

**CITY OF ANNA, TEXAS**

**Financial Statements  
(With Auditor's Report Thereon)**

**September 30, 2008**

**CITY OF ANNA**  
 Annual Financial Report  
 For the Year Ended September 30, 2008

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor  
and Members of the City Council  
**City of Anna**  
Anna, Texas 75454

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Anna, Texas, as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the individual fund statements of the City of Anna, Texas as of and for the year ended September 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Anna. Our responsibility is to express an opinion on these financial statements based on our audit. The City of Anna's financial statements as of and for the year ended September 30, 2007 were audited by other auditors which issued an unqualified opinion dated April 2, 2008.

We conducted our audit in accordance with auditing standards generally accepted in 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 opinion.

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 units, each major fund, and the aggregate remaining fund information of the City of Anna, Texas, at September 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the Water and Sewer Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor  
and Members of the City Council  
Page Two

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*/s/ Pingleton, Howard & Company, P.C.*

January 23, 2009

## Management's Discussion and Analysis

As management of the City of Anna, we offer readers of the City of Anna's financial statements this narrative overview and analysis of the financial activities of the City of Anna for the fiscal year ended September 30, 2008. All amounts, unless otherwise indicated, are expressed in actual dollars.

### Financial Highlights

- The assets of the City of Anna exceeded its liabilities at the close of the most recent fiscal year by \$27,116,450. Of this amount, \$3,990,491, (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$465,034.
- As of the close of the current fiscal year, the City of Anna's governmental funds reported combined ending fund balances of \$2,310,459, a decrease of \$(1,294,726) in comparison with the prior year. Most of the decrease is due to capital outlay for parks. Of the fund balance, \$1,706,011 is available for spending at the government's discretion (*unreserved fund balance*), and \$604,448 is reserved for construction, debt service, fire department and parks.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$1,706,011 or 60 percent of total general fund expenditures.
- The City of Anna's long-term debt increased by \$6,825,289 during the current fiscal year.
- The City of Anna's capital assets increased by \$5,598,186 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Anna's basic financial statements. The City of Anna's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the City of Anna'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 of Anna is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. 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 taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Anna 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 of Anna include general government, public safety, transportation, and recreation. The business-type activities of the City of Anna include the water and sewer system.

The government-wide financial statements include not only the City of Anna itself (known as the primary government), but also legally separate economic and community development corporations. Financial information for these component units are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-15 of this report.

**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 of Anna, 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 of Anna 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*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Anna maintains three governmental type funds: general, capital projects and debt service. Information is presented separately for each fund in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for governmental funds..

The City of Anna adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

**Proprietary funds.** The City of Anna maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Anna uses an enterprise fund to account for its Water and Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer operations, which is considered to be a major fund of the City of Anna.

The basic proprietary fund financial statements can be found on pages 21-24 of this report.

**Notes to the 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 25-53 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 of Anna, assets exceed liabilities by \$27,116,450 at the close of the most recent fiscal year.

A portion of the City of Anna’s net assets (83 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Anna uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Anna’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.

An additional portion of the city of Anna’s net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$3,990,491 may be used to meet the government’s ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Anna is able to report positive balances in all three categories of net assets for the government as a whole.

**CITY OF ANNA - Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 2,543,636	3,797,454	10,937,897	6,267,508	13,481,533	10,064,962
Capital assets	14,492,107	13,167,850	24,999,462	22,065,980	39,491,569	35,233,830
Total assets	17,035,743	16,965,304	35,937,359	28,333,488	52,973,102	45,298,792
Long-term liabilities	4,328,346	4,253,411	20,317,923	12,970,863	24,646,269	17,224,274
Other liabilities	107,840	348,843	1,102,543	1,074,259	1,210,383	1,423,102
Total liabilities	4,436,186	4,602,254	21,420,466	14,045,122	25,856,652	18,647,376
Net assets:						
Invested in capital assets, net of						
related debt	10,198,800	8,668,047	12,322,711	8,753,370	22,521,511	17,421,417
Restricted	604,448	439,232		4,800,338	604,448	5,239,570
Unrestricted	1,796,309	3,255,771	2,194,182	734,658	3,990,491	3,990,429
Total net assets	\$ 12,599,557	12,363,050	14,516,893	14,288,366	27,116,450	26,651,416

