$ 1,751,581	$ 2,113,430	$ (361,849)

The decrease in General Fund expenditures is due to a decrease in Capital Outlay, Home Grant expenditures, and contracted services. The decrease in the Water/Sewer Fund is attributable to small decreases in various expense categories.

Revenues

The City's revenues were down for the year ending September 30, 2009, when compared with the year ending September 30, 2008. Year-end revenue totals are as follows:

Revenues

Fund	2008-2009	2007-2008	Change
General Fund	$ 1,255,188	$ 1,514,195	$ (259,007)
Water/Sewer Fund	645,638	631,234	14,404
Airport Fund	20,285	19,504	781
Total	$ 1,921,111	$ 2,164,933	$ (243,822)

The decrease in Fund revenues is largely attributable to reduced grant revenues received.

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 $5,458,672 in 2008 to $5,641,428 in 2009. 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 – increased from $823,753 to $986,942.

Table II
City of Abernathy, Texas
NET ASSETS

	September 30, 2009	September 30, 2008
Current and Other Assets	$ 1,128,733	$ 947,987
Capital Assets	4,751,550	4,820,260
Total Assets	$ 5,880,283	$ 5,768,247
Current Liabilities	$ 159,299	$ 163,466
Long-Term Liabilities	79,556	146,109
Total Liabilities	$ 238,855	$ 309,575
Net Assets:		
Invested in Capital Assets		
Net of Related Debt	$ 4,600,554	$ 4,604,051
Restricted	53,932	30,868
Unrestricted	986,942	823,753
Total Net Assets	$ 5,641,428	$ 5,458,672

Table II
City of Abernathy, Texas
CHANGES IN NET ASSETS

	September 30, 2009	September 30, 2008
Revenues:		
Program Revenues:		
Charges for Services	$ 1,102,582	$ 1,017,935
Operating Grants and Contributions	11,050	
Capital Grants and Contributions	85,188	353,502
General Revenues:		
Property Taxes	365,662	327,889
Franchise Taxes	105,451	157,274
Sales Taxes	172,498	225,237
Licenses and Permits	3,779	8,969
Investment Earnings	18,746	26,840
Miscellaneous	49,828	43,858
Total Revenue	$ 1,914,784	$ 2,161,504
Expenses:		
Primary Government:		
General Government	$ 281,115	$ 265,419
Public Safety	288,272	287,094
Public Works	313,076	350,700
Health and Welfare	53,825	51,144
Cultural and Recreation	46,552	49,343
Depreciation	126,244	109,075
Business-type activities:		
Non-Departmental	133,378	128,303
Utility Accounting and Billing	101,527	95,308
Maintenance	384,439	430,882
Interest on Debt	3,600	7,448
Total Expenses	$ 1,732,028	$ 1,774,716
Increase in Net Assets	$ 182,756	$ 386,788
Net Assets at Beginning of Year	5,458,672	5,071,884
Net Assets at End of Year	$ 5,641,428	$ 5,458,672

The City's total revenues decreased from $2,161,504 in 2008 to $1,914,784 in 2009, a decrease of $246,720. This decrease was attributable to a reduction in grant revenues. The total expenditures of the City decreased by $42,688 from $1,774,716 to $1,732,028.

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

- Fuel prices;
- Grants Received;
- Repairs to water tower;
- Street Sign Replacements;
- Park Improvements; and
- Utility Line extensions on Avenue N.

Fund Balances

The City's total Governmental Funds fund balance at September 30, 2009 and 2008, was $307,893 and $181,341, respectively. This fund balance is reported in the General Fund. The General Fund balance of $307,893 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 2009, the City had $4,751,550 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, 2009.

Debt

At the end of 2009, the City had $150,996 of total debt outstanding. $71,440 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, 2009.

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. Recently, Golden Spread Electric Coop announced that they are building a $200 million power plant approximately 2½ miles north of Abernathy. This combined industrial growth will have an impact on the health of the city.

The General Fund's three largest revenue sources, which are sales tax, property tax and franchise fees, make up 60% of the revenues, and all three have performed well over the last several years. For fiscal year 2009-10, sales tax, property tax, and franchise fees are projected to be $613,875.

The Water/Sewer Fund's two largest revenue sources, water sales and sewer services, make up 88% of the revenues. For fiscal year 2009-10, water sales and sewer services are projected to be unchanged at $576,000.

Property taxes for the City (37% 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 this year, a large portion of unused land was cash-leased for grazing. 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 Vista 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.

CITY OF ABERNATHY, TEXAS

Exhibit 1

STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 50,439	$ 13,643	$ 64,082
Investments	411,581	383,335	794,916
Receivables (Net)	99,292	106,797	206,089
Internal Balances		211,103	211,103
Total Current Assets	$ 561,312	$ 714,878	$ 1,276,190
Noncurrent Assets:			
Restricted Cash	$	$ 53,932	$ 53,932
Capital Credits		9,714	9,714
Capital Assets:			
Buildings and Equipment, Net of Depreciation	1,854,517	2,897,033	4,751,550
Total Noncurrent Assets	$ 1,854,517	$ 2,960,679	$ 4,815,196
Total Assets	$ 2,415,829	$ 3,675,557	$ 6,091,386
LIABILITIES			
Current Liabilities:			
Accounts Payable and Accrued Expenses	$ 26,288	$ 12,006	$ 38,294
Internal Balances	211,103		211,103
Meter and Other Deposits		49,565	49,565
Current Portion of Long-Term Obligations	26,440	45,000	71,440
Total Current Liabilities	$ 263,831	$ 106,571	$ 370,402
Noncurrent Liabilities:			
Noncurrent Portion of Long-Term Obligations	79,556		79,556
Total Liabilities	$ 343,387	$ 106,571	$ 449,958
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	$ 1,748,521	$ 2,852,033	$ 4,600,554
Restricted for:			
Debt Service		53,932	53,932
Unrestricted	323,921	663,021	986,942
Total Net Assets	$ 2,072,442	$ 3,568,986	$ 5,641,428

