

**CITY OF YOAKUM, TEXAS**

*ANNUAL FINANCIAL REPORT*

*For the year ended September 30, 2010*

**TABLE OF CONTENTS**

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	3
<b><u>Basic Financial Statements</u></b>	
Government-wide Financial Statements	
Statement of Net Assets .....	10
Statement of Activities .....	11
Fund Financial Statements	
Balance Sheet - Governmental Funds .....	13
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	16
Statement of Net Assets - Proprietary Funds .....	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds .....	18
Statement of Cash Flows - Proprietary Funds .....	19
Notes to Financial Statements .....	20
<b><u>Required Supplementary Information</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Basis) and Actual - General Fund .....	39
Notes to Required Supplementary Information .....	40
<b><u>Combining and Individual Fund Statements and Schedules</u></b>	
<i>Governmental Funds</i>	
Combining Statements	
Combining Balance Sheet - All Nonmajor Governmental Funds .....	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - All Nonmajor Governmental Funds .....	42
Nonmajor Special Revenue Funds	
Combining Balance Sheet - Nonmajor Governmental Funds - Special Revenue Funds .....	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds - Special Revenue Funds .....	45

**FINANCIAL SECTION - (Continued)**

**Combining and Individual Fund Statements and Schedules - (Continued)**

*Governmental Funds*

Individual Statements and Schedules

General Fund

Balance Sheet.....	47
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual.....	48

*Enterprise Fund*

Enterprise Fund

Balance Sheet.....	53
Schedule of Revenues, Expenses, and Change in Fund Net Assets - Budget (Non-GAAP Basis) and Actual.....	55

**OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	58
---	----

## **FINANCIAL SECTION**



CERTIFIED PUBLIC ACCOUNTANTS  
101 S. MAIN, SUITE 400  
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA  
HAMILTON H. REDMON, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255  
FAX: (361) 573-9531

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members  
of City Council  
City of Yoakum, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Yoakum, Texas (the "City"), as of and for the year ended September 30, 2010, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City as of September 30, 2010, 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 April 2, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an

The Honorable Mayor and Members  
of the City Council

opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual major and nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual major and nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Harrison, Waldrop & Uheuk, LLP*

April 2, 2012

The discussion and analysis of the City of Yoakum's (the "City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2010, by \$22,639,962. Of this amount, \$9,352,572 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2010, the City's governmental funds reported combined ending fund balances of \$3,965,612, a decrease of \$232,918 in comparison with the prior year.
- At September 30, 2010, unreserved fund balance for the General Fund was \$1,441,898 or 28.03% of total General Fund expenditures.
- The total cost of all City activities was \$13,308,751 for the fiscal year which is an increase of \$150,226 from the prior year.
- During the year, the City's net expenses exceeded general revenues of all City activities by \$231,902. This represents a 1.01% decrease in net assets from the previous fiscal year as a result from operations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

**Organization and Flow of Financial Section Information**

<p><b>Independent Auditors' Report</b>  <i>Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.</i></p>	
<p><b>Management's Discussion and Analysis</b>  <i>This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.</i>                  Pages 3 to 9</p>	
<p><b>Government-wide Financial Statements</b>  <i>Provides information on governmental and business-type activities of the primary government.</i>                  Pages 10 to 12</p>	<p><b>Fund Financial Statements</b>  <i>Provides information on the financial position of specific funds of the primary governments.</i>                  Pages 13 to 19</p>
<p><b>Notes to Financial Statements</b>  <i>Provides a summary of significant accounting policies and related disclosures.</i>                  Pages 20 to 35</p>	

---

## **OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)**

### **Government-wide Financial Statements**

The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

#### ***Statement of Net Assets***

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of net assets can be found on page 10.

#### ***Statement of Activities***

The statement of activities presents information showing how the government's net assets changed during fiscal year 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave). The statement of activities can be found on pages 11 through 12.

Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, and cultural and recreation. The business-type activities of the City include utilities. The government-wide financial statements can be found immediately following the Management's Discussion and Analysis.

The government-wide financial statements include not only the City itself (known as the primary government) but also the component unit of Yoakum Economic Development Corporation. This component unit is not included as part of the primary government.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

---

## **OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)**

### **Fund Financial Statements - (Continued)**

#### ***Governmental Funds - (Continued)***

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet (page 13) and the governmental fund statement of revenues, expenditures, and changes in fund balances (page 15) provide reconciliation to facilitate this comparison between governmental funds and governmental activities (pages 14 and 16, respectively).

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Project Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining and individual statements and schedules following the required supplementary information.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided to demonstrate compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

#### ***Proprietary Funds***

The City maintains only one type of proprietary funds. The enterprise fund, or the Utility Fund, is used to report the same functions presented as business-type activities in the government-wide financial statements. The City's Utility Fund accounts for the fiscal activities relating to electric and water/wastewater utilities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements follow the governmental fund financial statements.

### **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund. Required supplementary information can be found on pages 39 through 40 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 41 through 57 of this report.

---

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$22,639,962 at the close of the fiscal year ended September 30, 2010.

At the end of fiscal year 2010, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

---

### **City of Yoakum, Texas**

#### **Net Assets**

---

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 4,291,416	\$ 4,539,127	\$ 11,468,573	\$ 12,081,441	\$ 15,759,989	\$ 16,620,568
Capital assets (net)	<u>6,575,074</u>	<u>6,932,714</u>	<u>10,397,076</u>	<u>9,668,838</u>	<u>16,972,150</u>	<u>16,601,552</u>
Total assets	<u>10,866,490</u>	<u>11,471,841</u>	<u>21,865,649</u>	<u>21,750,279</u>	<u>32,732,139</u>	<u>33,222,120</u>
Current and other liabilities	253,601	235,590	1,629,426	1,515,181	1,883,027	1,750,771
Noncurrent liabilities	<u>149,522</u>	<u>135,409</u>	<u>8,059,628</u>	<u>8,464,076</u>	<u>8,209,150</u>	<u>8,599,485</u>
Total liabilities	<u>403,123</u>	<u>370,999</u>	<u>9,689,054</u>	<u>9,979,257</u>	<u>10,092,177</u>	<u>10,350,256</u>
Net assets:						
Invested in capital assets, net of related debt	6,575,074	6,932,714	6,712,316	6,206,725	13,287,390	13,139,439
Unrestricted	<u>3,888,293</u>	<u>4,168,128</u>	<u>5,464,279</u>	<u>5,564,297</u>	<u>9,352,572</u>	<u>9,732,425</u>
Total net assets	<u>\$ 10,463,367</u>	<u>\$ 11,100,842</u>	<u>\$ 12,176,595</u>	<u>\$ 11,771,022</u>	<u>\$ 22,639,962</u>	<u>\$ 22,871,864</u>

The largest portion of the City's net assets (58.69% or \$13,287,390) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)**

**City of Yoakum, Texas**

**Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,831,221	\$ 1,788,368	\$ 9,797,528	\$ 10,460,337	\$ 11,628,749	\$ 12,248,705
Operating grants and contributions	98,415	-	-	-	98,415	-
Capital grants and contributions	-	161,543	-	-	-	161,543
General revenues:						
Property taxes	165,627	164,862	-	-	165,627	164,862
Other taxes	841,923	867,655	-	-	841,923	867,655
Other	221,507	170,207	120,628	148,064	342,135	318,271
<b>Total revenues</b>	<b>3,158,693</b>	<b>3,152,635</b>	<b>9,918,156</b>	<b>10,608,401</b>	<b>13,076,849</b>	<b>13,761,036</b>
<b>EXPENSES</b>						
General government	795,493	809,020	-	-	795,493	809,020
Public safety	1,955,919	1,842,596	-	-	1,955,919	1,842,596
Public works	2,234,229	1,839,439	-	-	2,234,229	1,839,439
Cultural and recreation	587,502	605,819	-	-	587,502	605,819
Utilities	-	-	7,735,608	8,061,651	7,735,608	8,061,651
<b>Total expenses</b>	<b>5,573,143</b>	<b>5,096,874</b>	<b>7,735,608</b>	<b>8,061,651</b>	<b>13,308,751</b>	<b>13,158,525</b>
Change in net assets before transfers	(2,414,450)	(1,944,239)	2,182,548	2,546,750	(231,902)	602,511
Transfers	1,776,975	1,967,462	(1,776,975)	(1,967,462)	-	-
Change in net assets	(637,475)	23,223	405,573	579,288	(231,902)	602,511
Net assets - beginning	11,100,842	11,077,619	11,771,022	11,191,734	22,871,864	22,269,353
Net assets - ending	<u>\$ 10,463,367</u>	<u>\$ 11,100,842</u>	<u>\$ 12,176,595</u>	<u>\$ 11,771,022</u>	<u>\$ 22,639,962</u>	<u>\$ 22,871,864</u>

Governmental activities decreased the City's net assets by \$637,475, thereby accounting for the total decrease in the net assets of the City. Inter-fund transfers were approximately \$200,000 less than the prior year.

The City's total revenues decreased from the prior year. Charges for services decreased due to lower utility sales along with a corresponding decrease in electricity that was purchased. The capital grant revenues were down due to major projects being completed in the prior year. The City's governmental activities expenses increased from prior year by \$476,269, primarily in public safety and public works. The City's business type activities decreased by \$326,043 due to a decrease in electricity purchases.

---

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### **Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2010, the City's governmental funds reported combined ending fund balances of \$3,965,612, a decrease of \$232,918 in comparison with the prior year. Substantially the entire balance is available for spending, subject to regulatory, statutory, and budgetary restrictions.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2010, unreserved fund balance of the General Fund was \$1,441,898. The unreserved fund balance represents 28.03% of the total General Fund expenditures.

The fund balance of the City's General Fund decreased by \$116,134 during the current fiscal year. Key factors in this decrease are as follows:

- Expenditures were \$242,510 higher in the Public Works department than reported in the prior year.
- 
- Net transfers in fiscal year 2010 are \$63,124 lower than that reported in the prior year.