## CITY OF ANNA - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 346,338	385,568	2,949,574	2,476,783	3,295,912	2,862,351
Operating grants and contributions		174,709	291,620		291,620	174,709
Capital grants and contributions	439,869	951,947	250,000	402,480	689,869	1,354,427
General revenues:						
Property taxes	2,076,426	1,537,396			2,076,426	1,537,396
Other taxes	576,047	588,919			576,047	588,919
Other	<u>98,499</u>	<u>394,986</u>	<u>81,870</u>	<u>557,651</u>	<u>180,369</u>	<u>952,637</u>
Total revenues	<u>3,537,179</u>	<u>4,033,525</u>	<u>3,573,064</u>	<u>3,436,914</u>	<u>7,110,243</u>	<u>7,470,439</u>
Expenses:						
General government	746,640	705,849			746,640	705,849
Public Safety	1,192,460	1,016,865			1,192,460	1,016,865
Development	376,867	809,264			376,867	809,264
Streets	746,413	741,121			746,413	741,121
Parks	34,362	23,648			34,362	23,648
Interest on long-term debt	203,930	172,343			203,930	172,343
Water & Sewer			<u>3,344,537</u>	<u>3,019,600</u>	<u>3,344,537</u>	<u>3,019,600</u>
Total expenses	<u>3,300,672</u>	<u>3,469,090</u>	<u>3,344,537</u>	<u>3,019,600</u>	<u>6,645,209</u>	<u>6,488,690</u>
Increase(decrease) in net assets	236,507	564,435	228,527	417,314	465,034	981,749
Net assets - beginning	<u>12,363,050</u>	<u>11,798,615</u>	<u>14,288,366</u>	<u>13,871,052</u>	<u>26,651,416</u>	<u>25,669,667</u>
Net assets - ending	\$ <u>12,599,557</u>	<u>12,363,050</u>	<u>14,516,893</u>	<u>14,288,366</u>	<u>27,116,450</u>	<u>26,651,416</u>

The following key elements influenced the changes in net assets from the prior year:

### Governmental Activities:

- Property tax increased by \$539,030 (35 percent).
- Capital grants decreased \$512,078.

## Business-type Activities

Business-type activities increased the City of Anna's net assets by \$228,527.

- Water and sewer revenues increased by \$472,791 (19 percent).
- Operating expenses increased by \$324,937 (10 percent).

## **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the City of Anna'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 of Anna's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

As the end of the current fiscal year, the City of Anna's governmental funds reported combined ending fund balance of \$2,310,459, a decrease of \$(1,294,726) from the prior year. Most of the decrease is due to capital outlay for parks. Of the current combined ending fund balance, \$1,706,011 is unreserved and not designated and \$604,448 is reserved for construction, debt service, fire department and parks.

The general fund is the chief operating fund of the City of Anna. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,706,011. Total unreserved general fund balance represents 60% of total general fund expenditures.

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

Total net assets of the Enterprise Funds at the end of the year amounted to \$14,516,893. The total increase in net assets of the Enterprise Funds was \$228,527. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Anna's business type activities.

## **General Fund Budgetary Highlights**

During the year, revenues were less than budgetary estimates and expenditures exceeded budgetary estimates. The budget had called for a \$1,540 increase in unreserved general fund balance. The decrease in unreserved general fund balance was actually \$180,439, a decrease of \$181,979 from budget projections.

## **Capital Asset and Debt Administration**

**Capital assets.** The City of Anna's investment in capital assets for its governmental and business-type activities as of September 30, 2008, amounts to \$39,491,569 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, and equipment.

Major capital asset events during the current fiscal year included the following:

- Park improvements of \$1,393,801.
- Street and drainage additions of \$1,294,376.
- Business-type activity additions to construction in progress of \$3,370,909.