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net (Expense) Revenue	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total
Primary Government:							
City Hall	$ 122,280	$ 21,364	$ 11,050	$	$ (89,866)	$	$ (89,866)
Legislative	4,669				(4,669)		(4,669)
Administrative	136,778				(136,778)		(136,778)
Sanitation	203,497	245,516			42,019		42,019
Streets	109,579			62,019	(47,560)		(47,560)
Fire	60,219	41,879		18,000	(340)		(340)
Police	228,053				(228,053)		(228,053)
Library	20,017	6,399			(13,618)		(13,618)
Ambulance	53,825	157,635			103,810		103,810
Judicial	17,388	22,465			5,077		5,077
Parks	26,535				(26,535)		(26,535)
Depreciation	126,244				(126,244)		(126,244)
Total Governmental Activities	$ 1,109,084	$ 495,258	$ 11,050	$ 80,019	$ (522,757)	$	$ (522,757)
Business-Type Activities:							
Non-Departmental	$ 133,378	$ 130,789	$	$	$	$ (2,589)	$ (2,589)
Utility Accounting and Billing	101,527	99,557				(1,970)	(1,970)
Maintenance	384,439	376,978		5,169		(2,292)	(2,292)
Interest on Debt	3,600					(3,600)	(3,600)
Total Business-Type Activities	$ 622,944	$ 607,324	$ 0	$ 5,169	$	$ (10,451)	$ (10,451)
Total Primary Government	$ 1,732,028	$ 1,102,582	$ 11,050	$ 85,188	$ (522,757)	$ (10,451)	$ (533,208)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes Including Penalties					$ 365,662	$	$ 365,662
Franchise Taxes					105,451		105,451
Sales Taxes					172,498		172,498
Licenses and Permits					3,779		3,779
Unrestricted Investment Earnings					9,386	9,360	18,746
Miscellaneous					5,758	44,070	49,828
Total General Revenues and Special Items					$ 662,534	$ 53,430	$ 715,964
Change in Net Assets					139,777	42,979	182,756
Net Assets—Beginning					1,932,665	3,526,007	5,458,672
Net Assets—Ending					$ 2,072,442	$ 3,568,986	$ 5,641,428

See accompanying notes to the financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 3

BALANCE SHEET - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund
ASSETS	
Cash	$ 50,439
Certificates of Deposit	411,581
Accounts Receivable (Less Provision for Uncollectibles of $3,450)	83,264
Delinquent Taxes Receivable (Net of Allowance for Uncollectibles of $28,169)	16,028
Total Assets	$ 561,312
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts Payable	$ 26,288
Deferred Revenue - Property Taxes	16,028
Due to Other Funds	211,103
Total Liabilities	$ 253,419
FUND EQUITY	
Unreserved	$ 307,893
Total Fund Balance	$ 307,893
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)	1,854,517
Long-term obligations are not due and payable in the current period and therefore are not reported in the funds.	(105,996)
Deferred property tax revenue is recognized in fund above but not in the statement of net assets.	16,028
Net assets of governmental activities	$ 2,072,442

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, 2009

	General Fund
REVENUE	
Property Taxes	$ 354,351
City Sales Taxes	172,498
Penalties	9,640
Franchise Taxes	105,451
Licenses and Permits	3,779
Leases and Rents	19,805
Court Fees	22,465
Fire Calls	41,879
Mosquito Spraying	16,079
Interest Income	9,386
Ambulance Calls	157,635
Sanitation Revenue	229,437
Library Revenue	6,399
Grant Revenue	91,069
Miscellaneous Revenue	5,448
Total Revenue	$ 1,245,321
EXPENDITURES	
City Hall	$ 128,197
Legislative	4,669
Administrative	142,240
Sanitation Department	203,497
Streets	185,877
Fire Department	107,636
Police Department	228,053
Library	20,017
Ambulance	53,825
Judicial	17,388
Parks	37,238
Total Expenditures	$ 1,128,637
Excess of Expenditures Over Revenues	$ 116,684
OTHER FINANCING SOURCES (USES)	
Sale of Property	1,867
Loan Proceeds	8,000
	9,867
Net Change in Fund Balance	$ 126,551
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.	112,584
Depreciation is recorded in the statement of activities as an expense but not in governmental funds.	(126,244)
Principal payments are recorded as expenditures in governmental funds but excluded in the statement of activities.	33,215
Loan proceeds are recorded as other financing sources in governmental funds but excluded in the statement of activities.	(8,000)
Deferred revenue is not recorded in the statements of net assets thus the change is excluded in activities.	1,671
Change in net assets of governmental activities	$ 139,777

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 5

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Proprietary Funds		
	Water and Sewer	Airport	Total
ASSETS			
Current Assets:			
Cash & Investments	$ 349,288	$ 47,690	$ 396,978
Accounts Receivable (Less Provision for Uncollectibles of $2,255)	106,797		106,797
Due from Other Funds	224,403		224,403
Total Current Assets	$ 680,488	$ 47,690	$ 728,178
Noncurrent Assets:			
Restricted Cash	$ 53,932	$	$ 53,932
Capital Credits	9,714		9,714
Fixed Assets (Net of Depreciation)	2,438,332	458,701	2,897,033
Total Noncurrent Assets	$ 2,501,978	$ 458,701	$ 2,960,679
Total Assets	$ 3,182,466	$ 506,391	$ 3,688,857
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 11,668	$	$ 11,668
Due to Other Funds		13,300	13,300
Meter Deposits	49,065		49,065
Deferred Lease Deposit		500	500
Accrued Interest	338		338
Current Portion of Certificates of Obligation	45,000		45,000
Total Current Liabilities	$ 106,071	$ 13,800	$ 119,871
Noncurrent Liabilities:			
Certificate of Obligation	$	$	$ 0
Total Noncurrent Liabilities	$ 0	$ 0	$ 0
Total Liabilities	$ 106,071	$ 13,800	$ 119,871
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	$ 2,393,332	$ 458,701	$ 2,852,033
Restricted for Debt Service	53,932		53,932
Unrestricted	629,131	33,890	663,021
Total Net Assets	$ 3,076,395	$ 492,591	$ 3,568,986

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, 2009

	Proprietary Funds		
	Water and Sewer	Airport	Total
OPERATING REVENUES			
Water Revenue	$ 440,847	$	$ 440,847
Sewer Revenue	133,962		133,962
Water/Sewer Permits	1,452		1,452
Reconnect and Late Fees	31,063		31,063
Total Operating Revenue	$ 607,324	$ 0	$ 607,324
OPERATING EXPENSES			
Non-Departmental	$ 119,459	$ 13,919	$ 133,378
Utility Accounting and Billing	101,016	511	101,527
Maintenance	380,377	4,062	384,439
Total Operating Expenses	$ 600,852	$ 18,492	$ 619,344
Operating Income (Loss)	$ 6,472	$ (18,492)	$ (12,020)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	$ 8,478	$ 882	$ 9,360
Miscellaneous Revenue	29,836	14,234	44,070
Grant Income		5,169	5,169
Interest Expense	(3,600)		(3,600)
Total Nonoperating Revenue	$ 34,714	$ 20,285	$ 54,999
Change in Net Assets	$ 41,186	$ 1,793	$ 42,979
TOTAL NET ASSETS - BEGINNING	3,035,209	490,798	3,526,007
TOTAL NET ASSETS - ENDING	$ 3,076,395	$ 492,591	$ 3,568,986