The Capital Project Fund had a \$111,520 decrease in fund balance in comparison with the prior year. This is due to a decrease of \$240,772 of transfers from other funds compared to the prior year.

### **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the General Fund's original budget and final amended budget includes an increase in anticipated revenues of \$172,220. The increase in revenue was due to an increase in the revenues realized from the sale of recycled materials. The increase in expenditures was due to higher costs associated with the public works department.

---

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2010, amounts to \$16,735,558 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, machinery and equipment, infrastructure, water works system, sewer system, electric system, and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was .237% (a 5.16% decrease for governmental activities and 7.90% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- Improvements to the utility system.

Additional information on the City's capital assets can be found in Note 4 of this report.

### **Long-term Debt**

At the end of fiscal year 2010, the City had total bonded debt outstanding of \$8,394,713. All of the debt is related to utility system improvements.

The City had outstanding \$254,929 in compensated absences, which was an increase of approximately 8.83% from the prior year.

Additional information on the City's debt can be found in Note 8 of this report.

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

- Inflationary trends in the region compare favorably to national and state indices.
- The City is expecting sales tax revenue for fiscal year 2011 to be slightly higher than that received in fiscal year 2010.
- The ad valorem tax rate for the General Fund decreased to \$0.03263 from \$0.03568 for the 2011 fiscal year budget. The ad valorem tax rate for the Debt Service Fund increased to \$0.05646 from \$0.05023 for fiscal year 2011. Therefore, the overall tax rate decreased \$0.0009 from 2010. Property tax revenues are only expected to have a slight increase over 2010.

### **Requests for Information**

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the Office of the Finance Director in the Yoakum City Hall or at P.O. Box 738, Yoakum, Texas 77995.

## **Basic Financial Statements**

**CITY OF YOAKUM, TEXAS**  
**STATEMENT OF NET ASSETS**  
September 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Yoakum Economic Development Corporation
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 3,907,656	\$ 4,705,957	\$ 8,613,613	\$ 1,105,437
Receivables (net)	261,900	1,504,763	1,766,663	-
Due from other governments	115,832	-	115,832	37,249
Due from primary government	-	-	-	500
Inventory	6,028	311,307	317,335	-
Restricted assets				
Cash and cash equivalents	-	4,946,546	4,946,546	-
<b>Total current assets</b>	<b>4,291,416</b>	<b>11,468,573</b>	<b>15,759,989</b>	<b>1,143,186</b>
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	361,498	3,352,300	3,713,798	63,653
Buildings, infrastructure, and equipment (net)	6,213,576	6,808,184	13,021,760	-
Bond issue costs (net)	-	236,592	236,592	-
<b>Total noncurrent assets</b>	<b>6,575,074</b>	<b>10,397,076</b>	<b>16,972,150</b>	<b>63,653</b>
<b>Total assets</b>	<b>10,866,490</b>	<b>21,865,649</b>	<b>32,732,139</b>	<b>1,206,839</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	109,386	983,564	1,092,950	-
Accrued expenditures/expenses	111,925	34,935	146,860	-
Deposits	7,183	182,038	189,221	-
Due to other governments	7,993	-	7,993	-
Due to component unit	500	-	500	-
Accrued compensated absences	16,614	8,879	25,493	-
Accrued interest payable	-	5,010	5,010	-
Current portion of long-term obligations	-	415,000	415,000	-
<b>Total current liabilities</b>	<b>253,601</b>	<b>1,629,426</b>	<b>1,883,027</b>	<b>-</b>
Noncurrent liabilities				
Accrued compensated absences	149,522	79,914	229,436	-
Noncurrent portion of long-term obligations (net of deferred amounts)	-	7,979,714	7,979,714	-
<b>Total noncurrent liabilities</b>	<b>149,522</b>	<b>8,059,628</b>	<b>8,209,150</b>	<b>-</b>
<b>Total liabilities</b>	<b>403,123</b>	<b>9,689,054</b>	<b>10,092,177</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	6,575,074	6,712,316	13,287,390	63,653
Unrestricted net assets	3,888,293	5,464,279	9,352,572	1,143,186
<b>Total net assets</b>	<b>\$ 10,463,367</b>	<b>\$ 12,176,595</b>	<b>\$ 22,639,962</b>	<b>\$ 1,206,839</b>

The accompanying notes are an integral part of this statement.

**CITY OF YOAKUM, TEXAS**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2010

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities				
General government	\$ 795,493	\$ 94,145	\$ -	\$ -
Public safety	1,955,919	309,672	98,415	-
Public works	2,234,229	1,350,095	-	-
Cultural and recreation	587,502	77,309	-	-
Total governmental activities	<u>5,573,143</u>	<u>1,831,221</u>	<u>98,415</u>	<u>-</u>
Business-type activities				
Utilities	<u>7,735,608</u>	<u>9,797,528</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>7,735,608</u>	<u>9,797,528</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 13,308,751</u>	<u>\$ 11,628,749</u>	<u>\$ 98,415</u>	<u>\$ -</u>
<b>Component Unit</b>				
Yoakum Economic Development Corporation	<u>\$ 187,309</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Sales taxes
- Franchise taxes
- Other taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Primary Government			
Governmental Activities	Business- type Activities	Total	Yoakum Economic Development Corporation
\$ (701,348)	\$ -	\$ (701,348)	\$ -
(1,547,832)	-	(1,547,832)	-
(884,134)	-	(884,134)	-
(510,193)	-	(510,193)	-
<u>(3,643,507)</u>	<u>-</u>	<u>(3,643,507)</u>	<u>-</u>
-	2,061,920	2,061,920	-
-	2,061,920	2,061,920	-
<u>(3,643,507)</u>	<u>2,061,920</u>	<u>(1,581,587)</u>	<u>-</u>
-	-	-	(187,309)
68,744	-	68,744	-
96,883	-	96,883	-
673,866	-	673,866	224,607
137,331	-	137,331	-
30,726	-	30,726	-
41,114	120,628	161,742	16,818
180,393	-	180,393	32,973
<u>1,776,975</u>	<u>(1,776,975)</u>	<u>-</u>	<u>-</u>
<u>3,006,032</u>	<u>(1,656,347)</u>	<u>1,349,685</u>	<u>274,398</u>
(637,475)	405,573	(231,902)	87,089
<u>11,100,842</u>	<u>11,771,022</u>	<u>22,871,864</u>	<u>1,119,750</u>
<u>\$ 10,463,367</u>	<u>\$ 12,176,595</u>	<u>\$ 22,639,962</u>	<u>\$ 1,206,839</u>

**CITY OF YOAKUM, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2010

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,401,596	\$ 2,281,880	\$ 224,180	\$ 3,907,656
Receivables (net)	243,262	-	18,638	261,900
Due from other funds	-	-	1,678	1,678
Due from other governments	113,747	-	2,085	115,832
Inventory	6,028	-	-	6,028
<b>Total assets</b>	<u>\$ 1,764,633</u>	<u>\$ 2,281,880</u>	<u>\$ 246,581</u>	<u>\$ 4,293,094</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 107,284	\$ -	\$ 2,102	\$ 109,386
Accrued expenditures	111,925	-	-	111,925
Deposits	7,183	-	-	7,183
Due to other funds	1,678	-	-	1,678
Due to component unit	500	-	-	500
Due to other governments	7,993	-	-	7,993
Deferred revenue	80,144	-	8,673	88,817
<b>Total liabilities</b>	<u>316,707</u>	<u>-</u>	<u>10,775</u>	<u>327,482</u>
<b>Fund balances</b>				
Reserved for inventory	6,028	-	-	6,028
Unreserved, undesignated reported in:				
General fund	1,441,898	-	-	1,441,898
Special revenue funds	-	-	219,109	219,109
Debt service fund	-	-	16,697	16,697
Capital project fund	-	2,281,880	-	2,281,880
<b>Total fund balances</b>	<u>1,447,926</u>	<u>2,281,880</u>	<u>235,806</u>	<u>3,965,612</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,764,633</u>	<u>\$ 2,281,880</u>	<u>\$ 246,581</u>	<u>\$ 4,293,094</u>

The accompanying notes are an integral part of this statement.

**CITY OF YOAKUM, TEXAS**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS  
OF GOVERNMENTAL ACTIVITIES**

September 30, 2010

---

<b>Total governmental fund balances</b>	\$ 3,965,612
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	17,259
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.	71,558
Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$12,993,591 and the accumulated depreciation is \$6,418,517.	6,575,074
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated absences	<u>(166,136)</u>
<b>Net assets of governmental activities</b>	<u>\$ 10,463,367</u>

The accompanying notes are an integral part of this statement.

**CITY OF YOAKUM, TEXAS****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the year ended September 30, 2010

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 884,010	\$ -	\$ 126,009	\$ 1,010,019
Licenses and permits	42,896	-	-	42,896
Intergovernmental	87,000	-	11,415	98,415
Charges for services	1,706,846	-	11,690	1,718,536
Fines and forfeitures	77,542	-	24,080	101,622
Investment income	11,322	29,773	19	41,114
Miscellaneous	175,601	-	5,942	181,543
<b>Total revenues</b>	<u>2,985,217</u>	<u>29,773</u>	<u>179,155</u>	<u>3,194,145</u>
<b>EXPENDITURES</b>				
Current				
General government	699,734	-	26,673	726,407
Public safety	1,974,805	-	10,292	1,985,097
Public works	1,899,198	-	-	1,899,198
Cultural and recreation	570,832	-	22,504	593,336
<b>Total expenditures</b>	<u>5,144,569</u>	<u>-</u>	<u>59,469</u>	<u>5,204,038</u>
Excess (deficiency) of revenues over expenditures	(2,159,352)	29,773	119,686	(2,009,893)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,175,228	200,057	7,297	2,382,582
Transfers out	(132,010)	(341,350)	(132,247)	(605,607)
<b>Total other financing sources (uses)</b>	<u>2,043,218</u>	<u>(141,293)</u>	<u>(124,950)</u>	<u>1,776,975</u>
Net change in fund balances	(116,134)	(111,520)	(5,264)	(232,918)
Fund balances at beginning of year	<u>1,564,060</u>	<u>2,393,400</u>	<u>241,070</u>	<u>4,198,530</u>
<b>Fund balances at end of year</b>	<u>\$ 1,447,926</u>	<u>\$ 2,281,880</u>	<u>\$ 235,806</u>	<u>\$ 3,965,612</u>

The accompanying notes are an integral part of this statement.