Additional information on the City of Anna's capital assets can be found in note 3.C. on pages 33-34 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Anna had bonded debt outstanding of \$24,393,750. All of this amount comprises debt backed by the full faith and credit of the City.

The City of Anna's long-term debt increased by \$6,825,289 during the current fiscal year.

Additional information on the City of Anna's long-term debt can be found in note 3.F. on pages 35-50 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

### **GENERAL FUND**

Total revenue in the FY 2009 General Fund Budget is \$2,962,411 which is a 10.34% increase over the FY 2008 budgeted revenue. Total expenditures are budgeted at \$2,962,411. The major revenue sources and expenditures with their underlying assumptions for the proposed budget are as follows:

#### **Total Revenue - \$2,962,411**

##### *Current Year Tax Levy - \$1,840,807*

The City received the certified tax roll from Collin County. The certified taxable value for 2008 is \$383,935,013. The total tax rate proposed in the budget is \$0.575 which is the same tax rate that was approved in FY 2007. Of that rate, \$0.479458 is dedicated to general fund maintenance and operations.

##### *Sales Tax - \$338,650*

In FY 2009 11% of the General Fund budget will be funded by sale tax receipts. The City continues to see a steady growth in sales tax with the increase in new commercial and retail development. The full impact of the opening of Brookshire's will be more discernable after the beginning of the budget year.

##### *Franchise Tax - \$305,000*

These are fees that are collected for the use of our rights-of-way by electric, cable, telephone, gas and other utility companies. There has been considerable change over the past few years with regard to the regulation of these fees, especially in the telecommunications industry. Population growth and the number of new connections will generate a modest revenue increase.

##### *Development Revenue - \$314,319*

Development Fees include building permits, zoning and subdivision plat applications, and other development related permits and fees. Though the volume of residential permits is down considerably, growth in the commercial sector has helped to offset some of the revenue loss.

##### *Municipal Court - \$42,350*

These revenues are associated with citations issued through the police department and code enforcement. With our community policing philosophy we do not depend on court fines as a substantial source of revenue.

##### *Interest - \$50,000*

The City collects interest from revenue deposited in our bank accounts and from other investments. Given the current market and low interest rates, we do not anticipate an increase in interest revenue for the coming year.

#### **Total Expenditures - \$2,962,411**

The FY 08 proposed budget includes a 10.6% increase in General Fund expenditures. The budget provides for the increased demand in service levels and allows for adjustments to the employee compensation plan.

Employee Compensation

In an effort to maintain a reasonable but competitive employee compensation package, staff has developed an employee classification and pay plan. The challenge is to maintain pay at a competitive level so that the City can continue to recruit and retain qualified employees which in-turn, decreases training costs, downtime and turnover. The City's plan is based in part on the compensation provided to employees in comparable positions in other cities that are in a market position similar to Anna.

The budget proposes a 3 to 5 percent cost of living and market adjustment for all civilian employees depending on tenure and a comparison of current pay to the market pay mid-point for each position. We are also budgeting a 15% salary increase for full-time fire department employees. For the certified police officers, we are proposing a step program that provides for a scheduled salary increase based on tenure and satisfactory performance of each officer. The proposed budget will increase officer salary ½ the distance to their FY 2009 step on October 1, and fund the full FY 2009 step on each officer's hire anniversary date. Step increases in future years will become effective on the hire anniversary date.

We are not proposing any additional positions in the general fund. We are proposing to fund ½ of the Assistant to the City Manager position with contributions from the City's two economic development corporations. This employee will be expected to spend ½ of his or her time working on economic development initiatives. The position has been vacant since November 2007.

**UTILITY FUND:**

The City has historically depended on impact fee revenues to pay about 2/3 of the outstanding water & sewer debt. Impact fee revenue has fallen dramatically over the past 3 years. By the end of FY 2009 we anticipate that the impact fee revenue we have accumulated to date will be nearly depleted and will not cover the required debt payments in the future. Impact fees are an unreliable source of revenue especially in this uncertain housing market. We have discussed previously with the Council the need to adjust the water and sewer rates to cover all of our operating costs, including all debt payments. In order to cover our operating and continuing debt service obligations, we will recommend an increase in the water and sewer rates to take effect during FY 2009.