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Exhibit 7

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Proprietary Funds		
	Water and Sewer	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts From Customers	$ 633,022	$ 28,277	$ 661,299
Payments to Suppliers	(234,781)	(5,138)	(239,919)
Payments to Employees	(226,353)		(226,353)
Net Cash Provided by Operating Activities	$ 171,888	$ 23,139	$ 195,027
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	$ (64,895)	$ (7,884)	$ (72,779)
Interest Paid on Bonds	(3,900)		(3,900)
Payments on Certificates of Obligation	(40,000)		(40,000)
Payments on Long-Term Borrowings			0
Net Cash Used in Capital and Related Financing Activities	$ (108,795)	$ (7,884)	$ (116,679)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earned on Investments	$ 8,478	$ 882	$ 9,360
Net Cash Provided by Investing Activities	$ 8,478	$ 882	$ 9,360
INCREASE IN CASH AND CASH EQUIVALENTS	$ 71,571	$ 16,137	$ 87,708
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	331,649	31,553	363,202
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 403,220	$ 47,690	$ 450,910
Reconciliation of Operating Income (Loss) to Net Cash Flows From Operating Activities:			
Operating Income (Loss)	$ 6,472	$ (18,492)	$ (12,020)
Adjustments to Reconcile Income (Loss) From Operations to Net Cash From Operating Activities:			
Depreciation Expense	$ 113,910	$ 13,920	$ 127,830
Miscellaneous Revenues	29,836	19,403	49,239
Change in Assets and Liabilities:			
Receivables	(1,328)	8,873	7,545
Due from Other Funds	24,589		24,589
Capital Credits	1,065		1,065
Accounts Payable	1,219	(565)	654
Meter and Other Deposits	(3,875)		(3,875)
	$ 165,416	$ 41,631	$ 207,047
Cash Flows From Operating Activities	$ 171,888	$ 23,139	$ 195,027

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. 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.

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 $5,000 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

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 non-operating 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	$ 548,716	$ 5,462	$	$ 554,178
City Park	551,423	10,703		562,126
Street Paving	734,141			734,141
Fire Fighting Equipment	419,868	34,400		454,268
Furniture and Fixtures	12,217			12,217
Machinery and Equipment	350,897			350,897
Automotive	204,547		37,117	167,430
CWIP		62,019		62,019
	$ 2,821,809	$ 112,584	$ 37,117	$ 2,897,276

Accumulated Depreciation

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	$ 150,063	$ 12,979	$	$ 163,042
City Park	48,250	27,728		75,978
Street Paving	240,228	21,369		261,597
Fire Fighting Equipment	226,932	16,372		243,304
Furniture and Fixtures	10,984	499		11,483
Machinery and Equipment	146,896	25,065		171,961
Automotive	130,279	22,232	37,117	115,394
	$ 953,632	$ 126,244	$ 37,117	$ 1,042,759

Business-Type Activities:

Assets – Water and Sewer

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 456,321	$	$	$ 456,321
Buildings	319,552			319,552
Water System	1,726,451	27,390		1,753,841
Sewer System	1,488,199	19,416		1,507,615
Automotive	195,030	18,089		213,119
	$ 4,185,553	$ 64,895	$ 0	$ 4,250,448

Accumulated Depreciation – Water and Sewer

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings	$ 38,244	$ 8,276	$	$ 46,520
Water System	738,164	46,766		784,930
Sewer System	803,409	39,416		842,825
Automotive	118,389	19,452		137,841
	$ 1,698,206	$ 113,910	$ 0	$ 1,812,116

Assets – Airport

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 216,237	$	$	$ 216,237
Improvements	474,865	7,884		482,749
	$ 691,102	$ 7,884	$ 0	$ 698,986

Accumulated Depreciation – Airport

	Beginning Balance	Increases	Decreases	Ending Balance
Improvements	$ 226,365	$ 13,920	$	$ 240,285

3. LONG-TERM OBLIGATIONS

Capital Lease Obligation

During the year 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 lease was paid off in the current period.

Note Payable

During the year ended September 30, 2009, the City financed $8,000 for the purchase of a 2003 truck with Vista Bank. Terms of the note include an interest rate of 7% with five payments of $1,445 with the final payment due January 12, 2013. The remaining balance on the loan as of September 30, 2009 was $4,888.

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, 2009, and the principal and interest requirements for the next 12 months.

	Balance 10/1/2008	Issued	Retired	Balance 9/30/2009	Amounts Due Next Twelve Months Principal	Interest
Certificates of Obligation - 2000	$ 85,000	$	$ 40,000	$ 45,000	$ 45,000	$ 2,700

Principal obligations to maturity are as follows:

	Amount
9/30/2010	$ 45,000

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, 2009, is $70,482.

Payments to maturity are as follows:

2010	$ 13,842
2011	13,842
2012	13,842
2013	13,842
Thereafter	27,684
	$ 83,052
Less: Amount Representing Interest	(12,570)
	$ 70,482

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, 2009, is $30,626. Payments to maturity are as follows:

2010	$ 16,413
2011	16,413
	$ 32,826
Less: Amount Representing Interest	(2,200)
	$ 30,626

4. LITIGATION – COMMITMENTS

As of September 30, 2009, there were no claims or assessments nor any litigation pending against the City.

Management has evaluated subsequent events through the date of the audit report. No events have occurred subsequent to that date that would require adjustment to, or disclosure in, the financial statements.

5. PENSION PLAN

Plan Description

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

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

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

	Plan Year 2008	Plan Year 2009
Employee deposit rate	5.00%	5.00%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age / years of service)	60/5,0/25	60/5,0/25
Updated Service Credit	Transfers	Transfers
Annuity Increase (to retirees)	30% of CPI	30% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/ (asset) are as follows:

Annual Pension Cost

Annual Required Contribution (ARC)	$	30,292
Interest on NPO		
Adjustment to the ARC		
Annual Pension Cost	$	30,292
Contributions Made		(30,292)
Increase (decrease) in net pension obligation	$	0
Net Pension Obligation/(Asset), beginning of year		0
Net Pension Obligation/(Asset), end of year	$	0

Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
September 30, 2007	$ 29,857	100%	$ 0
September 30, 2008	28,294	100%	0
September 30, 2009	30,292	100%	0

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

Valuation Date	12/31/2006	12/31/2007	12/31/2008
Actuarial Cost Method	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	25 years; open period	25 years; closed period	24 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions:			
Investment Rate of Return	7.00%	7.00%	7.50%
Projected Salary Increases	Varies by age and Service	Varies by age and Service	Varies by age and Service
Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	NA	0.90%	0.90%

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

Funded Status

Actuarial Valuation Date		12/31/08
Actuarial Value of Assets	$	380,203
Actuarial Accrued Liability (AAL)	$	608,864
Percentage Funded		62.4%
Unfunded Actuarial Accrued Liability (UAAL)	$	228,661
Annual Covered Payroll	$	422,397
UAAL as a Percentage of Covered Payroll		54.1%