**CITY OF YOAKUM, TEXAS**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the year ended September 30, 2010*

---

**Total net change in fund balances - governmental funds** \$ (232,918)

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

Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2009/2010 capital outlays is to increase net assets. 182,879

Depreciation is not recognized as an expense on the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets. (536,303)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (4,216)

Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year end and are not reported as revenue in the governmental funds.

Property taxes	\$ 597	
Other revenues	<u>(31,833)</u>	(31,236)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Increase in compensated absences	<u>(15,681)</u>
----------------------------------	-----------------

**Change in net assets of governmental activities** \$ (637,475)

The accompanying notes are an integral part of this statement.

**CITY OF YOAKUM, TEXAS**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2010

	Business-type Activities
	<u>Utility Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,705,957
Receivables (net)	1,504,763
Inventory	311,307
Restricted assets	
Cash and cash equivalents	<u>4,946,546</u>
Total current assets	<u>11,468,573</u>
Noncurrent assets	
Capital assets	
Land and other assets not being depreciated	3,352,300
Buildings, infrastructure, and equipment (net)	6,808,184
Bond issue costs (net)	<u>236,592</u>
Total noncurrent assets	<u>10,397,076</u>
<b>Total assets</b>	<u>21,865,649</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	983,564
Accrued expenses	34,935
Deposits	182,038
Accrued compensated absences	8,879
Accrued interest payable	5,010
Current portion of bonds and certificates payable	<u>415,000</u>
Total current liabilities	<u>1,629,426</u>
Noncurrent liabilities	
Accrued compensated absences	79,914
Bonds and certificates payable (net of deferred amounts)	<u>7,979,714</u>
Total noncurrent liabilities	<u>8,059,628</u>
<b>Total liabilities</b>	<u>9,689,054</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,712,316
Unrestricted net assets	<u>5,464,279</u>
<b>Total net assets</b>	<u>\$ 12,176,595</u>

The accompanying notes are an integral part of this statement.

**CITY OF YOAKUM, TEXAS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUNDS***For the year ended September 30, 2010*

---

	Business-type Activities
	<u>Utility Fund</u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 9,750,974
Miscellaneous	46,554
<b>Total operating revenues</b>	<u>9,797,528</u>
<b>OPERATING EXPENSES</b>	
Personnel	1,310,418
Supplies	116,972
Cost of power	5,253,942
Services	297,774
Maintenance	274,822
Other	17,156
Depreciation and amortization	412,103
<b>Total operating expenses</b>	<u>7,683,187</u>
Operating income (loss) before nonoperating revenues (expenses) contributions and transfers	2,114,341
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	120,628
Interest and fiscal charges	(52,421)
Net nonoperating revenues (expenses)	<u>68,207</u>
Income before transfers	2,182,548
Transfers	
Transfers in	253,840
Transfers out	(2,030,815)
Total transfers	<u>(1,776,975)</u>
Change in net assets	405,573
Total net assets at beginning of year	<u>11,771,022</u>
<b>Total net assets at end of year</b>	<u>\$ 12,176,595</u>

The accompanying notes are an integral part of this statement.

**CITY OF YOAKUM, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the year ended September 30, 2010

	Business-type Activities
	Utility Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 9,779,859
Cash payments to suppliers for goods and services	(5,857,050)
Cash payments to employees for services	(1,306,374)
<b>Net cash provided by operating activities</b>	<u>2,616,435</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash received (paid) on customer meter deposits	5,434
Transfers (from) to other funds	(1,776,975)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(1,771,541)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition and construction of capital assets	(1,140,340)
Principal paid on bond maturities	(410,000)
Interest and finance charges paid on bonds	(47,263)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(1,597,603)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	120,628
<b>Net cash provided (used) by investing activities</b>	<u>120,628</u>
Net increase (decrease) in cash and cash equivalents	(632,081)
Cash and cash equivalents at beginning of year	10,216,378
<b>Cash and cash equivalents at end of year</b>	<u>\$ 9,584,297</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 2,114,341
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	396,037
Amortization	16,066
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	50,537
(Increase) decrease in inventory	(1,544)
Increase (decrease) in accounts payable	36,954
Increase (decrease) in accrued expenses	(951)
Increase (decrease) in accrued compensated absences	4,995
<b>Net cash provided by operating activities</b>	<u>\$ 2,616,435</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>	
Cash and cash equivalents - Unrestricted	\$ 4,705,957
Cash and cash equivalents - Restricted	4,946,546
	<u>\$ 9,652,503</u>

The accompanying notes are an integral part of this statement.

INDEX

<u>Note</u>		<u>Page</u>
1	Summary of Significant Accounting Policies.....	21
2	Deposits and Investments .....	27
3	Receivables .....	28
4	Capital Assets .....	29
5	Employees' Retirement Plan.....	30
6	Texas Emergency Services Retirement System .....	32
7	Supplemental Death Benefit Plan .....	35
8	Risk Management.....	35
9	Long-Term Debt.....	36
10	Interfund Receivables, Payables, and Transfers .....	37
11	Commitments and Contingencies.....	38
12	Related Party Transactions.....	38
13	Issued But Non-Effective Pronouncement.....	38

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Yoakum, Texas (the "City"), a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas, adopted its first charter in 1915. The City operates under a council-manager form of government and, as authorized by its charter, provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, parks and recreation, public improvements, inspections, and general administrative services.

A. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the City's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Under these guidelines, the reporting entity consists of the primary government (all funds of the City), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organization for which the nature and significance of their relationship with the primary government is such that exclusion could cause the City's financial statements to be misleading or incomplete. Entities other than the primary government that are included in the primary government's financial statements are called component units. The component unit discussed in this note is included in the City's financial statements because of the significance of its financial relationship with the City.

B. Component Unit

The component unit is reported in a separate column to emphasize that it is legally separate from the City. The component unit column is made of the following:

The Yoakum Economic Development Corporation (the "Corporation") - was created for the purpose of benefiting and accomplishing public purposes of the City by promoting, encouraging, and enhancing the creation of jobs in the City. This is to be achieved through assistance in the retention of existing businesses and industries and the attraction of new businesses and industries and aid in their development and growth. The Corporation was incorporated on June 24, 1999, under the Texas Development Corporation Act of 1979, as amended, Article 5190.6 Vernon's Ann.CIV.ST. Section 4B, as amended, and qualifies as a tax-exempt organization under Code Section 50(c)(4) of the Internal Revenue Code. All powers of the Corporation are vested in the Board of Directors consisting of seven persons appointed by the City Council. This entity operates as a governmental fund type.

The component unit is discretely presented in the financial statements. Additional financial information for the Yoakum Economic Development Corporation may be obtained from Yoakum City Hall, P. O. Box 738, Yoakum, Texas 77995.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit.

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

C. Government-wide and Fund Financial Statements - (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The Capital Project Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

The City reports the following major proprietary funds:

Enterprise Funds are used to account for operations 1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or 2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Utility Fund, an enterprise fund, accounts for the activities of the City related to its sewage treatment plant and water and electric distribution systems.

Additionally, the City reports the following fund type:

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt. The Debt Service Fund makes annual transfers to the Utility Fund to provide for payment on the Series 2004 General Obligation Refunding Bonds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Budgets and Budgetary Accounting**

Procedures in establishing budgetary data reflected in the financial statements are as follows:

1. At least 30 days prior to the beginning of the fiscal year, the City Manager submits a proposed operating budget to the City Council for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. On or before the last day of the fiscal year currently ending, the budget is legally adopted by the City Council.
3. Any revisions that alter the total expenditures of any fund must be approved by the City Council. Although costs are monitored on a departmental basis, the level of control (level at which expenditures may not exceed budget) is the fund.
4. Formal budgetary integration is employed as a management control device by expenditure category during the year for the General Fund. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternately achieved through general obligation bond indenture provisions. Formal budgetary integration is not employed for the Special Revenue Funds and the Capital Projects Fund because effective budgetary control is provided by the small number of projects in these funds.
5. The budget for the General Fund is adopted on a basis specified by the charter of the City. This basis is consistent with the modified accrual basis of accounting. The budgetary comparison presented in this report is on the budgetary basis, which is in conformance with generally accepted accounting principles (GAAP).

A summary budget is adopted for the Utility Fund on a non-GAAP budgetary basis. Actual revenues and expenses compared to budget and a reconciliation to GAAP is presented.

6. Unencumbered budget appropriations lapse at year-end and do not carry forward to future periods.

**F. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. There are no outstanding encumbrances at September 30, 2010.

**G. Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas. Investments authorized under this Act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

G. Deposits and Investments - (Continued)

The Council has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the City are in compliance with the Council's investment policies.

Investments for the City, as well as the Component Units, are recorded at amortized cost, which as of September 30, 2010, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 2 for further discussion.

H. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

I. Inventories

Inventories of materials and supplies held by the Enterprise Fund are valued at the lower of cost (first-in, first-out) or market. Estimated cost is used when actual cost figures are not available. Inventories are not maintained in the General Fund since materials and supplies are charged to related expenditures accounts when purchased. As these amounts are not material to the financial statements, the exclusion of inventories does not materially affect the financial position or result of operations of the General Fund.