The major revenue sources and expenditures with their underlying assumptions for the proposed budget are as follows:

**Total Revenues - \$3,900,114**

Water Sales - \$2,004,582

This number is the projected sales revenue based on the proposed rate increase. This includes late penalties and NSF check charges.

Sewer Sales - \$1,150,137

This number is the projected sales revenue based on the proposed rate increase.

Sanitation Sales - \$560,783

This revenue is generated monthly from our customers for the provision of garbage and recyclables collection. These revenues are used to offset the contract costs that the City pays to Bradshaw and Son, and Waste Management for the provision of these services. The revenue is higher this year due to the recent rate increase for the commercial and new residential trash contracts.

Meter and Connection Fees - \$53,500

These fees include charges for each meter that is set in the ground for making connection to our water system, and administrative charges for setting up new utility accounts.

Interest Revenue - \$31,000

The City collects interest from revenue deposited in our bank accounts and from other investments. Given the current market and low interest rates, we do not anticipate an increase in interest revenue for the coming year.

**Total Expenditures - \$2,997,804**

The City of Anna operates its own water and wastewater treatment and distribution systems. The FY 2009 Utility Fund Budget represents a 10.7% increase from the previous year. This increase includes new expenditures for the purchase of treated surface water and contract payment to NTMWD for the treatment of wastewater. The budget allows us to address maintenance and repair issues of our existing system, and focus on employee compensation equity for our Public Works Department employees.

Employee Compensation

As part of the new employee classification and pay plan, several new position titles were created for employees in the Public Works Department. These changes were made to more fairly compensate employees for their regular work assignments and job responsibilities. The positions of Water Operator, Wastewater Operator, Equipment Operator, and Crew Leader have been added to the classification and pay plan.

Water Purchase

At the current time, all of the City's water supply comes from wells owned and operated by the City of Anna. Over the past several years, we have invested heavily in infrastructure that will provide surface water as a secondary water source. The City of Anna along with the Cities of Melissa, Van Alstyne, and Howe has constructed a water line that will allow us to purchase surface water from the North Texas Municipal Water District (NTMWD). Since the City of Melissa started taking surface water this year, the minimum "take-or-pay" provision of our contract with NTMWD has been triggered. As a result, the City will be charged approximately \$75,000 in FY 2009 for the minimum purchase of surface water. The City should be in a position to access our share of the water in the summer of 2009.

Wastewater Treatment Purchase

The City of Anna has participated with the City of Melissa in the construction of a major wastewater trunk line that will allow the City to direct a portion of the City's un-treated wastewater into the NTMWD wastewater treatment system. The current wastewater treatment plant is near capacity and we anticipate the need to re-direct some of our current flows into this new line which will be complete in late 2008 or early 2009. We are still negotiating with NTMWD on the discharge contract. We estimate the cost of the contract this year at just over \$120,000.