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

6. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (the 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, 2009, all of the City's investments are with Vista 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, 2009 the City was not significantly exposed to credit risk.

d. Interest Rate Risk – Not applicable

e. Foreign Currency Risk – Not applicable

NOTES TO FINANCIAL STATEMENTS

The carrying amount of the City's cash and temporary investments at September 30, 2009, approximates fair value and consisted of the following shown below:

	Primary Government
Cash in Bank	$ 118,014
Certificate of Deposits	794,916
Total Cash and Investments	$ 912,930

REQUIRED SUPPLEMENTARY INFORMATION

RSI – 1

CITY OF ABERNATHY, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM TREND DATA
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREMENT PLAN FOR THE EMPLOYEES OF THE CITY

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

Schedule of Funding Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/2006	361,117	543,623	182,506	66.43%	355,848	51.29%
12/31/2007	333,964	522,792	188,828	63.88%	371,367	50.85%
12/31/2008	380,203	608,864	228,661	62.44%	422,397	54.13%

REQUIRED SUPPLEMENTARY INFORMATION

RSI-2

CITY OF ABERNATHY, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	$ 337,000	$ 337,000	$ 354,351	$ 17,351
City Sales Taxes	126,000	126,000	172,498	46,498
Franchise Taxes	110,000	110,000	105,451	(4,549)
Penalties	10,000	10,000	9,640	(360)
Licenses and Permits	4,000	4,000	3,779	(221)
Leases and Rents	20,000	20,000	19,805	(195)
Court Fees	15,200	15,200	22,465	7,265
Mosquito Spraying	10,000	10,000	16,079	6,079
Interest Income	12,000	12,000	9,386	(2,614)
Ambulance Calls	110,000	110,000	141,389	31,389
Sanitation Revenue	226,800	226,800	229,437	2,637
Miscellaneous Revenues	4,000	4,000	4,578	578
Total Revenues	$ 985,000	$ 985,000	$ 1,088,858	$ 103,858
EXPENDITURES				
City Hall	$ 159,450	$ 169,950	$ 117,147	$ 52,803
Legislative	7,250	7,250	4,669	2,581
Administrative	132,850	132,850	142,240	(9,390)
Sanitation	184,770	184,770	203,497	(18,727)
Streets	125,350	125,350	123,858	1,492
Fire	41,780	59,780	57,908	1,872
Police	220,650	235,650	227,243	8,407
Library	15,800	15,800	13,267	2,533
Ambulance	49,000	49,000	53,825	(4,825)
Judicial	21,100	21,100	17,388	3,712
Parks	27,000	37,200	37,238	(38)
Total Expenditures	$ 985,000	$ 1,038,700	$ 998,280	$ 40,420
Excess of Revenues Over Expenditures	$ 0	$ (53,700)	$ 90,578	$ 144,278
OTHER FINANCING SOURCES:				
Sale of Property	$ 1,000	$ 1,000	$ 1,867	$ 867
Unbudgeted Amounts:				
Fire Department Funds			(7,849)	
Police Department Funds			60	
Ambulance Funds			16,246	
Library Funds			(351)	
Loan Proceeds - Fire Department			8,000	
Grant Revenue - Home, Texas Forest Service, and Safe Routes to School			91,069	
Grant Expense - Home and Safe Routes to School			(73,069)	
EXCESS OF REVENUES OVER EXPENDITURES - TOTAL			$ 126,551	
FUND BALANCE - BEGINNING OF YEAR			181,342	
FUND BALANCE - END OF YEAR			$ 307,893	

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2009

BUDGETARY DATA

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must have been given.

c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. The legal level of control is at the function level. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

The budget is presented on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Annual budgets were adopted for all governmental funds.

ADDITIONAL SCHEDULES

CITY OF ABERNATHY, TEXAS

Schedule 1

GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	City Hall	Legislative	Administrative	Sanitation	Streets	Fire	Police	Library	Ambulance	Judicial	Parks	Total
Auto Allowance	$	$	$ 6,600	$	$	$	$	$	$	$	$	$ 6,600
Uniforms							1,461					1,461
Contract Services	4,920	950	140	154,433		2,610	500					163,553
Contract Billing									13,920			13,920
Contract Hauling				21,916								21,916
Legal Publications	1,983											1,983
Engineering					1,240							1,240
Legal	6,117											6,117
Accounting	13,175											13,175
Dues and Registrations	2,147	1,197	305			6,521	171		4,400	409		15,150
Travel and Meals		2,522	432				20			111		3,085
Library Services								6,149				6,149
Judicial Expenses										6,655		6,655
Office Supplies			3,573									3,573
Printing			279									279
Postage	460		921									1,381
Janitorial Supplies	914											914
Telephones	12,175											12,175
Election			4,900									4,900
Utilities	22,779				23,530	915						47,224
General Insurance/Safety	25,025											25,025
Small Tools					568		133					701
Pest Control	305											305
Animal Shelter							6,497					6,497
Fuel and Oil				467	2,823	2,828	10,716		5,423			22,257
Vector Control				12,832								12,832
Supplies	1,786		448	1,211	3,913	32,777	2,827		7,667			50,629
Vehicle Maintenance					1,248		5,078					6,326
Equipment Maintenance	528			1,067	9,034	500	1,205					12,334
Tires and Accessories					2,820		747					3,567
Street Maintenance					59,409							59,409
City Park Maintenance											6,548	6,548
Home Grant Expenses	13,311											13,311
DRP Grant Expenses					2,860							2,860
Building and Grounds	7,249					1,364			215			8,828
Leases Payable	6,204				16,413	17,047						39,664
Civil Defense			275									275
Miscellaneous	4,667					8,155	13,454		22,200			48,476
Capital Outlay			5,462		62,019	34,400					10,703	112,584
Salaries	7,203		95,400	8,074		482	147,094	12,888		9,498	18,034	298,673
TML Insurance	(4,144)		10,278	3,497			17,600					27,231
FICA	548		7,243			37	11,287	980		715	1,953	22,763
TMRS Retirement			5,984				9,263					15,247
HR Expenses	845											845
	$ 128,197	$ 4,669	$ 142,240	$ 203,497	$ 185,877	$ 107,636	$ 228,053	$ 20,017	$ 53,825	$ 17,388	$ 37,238	$ 1,128,637