J. Restricted Assets

The restricted cash and cash equivalents in the City's Utility Fund consists of funds reserved for long-term debt and construction of utility services.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest expense (interest earned minus expense) incurred during the construction phase of capital assets of business-type activities is capitalized as part of the value of the assets constructed.

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

K. Capital Assets - (Continued)

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Water works system	20-40
Sewer system	20-40
Electric system	20-40
Infrastructure	20
Machinery and equipment	5-15

L. Compensated Absences

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of the number of days an employee may earn during a two-year period. Sick leave benefits are earned by all full-time employees at a rate of twelve days per year and may be accumulated without limit. In the event of termination, an employee is reimbursed for all accumulated vacation days up to the maximum accrued time. Retired employees are also reimbursed for twenty-five percent of accrued sick leave in excess of 60 days up to a maximum of 30 days accrued time. All compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

M. Long-Term Obligations

In the government-wide financial statements, and in proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Losses on refunding are capitalized and amortized over the shorter of the life of the new issuance or the life on existing debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs and deferred losses on refunding as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

N. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

---

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

O. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 2: DEPOSITS AND INVESTMENTS**

As of September 30, 2010, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market Mutual Funds	\$ 1,892,120	N/A

Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase. However, the City may purchase investments with a longer maturity when it is determined that it can be held to maturity.

Credit Risk

Credit risk is the risk that an issuer or 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. As of September 30, 2010, and for the year then ended, the City was not exposed to credit risk.

Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2010, and for the year then ended, the City was not exposed to any custodial credit risk.

---

**NOTE 3: RECEIVABLES**

Receivables at September 30, 2010, consist of the following:

	<u>General</u>	<u>Utility</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:				
Accounts	\$ 130,273	\$ 1,497,391	\$ 9,637	\$ 1,637,301
Ad valorem taxes	9,539	-	-	9,539
Ambulance	57,778	-	-	57,778
Fines	13,781	-	-	13,781
Franchise taxes	31,509	-	-	31,509
Other	1,336	7,372	9,965	18,673
Total gross receivables	244,216	1,504,763	19,602	1,768,581
Less: Allowances	954	-	964	1,918
Total net receivables	<u>\$ 243,262</u>	<u>\$ 1,504,763</u>	<u>\$ 18,638</u>	<u>\$ 1,766,663</u>

The City's governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 8,585	\$ -	\$ 8,585
Ambulance	57,778	-	57,778
Fines	13,781	-	13,781
Debt Service Fund			
Ad valorem taxes	8,673	-	8,673
Total	<u>\$ 88,817</u>	<u>\$ -</u>	<u>\$ 88,817</u>

The City's property taxes are levied annually on October 1<sup>st</sup> on the basis of the Dewitt County Appraisal District's assessed values as of January 1<sup>st</sup> of that calendar year. Appraised values are established by the Appraisal District at market value and assessed at 100% of appraised value. The City's property taxes are billed and collected by the Dewitt County Tax Assessor Collector and are due and payable on January 31<sup>st</sup>. Such taxes are applicable to the fiscal year in which they are levied and become delinquent with an enforceable lien on the property on February 1<sup>st</sup> of the subsequent calendar year.

Property taxes are prorated between operations and debt service based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.08591 per \$100 of assessed valuation which were prorated between operations and debt service in the amounts of \$0.03568 and \$0.05023, respectively. The resulting adjusted total tax levy was \$160,212 on the total adjusted taxable valuation of \$186,488,185 for the 2009 tax year.

**NOTE 4: CAPITAL ASSETS**

The City's capital asset activity for the year ended September 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 361,498	\$ -	\$ -	\$ 361,498
Total capital assets, not being depreciated	<u>361,498</u>	<u>-</u>	<u>-</u>	<u>361,498</u>
Capital assets, being depreciated				
Machinery and equipment	3,071,418	182,879	49,581	3,204,716
Buildings	3,102,081	-	-	3,102,081
Infrastructure	6,325,296	-	-	6,325,296
Total capital assets, being depreciated	<u>12,498,795</u>	<u>182,879</u>	<u>49,581</u>	<u>12,632,093</u>
Less accumulated depreciation for				
Machinery and equipment	1,404,839	217,743	45,365	1,577,217
Buildings	1,349,668	65,059	-	1,414,727
Infrastructure	3,173,072	253,501	-	3,426,573
Total accumulated depreciation	<u>5,927,579</u>	<u>536,303</u>	<u>45,365</u>	<u>6,418,517</u>
Total capital assets being depreciated, net	<u>6,571,216</u>	<u>(353,424)</u>	<u>4,216</u>	<u>6,213,576</u>
Governmental activities capital assets, net	<u>\$ 6,932,714</u>	<u>\$ (353,424)</u>	<u>\$ 4,216</u>	<u>\$ 6,575,074</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 3,838	\$ -	\$ -	\$ 3,838
Construction in progress	2,356,804	991,658	-	3,348,462
Total capital assets, not being depreciated	<u>2,360,642</u>	<u>991,658</u>	<u>-</u>	<u>3,352,300</u>
Capital assets, being depreciated				
Machinery and equipment	1,030,836	47,621	-	1,078,457
Buildings and improvements	240,434	-	-	240,434
Water works system	4,668,628	74,825	-	4,743,453
Sewer system	7,264,977	-	-	7,264,977
Electric system	2,806,239	26,236	-	2,832,475
Total capital assets, being depreciated	<u>16,011,114</u>	<u>148,682</u>	<u>-</u>	<u>16,159,796</u>
Less accumulated depreciation for				
Machinery and equipment	692,338	74,896	-	767,234
Buildings and improvements	216,933	9,467	-	226,400
Water works system	2,479,182	102,433	-	2,581,615
Sewer system	3,708,601	141,142	-	3,849,743
Electric system	1,858,521	68,099	-	1,926,620
Total accumulated depreciation	<u>8,955,575</u>	<u>396,037</u>	<u>-</u>	<u>9,351,612</u>
Total capital assets being depreciated, net	<u>7,055,539</u>	<u>(247,355)</u>	<u>-</u>	<u>6,808,184</u>
Business-type activities capital assets, net	<u>\$ 9,416,181</u>	<u>\$ 744,303</u>	<u>\$ -</u>	<u>\$ 10,160,484</u>

**NOTE 4: CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to function/programs of the City as follows:

**Governmental activities:**

General government	\$ 64,586
Public safety	105,631
Public works	347,107
Cultural and recreation	<u>18,979</u>
Total depreciation expense - governmental activities	<u>\$ 536,303</u>

**Business-type activities:**

Utilities	<u>\$ 396,037</u>
Total depreciation expense - business-type activities	<u>\$ 396,037</u>

**Discretely Presented Component Unit**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Yoakum Economic Development Corporation</b>				
Capital assets, not being depreciated				
Land and improvements	\$ 63,653	\$ -	\$ -	\$ 63,653
Total capital assets, not being depreciated	<u>63,653</u>	<u>-</u>	<u>-</u>	<u>63,653</u>
Discretely presented component unit capital assets, net	<u>\$ 63,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,653</u>

**NOTE 5: EMPLOYEES' RETIREMENT PLAN**

Plan Description

The City provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes 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 TMRS. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

	<u>Plan Year 2010</u>	<u>Plan Year 2009</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

**NOTE 5: EMPLOYEES' RETIREMENT PLAN - (Continued)**

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 that 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:

Contributions Required and Contributions Made			
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 576,928	100%	\$ -
2009	459,118	100%	-
2008	128,092	100%	-

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2006 and 2007 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

	Actuarial Valuation Information		
	12/31/09	12/31/08	12/31/07
Actuarial cost method	projected unit credit	projected unit credit	unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll
Amortization period in years	28 - closed	29 - closed	30 - open
Asset valuation method	amortized cost	amortized cost	amortized cost
Investment return	7.50%	7.50%	7.00%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service
Inflation	3.00%	3.00%	3.00%
Cost of living adjustments	2.1%	2.1%	N/A

The schedule of funding progress 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.

---

**NOTE 5: EMPLOYEES' RETIREMENT PLAN - (Continued)**Contributions - (Continued)

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/09	\$ 8,958,103	\$ 13,811,585	\$ 4,853,482	64.90%	\$ 2,914,157	166.5%
12/31/08	\$ 8,014,458	\$ 12,695,109	\$ 4,680,651	63.13%	\$ 2,937,548	159.34%
12/31/07	7,385,418	11,565,602	4,180,184	63.90%	2,457,892	170.10%
12/31/06	7,201,451	9,749,222	2,547,771	73.87%	2,399,850	106.16%
12/31/05	6,929,154	9,336,602	2,407,448	74.21%	2,384,012	100.98%
12/31/04	7,398,080	9,644,529	2,246,449	76.71%	2,326,376	96.56%
12/31/03	7,166,456	9,474,240	2,307,784	75.64%	2,228,516	103.56%
12/31/02	6,649,762	8,737,233	2,087,471	76.11%	2,249,594	92.79%
12/31/01	6,204,270	8,121,785	1,917,515	76.40%	2,055,086	93.30%
12/31/00	5,397,450	7,229,990	1,832,540	74.65%	1,831,626	100.05%

**NOTE 6: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**Plan Description

The Fire Fighter's Pension Commissioner is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost sharing multiple-employer pension system established and administered by the State of Texas (the "State") to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2010, there were 198 members of fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2010, TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	2,152
Terminated Participants Entitled to Benefits but not yet receiving them	2,105
Active Participants (vested and nonvested)	<u>4,359</u>
	<u>8,616</u>

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

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

---

**NOTE 6: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**

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

Funding Policy

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

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2010, total contributions (dues and prior services) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum State contribution for the fiscal years ending August 31, 2010 and 2011. Total contributions made were equal to the contributions required by the State statute and equal to the contributions required based on the August 31, 2008 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010, revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual State appropriations for the fiscal year ending August 31, 2010 (\$502,941 to help pay the System's administrative expenses) and with the assumed continuation of legislative appropriations of 1) the maximum State contribution amount in future years as is necessary for the TESRS to have a 30-year amortization period, 2) approximately \$500,000 each year to help pay for TESRS's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011, are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriation process.