**Request for Information**

This financial report is designed to provide a general overview of the City of Anna's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, P. O. Box 409, Anna, Texas 75454.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF ANNA**  
Statement of Net Assets  
September 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,123,341	1,557,991	3,681,332
Receivables (net of allowance for uncollectibles)	143,063	222,200	365,263
Due from other funds	202,080		202,080
Deferred charges	75,152	360,614	435,766
Restricted cash and cash equivalents:			
Cash held by GTUA		7,631,999	7,631,999
Other restricted cash		1,165,093	1,165,093
Capital assets not being depreciated:			
Land	845,318	143,883	989,201
Construction in progress		7,966,168	7,966,168
Capital assets (net of accumulated depreciation):			
Park improvements	1,512,208		1,512,208
Buildings, machinery, and equipment	562,668	152,183	714,851
Streets and other infrastructure	11,571,913		11,571,913
Water and sewer system		<u>16,737,228</u>	<u>16,737,228</u>
Total assets	<u>17,035,743</u>	<u>35,937,359</u>	<u>52,973,102</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	82,840	260,870	343,710
Interest payable	25,000	190,813	215,813
Customer deposits		448,780	448,780
Due to other funds		202,080	202,080
Noncurrent liabilities:			
Due within one year	283,527	534,673	818,200
Due in more than one year	<u>4,044,819</u>	<u>19,783,250</u>	<u>23,828,069</u>
Total liabilities	<u>4,436,186</u>	<u>21,420,466</u>	<u>25,856,652</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,198,800	12,322,711	22,521,511
Restricted for:			
Parks	29,903		29,903
Fire Department	58,937		58,937
Capital projects	500,926		500,926
Debt service	14,682		14,682
Unrestricted and unreserved	<u>1,796,309</u>	<u>2,194,182</u>	<u>3,990,491</u>
Total net assets	<u>\$ 12,599,557</u>	<u>14,516,893</u>	<u>27,116,450</u>

The notes to the financial statements are an integral part of this statement.

<u>Component Units</u>	
<u>Economic Development</u>	<u>Community Development</u>

180,490	1,161,597
33,939	33,939

459,176

<u>673,605</u>	<u>1,195,536</u>
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7,490	54,153
<u>378,876</u>	<u>565,179</u>
<u>386,366</u>	<u>619,332</u>

<u>287,239</u>	<u>576,204</u>
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<u><u>287,239</u></u>	<u><u>576,204</u></u>
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**CITY OF ANNA**  
Statement of Activities  
For the Fiscal Year Ended September 30, 2008

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
Development	\$ 376,867	201,053		118,173
Highways and streets	746,413	491		
General government	746,640			
Police	804,344	13,959		
Fire	276,297	3,170		
Court	67,319	35,095		
Ambulance	44,500			
Parks	34,362	92,570		321,696
Interest on long-term debt	<u>203,930</u>			
Total governmental activities	<u>3,300,672</u>	<u>346,338</u>		<u>439,869</u>
Business-type activities:				
Water and sewer - operating	<u>3,344,537</u>	<u>2,949,574</u>	<u>291,620</u>	<u>250,000</u>
Total business-type activities	<u>3,344,537</u>	<u>2,949,574</u>	<u>291,620</u>	<u>250,000</u>
Total primary government	<u>\$ 6,645,209</u>	<u>3,295,912</u>	<u>291,620</u>	<u>689,869</u>
<b>Component units:</b>				
Economic development	\$ 95,727			
Community development	<u>126,010</u>			
Total component units	<u>\$ 221,737</u>			

**General revenues:**  
Property taxes  
Sales taxes  
Franchise taxes  
Investment earnings  
Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			Component Units	
Primary Government			Economic	Community
Governmental Activities	Business-type Activities	Total	Development	Development
(57,641)		(57,641)		
(745,922)		(745,922)		
(746,640)		(746,640)		
(790,385)		(790,385)		
(273,127)		(273,127)		
(32,224)		(32,224)		
(44,500)		(44,500)		
379,904		379,904		
<u>(203,930)</u>		<u>(203,930)</u>		
<u>(2,514,465)</u>		<u>(2,514,465)</u>		
	<u>146,657</u>	<u>146,657</u>		
	<u>146,657</u>	<u>146,657</u>		
<u>(2,514,465)</u>	<u>146,657</u>	<u>(2,367,808)</u>		
			(95,727)	
			<u>(95,727)</u>	(126,010)
				<u>(126,010)</u>
2,076,426		2,076,426		
348,632		348,632	174,318	174,318
227,415		227,415		
<u>98,499</u>	<u>81,870</u>	<u>180,369</u>	<u>1,281</u>	<u>16,754</u>
<u>2,750,972</u>	<u>81,870</u>	<u>2,832,842</u>	<u>175,599</u>	<u>191,072</u>
236,507	228,527	465,034	79,872	65,062
<u>12,363,050</u>	<u>14,288,366</u>	<u>26,651,416</u>	<u>207,367</u>	<u>511,142</u>
<u>\$ 12,599,557</u>	<u>14,516,893</u>	<u>27,116,450</u>	<u>287,239</u>	<u>576,204</u>