CITY OF ABERNATHY, TEXAS

Schedule 2

WATER AND SEWER FUND
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Non Departmental	Utility Accounting and Billing	Maintenance	Total
Uniforms	$	$	$ 7,669	$ 7,669
Contract Services			2,445	2,445
Accounting		8,875		8,875
Dues and Registration		1,651	2,354	4,005
Travel			463	463
Postage		4,695		4,695
Utilities		3,865	48,567	52,432
Telephone		2,410		2,410
General Insurance		25,025		25,025
State Fees and Permits			4,337	4,337
Fuel and Oil			14,432	14,432
Small Tools			910	910
Chemicals			3,055	3,055
Supplies		2,080	6,330	8,410
Vehicle Maintenance			3,801	3,801
Equipment Maintenance			10,536	10,536
Tires and Accessories			677	677
Building and Grounds			6,639	6,639
Water/Sewer Treatment			6,934	6,934
Utility Maintenance			14,835	14,835
Leases Payable		673		673
Miscellaneous		7,761	6,828	14,589
Salaries		35,433	193,660	229,093
TML Insurance		4,402	18,835	23,237
FICA		2,538	13,645	16,183
TMRS Retirement		1,608	13,425	15,033
Bad Debts	5,549			5,549
Depreciation	113,910			113,910
Totals	$ 119,459	$ 101,016	$ 380,377	$ 600,852

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Schedule 3

WATER AND SEWER FUND
SCHEDULE OF DEBT PRINCIPAL AND INTEREST REQUIREMENTS TO MATURITY
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Fiscal Year Ended September 30,	2000 Certificates of Obligation Principal	2000 Certificates of Obligation Interest	Grand Total
2010	$ 45,000	$ 1,350	$ 46,350

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Schedule 4

SCHEDULE OF CHANGES IN DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Year	Property Taxes Receivable Oct. 1, 2008	Assessed	Adjustments and Collections	Property Taxes Receivable Sept. 30, 2009
1991 and Prior	$ 378	$	$ 293	$ 85
1992	129		18	111
1993	130			130
1994	131			131
1995	160			160
1996	213			213
1997	236		12	224
1998	417			417
1999	763		39	724
2000	1,028		50	978
2001	943		166	777
2002	1,982		682	1,300
2003	2,814		307	2,507
2004	4,063		792	3,271
2005	5,353		1,320	4,033
2006	8,560		2,777	5,783
2007	14,357		7,031	7,326
2008		360,921	344,894	16,027
Totals	$ 41,657	$ 360,921	$ 358,381	$ 44,197

See accompanying notes to financial statements.

CITY OF ABERNATHY, TEXAS

Schedule 5

SCHEDULE OF INVESTMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Investments - General Fund	CD #	Maturity Date	Interest Rate		
Vista Bank - For the City	5300061	11-24-09	2.35%	$	254,935
Vista Bank - For the City	5300358	05-05-10	1.40%		50,236
Vista Bank - For the City	5300360	05-13-10	1.50%		100,506
Vista Bank - For the Library	5300094	04-07-10	1.75%		2,397
Vista Bank - For the Library	5300115	07-19-10	1.65%		1,191
Vista Bank - For the Library	5300186	09-12-10	1.65%		2,316
Total General Fund				$	411,581
Investments - Water and Sewer Fund					
Vista Bank - For the City	5300066	11-24-09	2.35%	$	178,455
Vista Bank - For the City	5300065	12-29-10	2.35%		101,974
Vista Bank - For the City	5300380	11-26-09	1.40%		35,165
Vista Bank - For the City	5300357	11-05-10	2.25%		27,510
Total Water and Sewer Fund				$	343,104
Investments - Airport Fund					
Vista Bank - For the City	5300181	08-02-10	1.65%	$	30,042
Vista Bank - For the City	5300359	11-05-10	2.25%		10,189
Total Airport Fund				$	40,231
Total - All Funds				$	794,916

See accompanying notes to financial statements.

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not 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.

Belinger, Segars, Gilbert & Mass LLP

Certified Public Accountants

January 19, 2010

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 19, 2010

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

We have audited the financial statements of City of Abernathy, Texas for the year ended September 30, 2009, and have issued our report thereon dated January 19, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 18, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of City of Abernathy, Texas. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the City's financial statements and report does not extend beyond the financial information identified in the report, in addition we do not have an obligation to perform any procedures to corroborate other information contained in these documents.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and meetings about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the 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 City of Abernathy, Texas are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are 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. There are no sensitive estimates affecting the financial statements.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Attached to this letter are all adjustments corrected by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 19, 2010.

Management 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 City'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 check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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 City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Honorable Mayor and Members of the City Council and management of City of Abernathy, Texas and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Bolinger, Segars, Gilbert & Moss L.L.P