Without the expected future annual contributions from the State, the System would have an inadequate contribution arrangement.

**NOTE 6: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**

Actuarial Valuation Information

Following is a tabular summary of actuarial valuation information for the August 31, 2010 and August 31, 2008, valuation dates:

	Actuarial Valuation Information	
	8/31/08	8/31/10
Actuarial cost method	entry age	entry age
Amortization method	level dollar, open	level dollar, open
Amortization period in years	6 years	30 years
+Asset valuation method	market value smoothed by a 5-year deferred recognition method with a 90% - 110% corridor on market value	market value smoothed by a 5-year deferred recognition method with a 80% - 120% corridor on market value
Investment return	8.00%, net of expenses	7.75%, net of expenses
Projected salary increases	n/a	n/a
Inflation	3.50%	3.50%
Cost of living adjustment	none	none

Required Supplementary Information

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability <sup>1</sup> (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2006	\$42,268,305	\$58,082,828	\$15,814,523	72.8%	8,061	\$ 1,962
8/31/2008	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010 <sup>3</sup>	64,113,803	79,953,215	15,839,412	80.2%	8,708	1,819

Notes:

<sup>1</sup> The actuarial accrued liability is based upon the entry age actuarial cost method.

<sup>2</sup> Changes in actuarial assumptions and methods, as well as benefit and contribution provisions, were first reflected in this valuation.

<sup>3</sup> Changes in actuarial assumptions were reflected in this valuation.

**Three-Year Trend Information - State-wide**

Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2008	\$ 3,160,764 <sup>2</sup>	\$ 11,239,339 <sup>1</sup>	356%
2009	2,698,271 <sup>3</sup>	2,698,271	100%
2010	2,875,103 <sup>3</sup>	2,875,103	100%

Notes:

<sup>1</sup> Includes a state contribution of \$8,800,000.

<sup>2</sup> Based on the August 31, 2006, actuarial valuation.

<sup>3</sup> Based on the August 31, 2008, actuarial valuation.

---

**NOTE 7: SUPPLEMENTAL DEATH BENEFIT PLAN**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1<sup>st</sup> of any year to be effective the following January 1<sup>st</sup>.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of loss encompassed in the areas of general liabilities, workers compensation claims, and employee health related expenses. The City has purchased commercial insurance to cover potential losses in those areas. The City has entered into interlocal agreements with the Texas Municipal League Intergovernmental Risk Pool coverage. Through the payment of contributions to the Texas Municipal League Intergovernmental Risk Pool, the City has transferred these risks to the pool. The City has not retained any risks other than the deductible and is covered up to the limits of coverage after the deductible. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The City has also entered into an interlocal agreement with the Texas Municipal League Intergovernmental Employees Benefit Pool (TML-IEBP) for health insurance and life insurance coverage for its employees. The City has adopted one of the benefit plans of the TML-IEBP which requires a monthly contribution rate for the City's employees of \$343 for health insurance and \$3 for life insurance per employee. This amount is paid by the City. Dependent coverage is available at additional premiums paid by the employee.

**NOTE 9: LONG-TERM DEBT**

A. Changes In Long-term Liabilities

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Compensated absences	\$ 150,455	\$ 15,681	\$ -	\$ 166,136	\$ 16,614
Total governmental activity long-term liabilities	<u>\$ 150,455</u>	<u>\$ 15,681</u>	<u>\$ -</u>	<u>\$ 166,136</u>	<u>\$ 16,614</u>
<b>Business-type activities</b>					
General obligation bonds	\$ 1,415,000	\$ -	\$ 215,000	\$ 1,200,000	\$ 225,000
Certificates of obligation	7,420,000	-	195,000	7,225,000	190,000
Less deferred amounts:					
Loss on refunding	<u>(36,344)</u>	<u>-</u>	<u>(6,057)</u>	<u>(30,287)</u>	<u>-</u>
Net bonds and certificates payable	8,798,656	-	403,943	8,394,713	415,000
Compensated absences	<u>83,798</u>	<u>4,995</u>	<u>-</u>	<u>88,793</u>	<u>8,879</u>
Total business-type activity long-term liabilities	<u>\$ 8,882,454</u>	<u>\$ 4,995</u>	<u>\$ 403,943</u>	<u>\$ 8,483,506</u>	<u>\$ 423,879</u>

For governmental activities, compensated absences are liquidated by the General Fund.

B. General Obligation Bonds and Certificates of Obligation

Bonds and certificates payable at September 30, 2010, are comprised of the following individual issues:

\$2,265,000 Series 2004 General Obligation Refunding Bonds, due in annual installments of \$225,000 to \$255,000 through 2015; interest at 3.34%.	\$ 1,200,000
\$5,000,000 Series 2006 Combination Tax and Subordinate Lien Revenue Certificates of Obligation, due in annual installments of \$75,000 to \$345,000 through 2028; interest at 0.00%.	4,840,000
\$2,500,000 Series 2008 Combination Tax and Subordinate Lien Revenue Certificates of Obligation due in annual installments of \$110,000 to \$115,000 through 2031; interest at 0.00%.	<u>2,385,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 8,425,000</u>

**NOTE 9: LONG-TERM DEBT - (Continued)**

B. General Obligation Bonds and Certificates of Obligation - (Continued)

The City issues general obligation certificates and bonds to provide funds for the construction of improvements to various City infrastructures and for the payment of related contractual obligations for professional services.

Annual debt service requirements to maturity for certificates of obligation and general obligation bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 415,000	\$ 40,080	\$ 455,080
2012	425,000	32,565	457,565
2013	435,000	24,716	459,716
2014	440,000	16,700	456,700
2015	450,000	8,517	458,517
2016-2020	2,300,000	-	2,300,000
2021-2025	2,270,000	-	2,270,000
2026-2030	1,575,000	-	1,575,000
2031	115,000	-	115,000
	<u>\$ 8,425,000</u>	<u>\$ 122,578</u>	<u>\$ 8,547,578</u>

There are a number of limitations and restrictions contained in the bond indenture. The City is in compliance with all significant limitations and restrictions. The bond indenture requires the establishment and maintenance of an interest and sinking fund. At September 30, 2010, the balance in this fund is \$132,815.

C. Prior Year Defeasance of Debt

On December 14, 2004, the City issued \$2,265,000 in bonds to advance refund \$2,150,000 of outstanding 1995 General Obligation Bonds. As a result, the Series 1995 bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net assets. At September 30, 2010, \$985,000 of bonds outstanding are considered defeased.

**NOTE 10: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund.

Interfund receivable and payable balances as of September 30, 2010, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental	General	<u>\$ 1,678</u>

---

**NOTE 10: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - (Continued)**

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. The most significant of these are the planned transfers from the City's enterprise fund to specified governmental funds. These transfers are intended to provide the necessary resources to meet the operating obligations of the receiving funds. During the current fiscal year, transfers between funds consisted of the following:

Transfers Out	Transfers In				Total
	General	Capital Project	Utility	Nonmajor Governmental	
General	\$ -	\$ 132,010	\$ -	\$ -	\$ 132,010
Capital Project	182,510	-	158,840	-	341,350
Nonmajor Governmental	-	37,247	95,000	-	132,247
Utility	<u>1,992,718</u>	<u>30,800</u>	<u>-</u>	<u>7,297</u>	<u>2,030,815</u>
	<u>\$ 2,175,228</u>	<u>\$ 200,057</u>	<u>\$ 253,840</u>	<u>\$ 7,297</u>	<u>\$ 2,636,422</u>

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

Grant Programs

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2010, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**NOTE 12: RELATED PARTY TRANSACTIONS**

During fiscal year 2010, the City's General Fund entered into transactions with the Yoakum Economic Development Corporation, a discretely presented component unit of the City, whereby the Corporation contributed to the primary government \$62,360 for administrative services.

**NOTE 13: ISSUED BUT NON-EFFECTIVE PRONOUNCEMENT**

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. The Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances – nonspendable, restricted, committed, assigned, and unassigned. The Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of the Statement are effective for periods beginning after June 15, 2010.

**Required Supplementary Information**

**CITY OF YOAKUM, TEXAS****MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****BUDGET (GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2010

	2010			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>REVENUES</b>				
Taxes	\$ 917,500	\$ 917,500	\$ 884,010	\$ (33,490)
Licenses and permits	15,000	35,000	42,896	7,896
Intergovernmental	77,850	120,670	87,000	(33,670)
Charges for services	1,803,600	1,774,620	1,706,846	(67,774)
Fines and forfeitures	65,000	65,000	77,542	12,542
Investment income	25,000	25,000	11,322	(13,678)
Miscellaneous	40,120	178,500	175,601	(2,899)
<b>Total revenues</b>	<u>2,944,070</u>	<u>3,116,290</u>	<u>2,985,217</u>	<u>(131,073)</u>
<b>EXPENDITURES</b>				
Current				
General government	747,990	747,630	699,734	47,896
Public safety	1,995,300	2,052,340	1,974,805	77,535
Public works	1,843,720	1,954,290	1,899,198	55,092
Cultural and recreation	617,710	617,710	570,832	46,878
<b>Total expenditures</b>	<u>5,204,720</u>	<u>5,371,970</u>	<u>5,144,569</u>	<u>227,401</u>
Excess (deficiency) of revenues over expenditures	(2,260,650)	(2,255,680)	(2,159,352)	96,328
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,260,650	2,370,230	2,175,228	(195,002)
Transfers out	-	(123,290)	(132,010)	-
<b>Total other financing sources (uses)</b>	<u>2,260,650</u>	<u>2,246,940</u>	<u>2,043,218</u>	<u>(195,002)</u>
Net change in fund balance	-	(8,740)	(116,134)	(107,394)
Fund balance at beginning of year	<u>1,564,060</u>	<u>1,564,060</u>	<u>1,564,060</u>	<u>-</u>
<b>Fund balance at end of year</b>	<u>\$ 1,564,060</u>	<u>\$ 1,555,320</u>	<u>\$ 1,447,926</u>	<u>\$ (107,394)</u>

The accompanying notes to required supplementary information are an integral part of this schedule.