**CITY OF ANNA**  
 Balance Sheet  
 Governmental Funds  
 September 30, 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Government Funds</u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,607,733	500,926	14,682	2,123,341
Receivables (net of allowance for uncollectibles)	128,912		14,151	143,063
Due from other funds	<u>202,080</u>			<u>202,080</u>
Total assets	<u>\$ 1,938,725</u>	<u>500,926</u>	<u>28,833</u>	<u>2,468,484</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 82,840			82,840
Deferred revenue	<u>61,034</u>		<u>14,151</u>	<u>75,185</u>
Total liabilities	<u>143,874</u>		<u>14,151</u>	<u>158,025</u>
Fund balances:				
Reserved for:				
Parks	29,903			29,903
Fire department	58,937			58,937
Debt service			14,682	14,682
Capital improvements		500,926		500,926
Unreserved and undesignated:				
Reported in the general fund	<u>1,706,011</u>			<u>1,706,011</u>
Total fund balances	<u>1,794,851</u>	<u>500,926</u>	<u>14,682</u>	<u>2,310,459</u>
Total liabilities and Fund balances	<u>\$ 1,938,725</u>	<u>500,926</u>	<u>28,833</u>	<u>2,468,484</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ANNA**  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
September 30, 2008

<b>Total Fund Balances - Governmental Funds</b>	\$ 2,310,459
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,492,107
Accrued interest payable does not require the use of current financial resources and, therefore, are not reported in the governmental funds.	(25,000)
Prepaid debt issuance costs are not financial resources and, therefore, are not reported in the funds.	75,152
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,328,346)
Property taxes not received at year-end are shown as deferred income on the fund financial statements, but the amount should not be shown as a liability on the statement of net assets.	<u>75,185</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 12,599,557</u></b>

The notes to the financial statements are an integral part of this statement.

**CITY OF ANNA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2008

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Government Funds</u>
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,652,875		385,413	2,038,288
Sales	348,632			348,632
Franchise	277,415			227,415
Investment earnings	53,008	43,669	1,822	98,499
Court	35,095			35,095
Development	201,053			201,053
Police	13,959			13,959
Park	92,570			92,570
Street	491			491
Fire	3,170			3,170
Intergovernmental Grants		60,000 321,696		60,000 321,696
Local contributions		48,893		48,893
Other		<u>9,280</u>		<u>9,280</u>
Total revenues	<u>2,628,268</u>	<u>483,538</u>	<u>387,235</u>	<u>3,499,041</u>
<b>EXPENDITURES</b>				
Current:				
Administrative and general	724,235		400	724,635
Development	365,015			365,015
Police	818,469			818,469
Fire	224,150			224,150
Streets	129,305			129,305
Court	67,048			67,048
Ambulance	44,364			44,364
Parks	21,472			21,472
Capital outlay:				
Parks	407,556	1,608,716		2,016,272
Debt service:				
Principal retirement	37,126		185,000	222,126
Interest expense	<u>10,367</u>		<u>190,944</u>	<u>201,311</u>
Total expenditures	<u>2,849,107</u>	<u>1,608,716</u>	<u>376,344</u>	<u>4,834,167</u>
Excess of revenues over/(under) expenditures	<u>(220,839)</u>	<u>(1,125,178)</u>	<u>10,891</u>	<u>(1,335,126)</u>
<b>OTHER FINANCIAL SOURCES (USES)</b>				
Capital lease	<u>40,400</u>			<u>40,400</u>
Total other financing sources (uses)	<u>40,400</u>			<u>40,400</u>
Net change in fund balances	(180,439)	(1,125,178)	10,891	(1,294,726)
Fund balances - beginning	<u>1,975,290</u>	<u>1,626,104</u>	<u>3,791</u>	<u>3,605,185</u>
Fund balances - ending	<u>\$ 1,794,851</u>	<u>500,926</u>	<u>14,682</u>	<u>2,310,459</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ANNA**  
Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
September 30, 2008