Certified Public Accountants

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
Fund: 100				
	Adj Entry #: 1			
		Remarks: To record activity of PD accounts.		
100 16 6590 00 8 000	18240	SUSPENSE (INV. ADJ.) (ABS sys req)	60.59	0.00
100 00 5700 00 8 000	14450	Misc. Police Department Revenue	0.00	(870.25)
100 21 6662 00 9 000	15812	SUPPLIES	809.66	0.00
Total Adjustments for Adj Entry # 1			$870.25	($870.25)
	Adj Entry #: 2			
		Remarks: To record activity of Library accounts.		
100 00 5459 00 9 013	14129	LIBRARY SERVICES	0.00	(6,399.09)
100 55 6582 00 9 000	15868	LIBRARY SERVICES	6,749.74	0.00
100 16 6590 00 8 000	18240	SUSPENSE (INV. ADJ.) (ABS sys req)	0.00	(350.65)
Total Adjustments for Adj Entry # 2			$6,749.74	($6,749.74)
	Adj Entry #: 3			
		Remarks: To record activity for FD accounts.		
100 00 5429 00 9 001	14151	MISC FIRE	0.00	(31,879.16)
100 22 6790 00 9 000	15700	CAPITAL OUTLAY	7,900.00	0.00
100 00 7914 00 9 000	14099	LOAN PROCEEDS	0.00	(8,000.00)
100 22 6912 00 9 000	15686	LEASES PAYABLE	3,205.17	0.00
100 22 6662 00 9 000	15670	REPAIRS & SUPPLIES	19,553.73	0.00
100 22 6590 00 9 000	15693	MISCELLANEOUS	8,154.81	0.00
100 22 6627 00 9 001	15638	UTILITIES	914.65	0.00
100 16 6590 00 8 000	18240	SUSPENSE (INV. ADJ.) (ABS sys req)	150.80	0.00
Total Adjustments for Adj Entry # 3			$39,879.16	($39,879.16)
	Adj Entry #: 4			
		Remarks: To reverse prior year DRP grant receivable.		
100 00 1264 00 9 000	11025	GRANT RECEIVABLE	0.00	(2,860.00)
100 00 5640 00 9 010	14415	DRP GRANT FUNDS	2,860.00	0.00
100 00 2010 00 9 002	12005	ACCOUNTS PAYABLE	2,860.00	0.00
100 31 6430 00 9 050	15610	DRP PROJECT	0.00	(2,860.00)
Total Adjustments for Adj Entry # 4			$5,720.00	($5,720.00)
	Adj Entry #: 5			
		Remarks: To reverse prior year accounts payable.		
100 00 2010 00 9 002	12005	ACCOUNTS PAYABLE	13,931.68	0.00
100 42 6380 00 9 000	15896	CONTRACT EMS BILLING	0.00	(1,304.34)
100 32 6381 00 9 000	15448	CONTRACT HAULING	0.00	(2,077.23)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
100 31 6430 00 9 001	15581	EQUIPMENT MAINTENANCE	0.00	(574.50)
100 52 6430 00 9 000	15014	CITY PARK MAINTENANCE	0.00	(36.00)
100 32 6587 00 9 000	15469	VECTOR CONTROL (MOSQUITO	0.00	(499.80)
100 31 6627 00 9 000	15546	UTILITIES - STREET LIGHTING	0.00	(2,326.56)
100 32 6381 00 9 000	15448	CONTRACT HAULING	0.00	(2,493.97)
100 16 6350 00 9 000	15119	LEGAL	0.00	(637.50)
100 16 6627 00 9 000	15151	UTILITIES	0.00	(1,738.12)
100 22 6627 00 9 005	15651	FUEL & OIL	0.00	(210.79)
100 21 6627 00 9 000	15791	FUEL & OIL	0.00	(1,243.39)
100 42 6627 00 9 001	15959	FUEL & OIL	0.00	(789.48)
Total Adjustments for Adj Entry # 5			$13,931.68	($13,931.68)
Adj Entry #:	**6**			
		Remarks: To reverse prior year franchise tax receivable.		
100 00 1150 00 8 020	11020	A/R FRANCHISE TAX	0.00	(34,666.49)
100 00 5170 00 9 000	14028	FRANCHISE FEES	34,666.49	0.00
Total Adjustments for Adj Entry # 6			$34,666.49	($34,666.49)
Adj Entry #:	**8**			
		Remarks: To record franchise tax receivable.		
100 00 1150 00 9 300	11028	FRANCHISE TAX RECEIVABLE	23,998.50	0.00
100 00 5170 00 9 000	14028	FRANCHISE FEES	0.00	(23,998.50)
Total Adjustments for Adj Entry # 8			$23,998.50	($23,998.50)
Adj Entry #:	**9**			
		Remarks: To adjust delinquent taxes.		
100 00 1070 00 9 000	11030	DEL. TAXES RECEIVABLES	2,540.33	0.00
100 00 2220 00 9 000	12031	DEFERRED REVENUE- TAXES	0.00	(1,671.25)
100 00 1071 00 9 000	11031	ALLOW - UNCOLLECTED TAXES	0.00	(869.08)
100 00 5110 00 9 001	14007	AD VALOREM TAXES	0.00	(5,642.55)
100 00 5110 00 9 002	14014	DELINQUENT AD VALOREM TAXES	40.29	0.00
100 00 5191 00 9 000	14021	PENALTIES AND INTEREST	389.97	0.00
100 00 5110 00 9 000	14004	DISCOUNT CURRENT TAXES	5,212.29	0.00
Total Adjustments for Adj Entry # 9			$8,182.88	($8,182.88)
Adj Entry #:	**10**			
		Remarks: To adjust Technology Fund.		
100 00 2010 00 9 000	11421	COURT TECH. FEES - PY CARRYOVER	935.29	0.00
100 00 5411 00 9 001	14056	COURT TECHNOLOGY FEES	120.00	0.00
100 00 5411 00 9 000	14049	MUNICIPAL COURT FEES	192.71	0.00

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
100 12 6580 00 9 000	15056	JUDICIAL EXPENSES	0.00	(1,248.00)
Total Adjustments for Adj Entry # 10			$1,248.00	($1,248.00)
Adj Entry #:	**11**			
Remarks: Adjust to client detail for December pay liability.				
100 00 2010 00 9 025	12012	SALARY PAY SUPPLIMENTAL	0.00	(117.87)
100 00 5700 00 9 001	14070	MISCELLANEOUS	117.87	0.00
Total Adjustments for Adj Entry # 11			$117.87	($117.87)
Adj Entry #:	**12**			
Remarks: To adjust accrued payroll and vacation liability.				
100 12 6140 00 9 000	17007	JUDICIAL SALARY	134.81	0.00
100 16 6140 00 9 000	17014	CUSTODIAL SALARY (PT)	30.15	0.00
100 15 6140 00 9 000	17021	ADMINISTRATIVE SALARIES	574.80	0.00
100 55 6140 00 9 000	17022	LIBRARY SALARY	63.46	0.00
100 52 6140 00 9 028	17028	SANITATION SALARIES	380.00	0.00
100 52 6140 00 9 000	17029	PARK SALARY	153.13	0.00
100 21 6140 00 9 000	17042	POLICE SALARIES	0.00	(670.48)
100 00 2010 00 9 006	12305	ACCRUED PAYROLL	0.00	(665.87)
Total Adjustments for Adj Entry # 12			$1,336.35	($1,336.35)
Adj Entry #:	**13**			
Remarks: To adjust leases and notes payable.				
100 00 2260 00 9 001	12610	LEASE PAYABLE	25,213.19	0.00
100 00 2260 00 9 000	11450	AMOUNTS TO BE PROVIDED FOR DEBT	0.00	(25,213.19)
Total Adjustments for Adj Entry # 13			$25,213.19	($25,213.19)
Adj Entry #:	**14**			
Remarks: To book receivable related to HOME grant.				
100 00 5640 00 9 005	14414	TDHCA GRANT FUNDS (HOME)	0.00	(11,050.00)
100 00 1264 00 9 000	11025	GRANT RECEIVABLE	11,050.00	0.00
Total Adjustments for Adj Entry # 14			$11,050.00	($11,050.00)
Adj Entry #:	**15**			
Remarks: To adjust sales tax payable accounts.				
100 00 2010 00 9 120	12370	SALES TAX PAYABLE	0.00	(15,966.10)
100 00 2086 00 9 000	11420	TRANSFERS FROM OTHER FUNDS	15,966.10	0.00
Total Adjustments for Adj Entry # 15			$15,966.10	($15,966.10)
Adj Entry #:	**16**			
Remarks: To adjust payroll liabilities.				
100 00 2010 00 9 020	12008	AFLAC PAYABLE	864.91	0.00