**CITY OF YOAKUM, TEXAS**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*September 30, 2010*

---

**NOTE 1: BUDGETARY BASIS OF ACCOUNTING**

The City annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

**NOTE 2: BUDGETARY LEGAL COMPLIANCE**

For the year ended September 30, 2010, the City complied with budgetary restrictions at all departmental levels.

**Combining and Individual Fund Statements and Schedules**

CITY OF YOAKUM, TEXAS  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEET  
 September 30, 2010

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 209,161	\$ 15,019	\$ 224,180
Receivables (net)	9,965	8,673	18,638
Due from other funds	-	1,678	1,678
Due from other governments	2,085	-	2,085
<b>Total assets</b>	<u>\$ 221,211</u>	<u>\$ 25,370</u>	<u>\$ 246,581</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,102	\$ -	\$ 2,102
Deferred revenue	-	8,673	8,673
<b>Total liabilities</b>	<u>2,102</u>	<u>8,673</u>	<u>10,775</u>
<b>Fund balances</b>			
Unreserved, undesignated reported in:			
Special revenue funds	219,109	-	219,109
Debt service fund	-	16,697	16,697
<b>Total fund balances</b>	<u>219,109</u>	<u>16,697</u>	<u>235,806</u>
<b>Total liabilities and fund balances</b>	<u>\$ 221,211</u>	<u>\$ 25,370</u>	<u>\$ 246,581</u>

**CITY OF YOAKUM, TEXAS****ALL NONMAJOR GOVERNMENTAL FUNDS****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the year ended September 30, 2010

---

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 29,126	\$ 96,883	\$ 126,009
Intergovernmental	11,415	-	11,415
Charges for services	11,690	-	11,690
Fines and forfeitures	24,080	-	24,080
Investment income	-	19	19
Miscellaneous	5,942	-	5,942
<b>Total revenues</b>	<u>82,253</u>	<u>96,902</u>	<u>179,155</u>
<b>EXPENDITURES</b>			
Current			
General government	26,673	-	26,673
Public safety	10,292	-	10,292
Cultural and recreation	22,504	-	22,504
<b>Total expenditures</b>	<u>59,469</u>	<u>-</u>	<u>59,469</u>
Excess (deficiency) of revenues over expenditures	22,784	96,902	119,686
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	7,297	-	7,297
Transfers out	(37,247)	(95,000)	(132,247)
<b>Total other financing sources (uses)</b>	<u>(29,950)</u>	<u>(95,000)</u>	<u>(124,950)</u>
Net change in fund balances	(7,166)	1,902	(5,264)
Fund balances at beginning of year	<u>226,275</u>	<u>14,795</u>	<u>241,070</u>
<b>Fund balances at end of year</b>	<u>\$ 219,109</u>	<u>\$ 16,697</u>	<u>\$ 235,806</u>

## **NONMAJOR SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, private purpose trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

**CITY OF YOAKUM, TEXAS**

**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET**

September 30, 2010

---

	<u>Economic Development</u>	<u>Hotel/Motel Tax</u>	<u>Police Projects</u>	<u>Fire/ Ambulance Projects</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,895	\$ 71,327	\$ 81,071	\$ 10,068
Taxes receivable	-	9,965	-	-
Due from other governments	-	-	-	-
<b>Total assets</b>	<u>\$ 1,895</u>	<u>\$ 81,292</u>	<u>\$ 81,071</u>	<u>\$ 10,068</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 1,266	\$ -
<b>Total liabilities</b>	-	-	1,266	-
Fund balances				
Unreserved, undesignated	<u>1,895</u>	<u>81,292</u>	<u>79,805</u>	<u>10,068</u>
<b>Total liabilities and fund balances</b>	<u>\$ 1,895</u>	<u>\$ 81,292</u>	<u>\$ 81,071</u>	<u>\$ 10,068</u>

---

<u>Library Projects</u>	<u>Airport</u>	<u>Park Project</u>	<u>Summer Recreation</u>	<u>Total</u>
\$ 34,383	\$ 7,817	\$ -	\$ 2,600	\$ 209,161
-	-	-	-	9,965
<u>-</u>	<u>2,085</u>	<u>-</u>	<u>-</u>	<u>2,085</u>
<u>\$ 34,383</u>	<u>\$ 9,902</u>	<u>\$ -</u>	<u>\$ 2,600</u>	<u>\$ 221,211</u>
\$ -	\$ 540	\$ 296	\$ -	\$ 2,102
-	540	296	-	2,102
<u>-</u>	<u>540</u>	<u>296</u>	<u>-</u>	<u>2,102</u>
<u>34,383</u>	<u>9,362</u>	<u>(296)</u>	<u>2,600</u>	<u>219,109</u>
<u>\$ 34,383</u>	<u>\$ 9,902</u>	<u>\$ -</u>	<u>\$ 2,600</u>	<u>\$ 221,211</u>

**CITY OF YOAKUM, TEXAS**

*NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS*

*COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*

*For the year ended September 30, 2010*

	<u>Economic Development</u>	<u>Hotel/Motel Tax</u>	<u>Police Projects</u>	<u>Fire/ Ambulance Projects</u>
<b>REVENUES</b>				
Taxes	\$ -	\$ 29,126	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	24,080	-
Miscellaneous	-	-	-	320
<b>Total revenues</b>	<u>-</u>	<u>29,126</u>	<u>24,080</u>	<u>320</u>
<b>EXPENDITURES</b>				
Current				
General government	-	16,432	-	-
Public safety	-	-	10,292	-
Cultural and recreation	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>16,432</u>	<u>10,292</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	-	12,694	13,788	320
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	12,694	13,788	320
Fund balances at beginning of year	<u>1,895</u>	<u>68,598</u>	<u>66,017</u>	<u>9,748</u>
<b>Fund balances at end of year</b>	<u>\$ 1,895</u>	<u>\$ 81,292</u>	<u>\$ 79,805</u>	<u>\$ 10,068</u>

<u>Library Projects</u>	<u>Airport</u>	<u>Park Project</u>	<u>Summer Recreation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 29,126
-	2,415	-	9,000	11,415
671	3,050	-	7,969	11,690
-	-	-	-	24,080
508	-	-	5,114	5,942
<u>1,179</u>	<u>5,465</u>	<u>-</u>	<u>22,083</u>	<u>82,253</u>
-	10,241	-	-	26,673
-	-	-	-	10,292
-	-	-	22,504	22,504
<u>-</u>	<u>10,241</u>	<u>-</u>	<u>22,504</u>	<u>59,469</u>
1,179	(4,776)	-	(421)	22,784
-	7,297	-	-	7,297
-	-	(37,247)	-	(37,247)
<u>-</u>	<u>7,297</u>	<u>(37,247)</u>	<u>-</u>	<u>(29,950)</u>
1,179	2,521	(37,247)	(421)	(7,166)
<u>33,204</u>	<u>6,841</u>	<u>36,951</u>	<u>3,021</u>	<u>226,275</u>
<u>\$ 34,383</u>	<u>\$ 9,362</u>	<u>\$ (296)</u>	<u>\$ 2,600</u>	<u>\$ 219,109</u>

This page intentionally left blank.

## **GENERAL FUND**

The General Fund is a constitutional fund and is utilized to account for all City revenues and expenditures except those which are required to be classed in other constitutional funds and such other funds that are presented separately to facilitate proper accountability.

**CITY OF YOAKUM, TEXAS**  
**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,401,596	\$ 1,507,658
Receivables, net		
Accounts	131,608	122,680
Ad valorem taxes	8,585	9,061
Ambulance	57,778	61,526
Fines	13,781	40,853
Franchise taxes	31,510	32,576
Due from other governments	113,747	123,631
Inventory	<u>6,028</u>	<u>5,010</u>
<b>Total assets</b>	<u>\$ 1,764,633</u>	<u>\$ 1,902,995</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Accounts payable	\$ 107,284	\$ 99,354
Accrued expenditures	111,925	100,636
Deposits	7,183	7,073
Due to other funds	1,678	14,795
Due to component unit	500	-
Due to other governments	7,993	5,638
Deferred revenue	<u>80,144</u>	<u>111,439</u>
<b>Total liabilities</b>	<u>316,707</u>	<u>338,935</u>
Fund balance, as restated		
Reserved for inventory	6,028	5,010
Unreserved, undesignated	<u>1,441,898</u>	<u>1,559,050</u>
<b>Total fund balance</b>	<u>1,447,926</u>	<u>1,564,060</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,764,633</u>	<u>\$ 1,902,995</u>

**CITY OF YOAKUM, TEXAS**

**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

*For the year ended September 30, 2010*

*With comparative totals for the year ended September 30, 2009*

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 71,800	\$ 67,824	\$ (3,976)	\$ 71,747
Penalty and interest	5,300	3,389	(1,911)	5,579
Franchise	168,000	137,331	(30,669)	136,957
Sales	670,000	673,866	3,866	682,755
Other	2,400	1,600	(800)	1,568
Total taxes	<u>917,500</u>	<u>884,010</u>	<u>(33,490)</u>	<u>898,606</u>
Licenses and permits				
Landfill/transfer station	20,000	28,039	8,039	21,926
Miscellaneous	15,000	14,857	(143)	12,011
Total licenses and permits	<u>35,000</u>	<u>42,896</u>	<u>7,896</u>	<u>33,937</u>
Intergovernmental	<u>120,670</u>	<u>87,000</u>	<u>(33,670)</u>	<u>152,543</u>
Charges for services				
Sanitation	1,323,690	1,293,789	(29,901)	1,250,940
Ambulance	221,000	208,050	(12,950)	198,427
Golf course	96,700	77,309	(19,391)	92,822
Swimming pool	4,600	5,059	459	5,472
Community center	4,600	4,556	(44)	4,194
RV park	35,250	34,243	(1,007)	26,759
Park pavilion	4,400	3,052	(1,348)	2,876
Chamber office rent	1,500	1,500	-	1,500
Other	82,880	79,288	(3,592)	77,185
Total charges for services	<u>1,774,620</u>	<u>1,706,846</u>	<u>(67,774)</u>	<u>1,660,175</u>
Fines and forfeitures				
Municipal courts	<u>65,000</u>	<u>77,542</u>	<u>12,542</u>	<u>73,534</u>
Investment income	<u>25,000</u>	<u>11,322</u>	<u>(13,678)</u>	<u>13,489</u>
Miscellaneous				
Donations/grants	24,710	32,368	7,658	4,224
Police calendar sales	1,500	1,508	8	531
Recycled materials	103,290	103,286	(4)	39,145
Other	49,000	38,439	(10,561)	68,912
Total miscellaneous	<u>178,500</u>	<u>175,601</u>	<u>(2,899)</u>	<u>112,812</u>
<b>Total revenues</b>	<u>3,116,290</u>	<u>2,985,217</u>	<u>(131,073)</u>	<u>2,945,096</u>

**CITY OF YOAKUM, TEXAS**

**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

*For the year ended September 30, 2010*

*With comparative totals for the year ended September 30, 2009*

	2010			2009
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES</b>				
<b>General government</b>				
Administrative and finance				
Personnel	\$ 259,800	\$ 259,209	\$ 591	\$ 238,450
Supplies	10,500	8,575	1,925	8,639
Services	33,180	30,196	2,984	30,377
Maintenance	5,000	7,188	(2,188)	4,708
Other	7,100	3,680	3,420	6,555
Total administrative and finance	<u>315,580</u>	<u>308,848</u>	<u>6,732</u>	<u>288,729</u>
Building maintenance				
Personnel	53,630	53,358	272	49,231
Supplies	3,800	2,840	960	2,614
Services	33,900	33,391	509	31,241
Maintenance	30,340	20,143	10,197	14,555
Capital outlay	-	-	-	36,745
Total building maintenance	<u>121,670</u>	<u>109,732</u>	<u>11,938</u>	<u>134,386</u>
Inspection/code enforcement				
Personnel	43,370	43,043	327	40,177
Supplies	3,860	3,480	380	4,438
Services	12,350	12,544	(194)	7,202
Maintenance	450	107	343	723
Other	3,040	1,346	1,694	2,704
Total inspection/code enforcement	<u>63,070</u>	<u>60,520</u>	<u>2,550</u>	<u>55,244</u>
Economic development				
Personnel	100,300	100,829	(529)	92,056
Supplies	1,020	527	493	865
Services	4,000	3,800	200	3,860
Other	5,500	4,117	1,383	6,606
Total economic development	<u>110,820</u>	<u>109,273</u>	<u>1,547</u>	<u>103,387</u>
Non-departmental				
Insurance	30,000	22,988	7,012	25,043
Audit	19,450	14,650	4,800	19,450
Legal services	6,740	4,225	2,515	3,360
Community center	16,000	9,697	6,303	25,530
Sundry charges	18,250	9,426	8,824	14,011
Museum contribution	9,000	9,000	-	9,000
Other contributions	36,050	40,596	(4,546)	37,304

**CITY OF YOAKUM, TEXAS**

**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

*For the year ended September 30, 2010*

*With comparative totals for the year ended September 30, 2009*

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
<b>EXPENDITURES - (Continued)</b>				
<b>General government - (continued)</b>				
Non-departmental - (continued)				
Senior citizen project	\$ 1,000	\$ 779	\$ 221	\$ 1,097
Total non-departmental	<u>136,490</u>	<u>111,361</u>	<u>25,129</u>	<u>134,795</u>
Total general government	<u>747,630</u>	<u>699,734</u>	<u>47,896</u>	<u>716,541</u>
<b>Public safety</b>				
Police				
Personnel	945,200	933,908	11,292	857,638
Supplies	45,690	34,632	11,058	31,757
Services	31,540	34,009	(2,469)	26,323
Maintenance	25,690	22,041	3,649	29,089
Other	9,400	5,801	3,599	7,035
Capital outlay	<u>130,970</u>	<u>113,041</u>	<u>17,929</u>	<u>116,016</u>
Total police	<u>1,188,490</u>	<u>1,143,432</u>	<u>45,058</u>	<u>1,067,858</u>
Municipal court				
Personnel	14,040	13,271	769	12,950
Supplies	500	377	123	-
Maintenance	1,500	1,607	(107)	-
Other	<u>1,800</u>	<u>278</u>	<u>1,522</u>	<u>895</u>
Total municipal court	<u>17,840</u>	<u>15,533</u>	<u>2,307</u>	<u>13,845</u>
Fire/ambulance				
Personnel	635,100	624,521	10,579	584,341
Supplies	38,960	33,121	5,839	39,106
Services	35,700	34,465	1,235	31,284
Maintenance	44,890	41,163	3,727	46,007
Other	14,760	14,736	24	19,789
Capital outlay	<u>76,600</u>	<u>67,834</u>	<u>8,766</u>	<u>119,158</u>
Total fire/ambulance	<u>846,010</u>	<u>815,840</u>	<u>30,170</u>	<u>839,685</u>
Total public safety	<u>2,052,340</u>	<u>1,974,805</u>	<u>77,535</u>	<u>1,921,388</u>

**CITY OF YOAKUM, TEXAS**

**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**BUDGET (GAAP BASIS) AND ACTUAL**

*For the year ended September 30, 2010*

*With comparative totals for the year ended September 30, 2009*

	2010			2009
	Final Budget	Actual	Variance Positive (Negative)	Actual
<b>EXPENDITURES - (Continued)</b>				
<b>Public works</b>				
Streets				
Personnel	\$ 269,250	\$ 273,027	\$ (3,777)	\$ 250,155
Supplies	18,480	16,580	1,900	15,065
Services	2,900	2,581	319	13,674
Maintenance	56,430	43,662	12,768	35,454
Other	1,800	1,794	6	1,320
Capital outlay	392,460	382,986	9,474	212,056
Total streets	<u>741,320</u>	<u>720,630</u>	<u>20,690</u>	<u>527,724</u>
Solid waste				
Personnel	384,730	366,732	17,998	332,812
Supplies	40,140	40,139	1	36,108
Services	741,300	730,381	10,919	614,539
Maintenance	46,110	41,065	5,045	36,761
Other	690	251	439	162
Capital outlay	-	-	-	108,582
Total sanitation	<u>1,212,970</u>	<u>1,178,568</u>	<u>34,402</u>	<u>1,128,964</u>
Total public works	<u>1,954,290</u>	<u>1,899,198</u>	<u>55,092</u>	<u>1,656,688</u>
<b>Cultural and recreation</b>				
Parks and recreation				
Personnel	338,300	320,602	17,698	310,861
Supplies	40,510	36,407	4,103	43,163
Services	61,300	51,745	9,555	75,855
Maintenance	38,300	42,205	(3,905)	35,356
Other	10,500	8,771	1,729	9,364
Capital outlay	31,500	29,314	2,186	5,321
Total parks and recreation	<u>520,410</u>	<u>489,044</u>	<u>31,366</u>	<u>479,920</u>
Library				
Personnel	57,250	50,340	6,910	52,804
Supplies	10,260	9,107	1,153	6,559
Services	14,100	12,351	1,749	12,291
Maintenance	9,190	7,820	1,370	12,636
Other	2,800	2,170	630	1,170
Capital outlay	3,700	-	3,700	-
Total library	<u>97,300</u>	<u>81,788</u>	<u>15,512</u>	<u>85,460</u>
Total cultural and recreation	<u>617,710</u>	<u>570,832</u>	<u>46,878</u>	<u>565,380</u>
<b>Total expenditures</b>	<u>5,371,970</u>	<u>5,144,569</u>	<u>227,401</u>	<u>4,859,997</u>

**CITY OF YOAKUM, TEXAS**

*MAJOR GOVERNMENTAL FUNDS - GENERAL FUND*

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE*

*BUDGET (GAAP BASIS) AND ACTUAL*

*For the year ended September 30, 2010*

*With comparative totals for the year ended September 30, 2009*

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
Excess (deficiency) of revenues over expenditures	\$ (2,255,680)	\$ (2,159,352)	\$ 96,328	\$ (1,914,901)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,370,230	2,175,228	(195,002)	2,238,352
Transfers out	(123,290)	(132,010)	(8,720)	(225,129)
<b>Total other financing sources (uses)</b>	<u>2,246,940</u>	<u>2,043,218</u>	<u>(203,722)</u>	<u>2,013,223</u>
Net change in fund balance	<u>\$ (8,740)</u>	(116,134)	<u>\$ (107,394)</u>	98,322
Fund balance at beginning of year		<u>1,564,060</u>		<u>1,465,738</u>
<b>Fund balance at end of year</b>		<u>\$ 1,447,926</u>		<u>\$ 1,564,060</u>

(concluded)

## **ENTERPRISE FUND**

Enterprise Funds account for the acquisition, operations, and maintenance of the City's facilities and services which are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. All activities necessary to provide services are accounted for in this fund, including, but not limited to, administration, operations, and maintenance. Debt service amounts are also included.

**Utility Fund** - Records transactions relative to the provision of water, wastewater, and electric services to the residents of the City.