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
100 00 2010 00 9 003	12007	TML INSURANCE PAYABLE	0.00	(56.56)
100 00 2010 00 9 001	12003	TMRS PAYABLE	18.44	0.00
100 00 5700 00 9 001	14070	MISCELLANEOUS	0.00	(826.79)
Total Adjustments for Adj Entry # 16			$883.35	($883.35)
Adj Entry #:	**17**			
		Remarks: To reclass FICA expense.		
100 15 6220 00 9 000	17084	FICA - ADMIN. DEPARTMENT	7,243.05	0.00
100 21 6220 00 9 000	17098	FICA - POLICE DEPARTMENT	11,286.70	0.00
100 22 6220 00 9 000	17091	FICA - FIRE	36.82	0.00
100 52 6230 00 9 000	17106	TMRS - PARKS DEPARTMENT	587.68	0.00
100 55 6230 00 9 000	17099	FICA - LIBRARY	979.57	0.00
100 16 6220 00 9 000	17077	FICA - NONDEPARTMENTAL	547.91	0.00
100 52 6230 00 9 000	17106	TMRS - PARKS DEPARTMENT	1,365.77	0.00
100 16 6220 00 9 001	17600	PAYROLL TAX EXPENSE (FICA)	0.00	(22,762.65)
100 12 6220 00 9 000	17070	FICA - JUDICIAL	715.15	0.00
Total Adjustments for Adj Entry # 17			$22,762.65	($22,762.65)
Adj Entry #:	**18**			
		Remarks: To record current year accounts payable.		
100 00 1150 00 9 015	12015	EMPLOYEE PURCHASE ACCOUNT	1,260.00	0.00
100 16 6627 00 9 000	15151	UTILITIES	1,331.48	0.00
100 16 6541 00 9 000	15225	TDHCA PROJECT (HOME)	1,800.00	0.00
100 15 6611 00 9 000	15329	OFFICE SUPPLIES	685.90	0.00
100 32 6381 00 9 000	15448	CONTRACT HAULING	4,624.65	0.00
100 31 6383 00 9 000	15532	ENGINEERING FEES	1,239.62	0.00
100 31 6627 00 9 000	15546	UTILITIES - STREET LIGHTING	1,907.08	0.00
100 31 6430 00 9 003	15595	STREET MAINTENANCE	526.22	0.00
100 22 6627 00 9 005	15651	FUEL & OIL	312.37	0.00
100 21 6627 00 9 000	15791	FUEL & OIL	1,119.70	0.00
100 42 6380 00 9 000	15896	CONTRACT EMS BILLING	723.18	0.00
100 42 6627 00 9 001	15959	FUEL & OIL	340.87	0.00
100 00 2010 00 9 002	12005	ACCOUNTS PAYABLE	0.00	(15,871.07)
Total Adjustments for Adj Entry # 18			$15,871.07	($15,871.07)
Adj Entry #:	**19**			
		Remarks: To reclass capital outlay.		
100 52 6790 00 9 000	15021	CAPITAL OUTLAY (Park Const.)	10,703.30	0.00
100 52 6590 00 9 000	15018	MEALS FOR PRISONERS	0.00	(10,703.30)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
100 15 6790 00 9 000	15399	CAPITAL OUTLAY	5,461.98	0.00
100 16 6590 00 9 000	15210	MISCELLANEOUS	0.00	(5,461.98)
100 22 6662 00 9 300	15694	EQUIPMENT & SUPPLIES	3,678.04	0.00
100 22 6790 00 9 000	15700	CAPITAL OUTLAY	24,321.96	0.00
100 00 5640 00 9 020	14235	TEXAS FOREST SERVICE GRANT	0.00	(18,000.00)
100 00 5429 00 9 001	14151	MISC FIRE	0.00	(10,000.00)
Total Adjustments for Adj Entry # 19			$44,165.28	($44,165.28)
Adj Entry #:	**25**			
Remarks: To adjust EMS accounts.				
100 00 1010 00 9 009	11013	CASH IN BANK - EMS CHECKING	0.00	(2,793.94)
100 00 1010 00 9 010	11014	CASH IN BANK - EMS PAYROLL	23,467.22	0.00
100 00 1010 00 9 011	11015	CASH IN BANK - EMS SPECIAL	0.00	(417.85)
100 00 1030 00 9 001	11017	CERTIFICATE OF DEPOSIT - EMS	0.00	(4,009.87)
100 00 5459 00 9 002	14127	MISCELLANEOUS EMS	0.00	(16,245.56)
Total Adjustments for Adj Entry # 25			$23,467.22	($23,467.22)
Adj Entry #:	**26**			
Remarks: To book Safe Routes to School grant revenue and expense.				
100 00 5640 00 9 417	14417	SAFE ROUTES TO SCHOOL	0.00	(62,019.24)
100 31 6790 00 9 000	15612	SAFE ROUTES TO SCHOOL	62,019.24	0.00
Total Adjustments for Adj Entry # 26			$62,019.24	($62,019.24)
Total Adjustments for Fund 100			$358,099.02	($358,099.02)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
Fund: 711				
	Adj Entry #: 5			
		Remarks: To reverse prior year accounts payable.		
711 00 2010 00 9 003	22005	ACCOUNTS PAYABLE	6,654.52	0.00
711 08 6627 00 9 000	25525	UTILITIES	0.00	(4,973.13)
711 08 6627 00 9 001	25546	FUEL & OIL	0.00	(1,681.39)
Total Adjustments for Adj Entry # 5			$6,654.52	($6,654.52)
	Adj Entry #: 12			
		Remarks: To adjust accrued payroll and vacation liability.		
711 06 6140 00 9 000	27007	ADMINISTRATIVE SALARIES	0.00	(286.61)
711 08 6140 00 9 000	27014	MAINTENANCE SALARIES	1,656.29	0.00
711 00 2010 00 9 008	22305	ACCRUED PAYROLL	0.00	(1,369.68)
Total Adjustments for Adj Entry # 12			$1,656.29	($1,656.29)
	Adj Entry #: 15			
		Remarks: To adjust sales tax payable accounts.		
711 00 1301 00 9 000	21032	INTERFUND BALANCE	0.00	(15,966.10)
711 00 2010 00 9 002	22004	SALES TAX PAYABLE	16,100.24	0.00
711 00 7981 00 9 002	24084	MISCELLANEOUS	0.00	(134.14)
Total Adjustments for Adj Entry # 15			$16,100.24	($16,100.24)
	Adj Entry #: 16			
		Remarks: To adjust payroll liabilities.		
711 00 2010 00 9 006	22008	AFLAC PAYABLE	0.00	(1,145.12)
711 07 6590 00 9 000	25259	MISCELLANEOUS	1,145.12	0.00
Total Adjustments for Adj Entry # 16			$1,145.12	($1,145.12)
	Adj Entry #: 17			
		Remarks: To reclass FICA expense.		
711 07 6220 00 9 000	27063	FICA - ADMIN. DEPARTMENT	2,538.41	0.00
711 08 6220 00 9 000	27070	FICA - MAINTENANCE DEPARTMENT	13,644.82	0.00
711 06 6220 00 9 000	27600	PAYROLL TAX EXPENSE (FICA)	0.00	(16,183.23)
Total Adjustments for Adj Entry # 17			$16,183.23	($16,183.23)
	Adj Entry #: 18			
		Remarks: To record current year accounts payable.		
711 08 6627 00 9 001	25546	FUEL & OIL	1,196.23	0.00
711 06 6627 00 9 000	25067	UTILITIES	3,864.67	0.00
711 00 2010 00 9 003	22005	ACCOUNTS PAYABLE	0.00	(5,060.90)
Total Adjustments for Adj Entry # 18			$5,060.90	($5,060.90)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
Adj Entry #:	**19**			
		Remarks: To reclass capital outlay.		
711 06 6590 00 8 450	25450	BUDGET AMENDMENTS	0.00	(23,021.87)
711 08 6410 00 9 000	25609	UTILITY MAINTENANCE	0.00	(13,552.23)
711 08 6790 00 9 000	25630	CAPITAL OUTLAY	0.00	(18,650.34)
711 08 6589 00 9 001	25631	J MYATT ADTN LINE EXTENSION	0.00	(10,231.94)
711 00 1760 00 9 003	21550	AUTO EQUIPMENT	18,089.34	0.00
711 00 1760 00 9 004	21570	WATER SYSTEM IMPROVEMENTS	27,390.51	0.00
711 00 1760 00 9 005	21580	SEWER SYSTEM IMPROVEMENTS	19,415.53	0.00
711 08 6662 00 9 000	25567	SUPPLIES	561.00	0.00
Total Adjustments for Adj Entry # 19			$65,456.38	($65,456.38)
Adj Entry #:	**20**			
		Remarks: To record current year depreciation.		
711 00 1761 00 9 000	21531	ACCUMULATED DEPRECIATION -	0.00	(8,275.58)
711 00 1761 00 9 002	21571	ACCUMU. DEPRECIATION - WATER	0.00	(46,765.99)
711 00 1761 00 9 003	21581	ACCUMU. DEPERCIATION - SEWER	0.00	(39,416.54)
711 00 1761 00 9 001	21551	ACCUMULATED DEPRECIATION - AUTOS	0.00	(19,451.89)
711 06 6800 00 9 000	25300	DEPRECIATION EXPENSE	113,910.00	0.00
Total Adjustments for Adj Entry # 20			$113,910.00	($113,910.00)
Adj Entry #:	**21**			
		Remarks: To reclass bond payments.		
711 06 8952 00 9 000	25056	BOND PRINCIPAL	0.00	(40,000.00)
711 00 2510 00 9 000	22610	CERTIFICATES OF OBLIGATION	45,000.00	0.00
711 00 2250 00 9 000	22698	CURRENT MATURITIES - CERT. OF OBL.	0.00	(5,000.00)
Total Adjustments for Adj Entry # 21			$45,000.00	($45,000.00)
Adj Entry #:	**22**			
		Remarks: To adjust accrued interest on outstanding bond.		
711 00 2140 00 9 000	22368	ACCRUED INTEREST EXPENSE	300.00	0.00
711 06 8952 00 9 001	25063	BOND INTEREST & SERVICE	0.00	(300.00)
Total Adjustments for Adj Entry # 22			$300.00	($300.00)
Adj Entry #:	**23**			
		Remarks: To adjust water and sewer revenue and related accounts.		
711 00 1150 00 9 000	21022	A/R WATER/SEWER	0.00	(8,436.82)
711 00 5431 00 9 000	24056	METERED WATER SALES	0.00	(1,109.89)
711 00 5433 00 9 000	24063	SEWER SERVICE SALES	4,785.64	0.00
711 00 5437 00 9 000	24028	RETURNED CHECK / LATE FEES	0.00	(5,837.24)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
711 00 5700 00 9 000	24200	Sales Returns/Disc. (ABS sys req)	0.00	(4,795.64)
711 06 6589 00 9 001	25065	BAD DEBT / RETURNED CHECKS	0.00	(3,313.23)
711 00 1010 00 9 005	21130	Deposits in Transit/Refunds	314.25	0.00
711 00 2590 00 9 000	22010	METER DEPOSITS (REFUNDABLE)	12,175.46	0.00
711 07 6590 00 9 000	25259	MISCELLANEOUS	589.59	0.00
711 00 1150 00 9 001	21024	A/R ALLOW FOR DOUBTFUL	3,313.23	0.00
711 00 2010 00 8 011	22011	COLD CASH ACCT. (RETURN	2,314.65	0.00
Total Adjustments for Adj Entry # 23			$23,492.82	($23,492.82)
Adj Entry #:	**24**			
		Remarks: To adjust capital credit balance.		
711 00 1991 00 9 000	21450	CAPITAL CREDITS	0.00	(1,065.48)
711 07 6590 00 9 000	25259	MISCELLANEOUS	1,065.48	0.00
Total Adjustments for Adj Entry # 24			$1,065.48	($1,065.48)
Total Adjustments for Fund 711			$296,024.98	($296,024.98)