**CITY OF YOAKUM, TEXAS****MAJOR ENTERPRISE FUND - UTILITY FUND****BALANCE SHEET**

September 30, 2010

With comparative totals for September 30, 2009

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,705,957	\$ 4,621,269
Receivables (net)		
Accounts	1,497,391	1,550,090
Other	7,372	5,210
Inventory	311,307	309,763
Restricted assets		
Cash and cash equivalents	<u>4,946,546</u>	<u>5,595,109</u>
Total current assets	<u>11,468,573</u>	<u>12,081,441</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,078,457	1,030,836
Buildings and improvements	240,434	240,434
Water works system	4,743,453	4,668,628
Sewer system	7,264,977	7,264,977
Electric system	<u>2,832,475</u>	<u>2,806,239</u>
Total depreciable capital assets	16,159,796	16,011,114
Less: Accumulated depreciation	<u>9,351,612</u>	<u>8,955,575</u>
Subtotal	6,808,184	7,055,539
Land	3,838	3,838
Construction in progress	<u>3,348,462</u>	<u>2,356,804</u>
Net capital assets	<u>10,160,484</u>	<u>9,416,181</u>
Bond issue costs (net)	<u>236,592</u>	<u>252,657</u>
Total noncurrent assets	<u>10,397,076</u>	<u>9,668,838</u>
<b>Total assets</b>	<u>21,865,649</u>	<u>21,750,279</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	983,564	878,404
Accrued expenses	34,935	35,886
Deposits	182,038	176,604
Accrued compensated absences	8,879	8,379
Accrued interest payable	5,010	5,908
Current portion of bonds and certificates payable	<u>415,000</u>	<u>410,000</u>
Total current liabilities	<u>1,629,426</u>	<u>1,515,181</u>

**CITY OF YOAKUM, TEXAS**  
**MAJOR ENTERPRISE FUND - UTILITY FUND**  
**BALANCE SHEET**  
*September 30, 2010*  
*With comparative totals for September 30, 2009*

	<u>2010</u>	<u>2009</u>
<b>LIABILITIES - (Continued)</b>		
Noncurrent liabilities		
Accrued compensated absences	\$ 79,914	\$ 75,419
Bonds and certificates payable (net of deferred amounts)	<u>7,979,714</u>	<u>8,388,657</u>
Total noncurrent liabilities	<u>8,059,628</u>	<u>8,464,076</u>
<b>Total liabilities</b>	<u>9,689,054</u>	<u>9,979,257</u>
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt	6,712,316	6,206,725
Unrestricted net assets	<u>5,464,279</u>	<u>5,564,297</u>
<b>Total net assets</b>	<u>\$ 12,176,595</u>	<u>\$ 11,771,022</u>

**CITY OF YOAKUM, TEXAS**  
**MAJOR ENTERPRISE FUND - UTILITY FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL**  
For the year ended September 30, 2010  
With comparative totals for the year ended September 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
<b>OPERATING REVENUES</b>				
Electric service	\$ 8,072,280	\$ 8,129,833	\$ 57,553	\$ 8,445,530
Water service	945,000	892,901	(52,099)	1,092,337
Sewer service	700,000	663,173	(36,827)	710,891
Service taps	15,000	7,450	(7,550)	18,704
Penalties	100,000	92,575	(7,425)	103,770
Service charges	20,000	15,820	(4,180)	17,120
Recovery funds	-	-	-	48,803
Miscellaneous	27,320	46,554	19,234	23,182
<b>Total operating revenues</b>	<b>9,879,600</b>	<b>9,848,306</b>	<b>(31,294)</b>	<b>10,460,337</b>
<b>OPERATING EXPENSES</b>				
General and administrative				
Personnel	327,600	328,938	(1,338)	305,891
Supplies	30,990	31,095	(105)	28,632
Services	33,660	35,320	(1,660)	22,247
Maintenance	3,720	4,299	(579)	2,354
Other	2,500	1,760	740	2,600
Bad debts	45,000	50,778	(5,778)	41,219
Capital outlay	-	-	-	66,823
<b>Total general and administrative</b>	<b>443,470</b>	<b>452,190</b>	<b>(8,720)</b>	<b>469,766</b>
Electric				
Personnel	274,200	257,152	17,048	246,341
Supplies	10,330	9,148	1,182	9,373
Cost of power	5,453,340	5,253,942	199,398	5,589,364
Services	82,990	85,555	(2,565)	69,901
Maintenance	61,950	59,023	2,927	50,956
Other	8,480	7,501	979	6,096
Capital outlay	61,900	37,561	24,339	21,573
<b>Total electric</b>	<b>5,953,190</b>	<b>5,709,882</b>	<b>243,308</b>	<b>5,993,604</b>
Water				
Personnel	301,350	249,320	52,030	254,533
Supplies	62,840	50,729	12,111	74,217
Services	66,080	59,149	6,931	66,404
Maintenance	154,390	143,587	10,803	71,783
Other	6,770	3,427	3,343	5,326
Capital outlay	-	-	-	-
<b>Total water</b>	<b>591,430</b>	<b>506,212</b>	<b>85,218</b>	<b>472,263</b>

**CITY OF YOAKUM, TEXAS**  
**MAJOR ENTERPRISE FUND - UTILITY FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL**  
*For the year ended September 30, 2010*  
*With comparative totals for the year ended September 30, 2009*

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
<b>OPERATING EXPENSES - (Continued)</b>				
Sewer				
Personnel	\$ 316,650	\$ 301,904	\$ 14,746	\$ 301,263
Supplies	25,980	20,381	5,599	20,583
Services	111,500	106,609	4,891	117,009
Maintenance	55,750	57,898	(2,148)	48,840
Other	2,200	2,535	(335)	1,487
Capital outlay	53,220	33,018	20,202	54,698
Total sewer	<u>565,300</u>	<u>522,345</u>	<u>42,955</u>	<u>543,880</u>
Warehouse				
Personnel	62,310	64,151	(1,841)	58,581
Supplies	2,990	1,689	1,301	1,985
Services	10,800	8,522	2,278	10,581
Maintenance	1,500	949	551	679
Other	700	240	460	239
Capital outlay	35,910	35,904	6	148,002
Total warehouse	<u>114,210</u>	<u>111,455</u>	<u>2,755</u>	<u>220,067</u>
Garage				
Personnel	109,050	108,953	97	102,128
Supplies	5,700	3,930	1,770	3,717
Services	3,200	2,619	581	2,498
Maintenance	9,800	9,066	734	4,320
Other	300	86	214	232
Capital outlay	-	-	-	-
Total garage	<u>128,050</u>	<u>124,654</u>	<u>3,396</u>	<u>112,895</u>
<b>Total operating expenses</b>	<u>7,795,650</u>	<u>7,426,738</u>	<u>368,912</u>	<u>7,812,475</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	2,083,950	2,421,568	337,618	2,647,862
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	100,000	120,628	20,628	148,064
Contingency	(22,820)	-	22,820	-
Bond principal, interest, and fiscal charges	<u>(457,260)</u>	<u>(462,820)</u>	<u>(5,560)</u>	<u>(281,293)</u>
Total nonoperating revenues (expenses)	<u>(380,080)</u>	<u>(342,192)</u>	<u>37,888</u>	<u>(133,229)</u>

**CITY OF YOAKUM, TEXAS**  
**MAJOR ENTERPRISE FUND - UTILITY FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**  
**BUDGET (NON-GAAP BASIS) AND ACTUAL**  
For the year ended September 30, 2010  
With comparative totals for the year ended September 30, 2009

	2010		Variance Positive (Negative)	2009
	Final Budget	Actual		Actual
Income (loss) before transfers	\$ 1,703,870	\$ 2,079,376	\$ 375,506	\$ 2,514,633
Transfers				
Transfers in	346,060	253,840	(92,220)	280,660
Transfers out	<u>(2,049,930)</u>	<u>(2,030,815)</u>	<u>19,115</u>	<u>(2,248,122)</u>
Net transfers in (out)	<u>(1,703,870)</u>	<u>(1,776,975)</u>	<u>(73,105)</u>	<u>(1,967,462)</u>
Change in net assets - (NON-GAAP BUDGETARY BASIS)	<u>\$ -</u>	302,401	<u>\$ 302,401</u>	547,171
<b>ADJUSTMENTS</b>				
To adjust for principal payments on long-term debt		410,000		210,000
To adjust for capital expenses		105,275		220,321
To adjust for amortization expense		(16,066)		(10,685)
To adjust for depreciation expense		<u>(396,037)</u>		<u>(387,519)</u>
Change in net assets - (GAAP BASIS)		405,573		579,288
Total net assets at beginning of year		<u>11,771,022</u>		<u>11,191,734</u>
<b>Total net assets at end of year</b>		<u>\$ 12,176,595</u>		<u>\$ 11,771,022</u>

(concluded)

## **OVERALL COMPLIANCE SECTION**



CERTIFIED PUBLIC ACCOUNTANTS  
101 S. MAIN, SUITE 400  
VICTORIA, TEXAS 77901-8142

STEPHEN W. VAN MANEN, CPA  
HAMILTON H. REDMON, CPA  
DENNIS C. CIHAL, CPA  
ERIC L. KUCERA, CPA  
CLAYTON P. VAN PELT, CPA  
ROBERT W. SCHAAR, CPA  
MELISSA M. TERRY, CPA

VOICE: (361) 573-3255  
FAX: (361) 573-9531

**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**

The Honorable Mayor and Members  
of the City Council  
City of Yoakum, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Yoakum, Texas (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 2, 2012. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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.

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

During the course of our engagement we prepared material adjustments to the City's financial records in order for the financial statements to be in accordance with GAAP. The City's employees also lack the financial expertise to prepare the year-end financial statements in accordance with GAAP. Also, there is inadequate segregation of duties within the business office.

Management has reviewed the findings described above and concurs with them. Their response to the findings is that additional staff will be employed in order to alleviate this condition.

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

The Honorable Mayor and Members  
of the City Council

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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*.

The City's response to the findings identified in our audit is described above. We did not audit the City's response and, accordingly, we express no opinion on it.

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

*Harrison, Waldrop & Uheuk, LLP*  
April 2, 2012