Adjusting Entries By Fund and Adjusting Entry Number

City of Abernathy

Control Code:	Account #	Account Name	Adjustments Debits	Adjustments Credits
Fund: 712				
Adj Entry #:	**5**			
		Remarks: To reverse prior year accounts payable.		
712 00 2010 00 9 000	32005	ACCOUNTS PAYABLE	564.54	0.00
712 08 6590 00 9 090	35112	FARMING EXPENSE	0.00	(564.54)
Total Adjustments for Adj Entry # 5			$564.54	($564.54)
Adj Entry #:	**7**			
		Remarks: To reverse prior year Ramp grant funds receivable.		
712 00 1150 00 9 000	31210	ACCOUNTS RECEIVABLE	0.00	(8,872.50)
712 00 7952 00 9 000	34421	RAMP GRANT FUNDS	8,872.50	0.00
Total Adjustments for Adj Entry # 7			$8,872.50	($8,872.50)
Adj Entry #:	**19**			
		Remarks: To reclass capital outlay.		
712 00 1760 00 9 001	31520	AIRPORT IMPROVEMENTS	7,883.77	0.00
712 00 7980 00 9 200	34009	MISC INCOME	0.00	(4,000.00)
712 08 6790 00 9 000	35126	CAPITAL OUTLAY	0.00	(4,753.67)
712 07 6662 00 9 000	35084	SUPPLIES	869.90	0.00
Total Adjustments for Adj Entry # 19			$8,753.67	($8,753.67)
Adj Entry #:	**20**			
		Remarks: To record current year depreciation.		
712 00 1761 00 9 000	31540	ACCUMULATED DEPRECIATION	0.00	(13,920.33)
712 06 6800 00 9 000	35200	DEPRECIATION EXPENSE	13,920.33	0.00
Total Adjustments for Adj Entry # 20			$13,920.33	($13,920.33)
Total Adjustments for Fund 712			$32,111.04	($32,111.04)