**Total Net Change in Fund Balances - Governmental Funds** \$ (1,294,726)

Current year capital outlays of \$2,084,622 and long-term debt principal payments of \$222,126 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets. 2,306,748

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets. (2,619)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net assets. (760,365)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue of \$38,138 as revenue, reclassifying the proceeds of notes payable as an increase in notes payable \$(40,400), recognizing the increase in compensated absences payable of \$(10,269). The net effect of these reclassifications is to decrease net assets. (12,531)

**Change in Net Assets of Governmental Activities** \$ 236,507

The notes to the financial statements are an integral part of this statement.

**CITY OF ANNA**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Fiscal Year Ended September 30, 2008

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive <u>(Negative)</u>
<b>REVENUES:</b>			
Taxes:			
Property	\$ 1,648,383	1,652,875	4,492
Sales	275,000	348,632	73,632
Franchise	295,000	227,415	(67,585)
Court	42,350	35,095	(7,255)
Development	320,000	201,053	(118,947)
Police	10,000	13,959	3,959
Park	500	92,570	92,070
Street		491	491
Fire	1,580	3,170	1,590
Investment earnings	80,000	53,008	(26,992)
Other	<u>12,000</u>		<u>(12,000)</u>
Total revenues	<u>2,684,813</u>	<u>2,628,268</u>	<u>(56,545)</u>
<b>EXPENDITURES:</b>			
Administrative and general	720,164	724,235	(4,071)
Development	540,513	365,015	175,498
Fire	247,033	224,150	22,883
Ambulance	44,364	44,364	
Police	803,544	818,469	(14,925)
Court	74,162	67,048	7,114
Parks:			
Operations	58,000	21,472	36,528
Capital outlay		407,556	(407,556)
Street	148,000	129,305	18,695
Debt service:			
Interest	10,367	10,367	
Principal	<u>37,126</u>	<u>37,126</u>	
Total expenditures	<u>2,683,273</u>	<u>2,849,107</u>	<u>(165,834)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,540</u>	<u>(220,839)</u>	<u>(222,379)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital leases		<u>40,400</u>	<u>40,400</u>
Total other financing sources (uses)		<u>40,400</u>	<u>40,400</u>
Net change in fund balances	1,540	(180,439)	(181,979)
Fund balances - beginning	<u>1,975,290</u>	<u>1,975,290</u>	_____
Fund balances - ending	<u>\$ 1,976,830</u>	<u>1,794,851</u>	<u>(181,979)</u>

**CITY OF ANNA**  
Statement of Net Assets  
Proprietary Fund  
September 30, 2008

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 1,557,991
Accounts receivable (net of allowance for uncollectibles)	222,200
Restricted cash and cash equivalents:	
Cash held by GTUA	7,631,999
Other restricted cash	<u>1,165,093</u>
Total current assets	<u>10,577,283</u>
Noncurrent assets:	
Deferred charges	360,614
Capital assets:	
Land	143,883
Machinery and equipment	313,700
Water and sewer system	19,891,769
Construction in progress	7,966,168
Less: accumulated depreciation	<u>(3,316,058)</u>
Total capital assets	<u>24,999,462</u>
Total noncurrent assets	<u>25,360,076</u>
Total assets	<u><u>35,937,359</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable	260,870
Interest payable	190,813
Due to other funds	202,080
Customer deposits	448,780
Compensated absences	9,173
Current portion of long-term debt	<u>525,500</u>
Total current liabilities	<u>1,637,216</u>
Noncurrent liabilities:	
Bonds payable	<u>19,783,250</u>
Total noncurrent liabilities	<u>19,783,250</u>
Total liabilities	<u>21,420,466</u>

**NET ASSETS**

Investment in capital assets, net of related debt	12,322,711
Unrestricted	<u>2,194,182</u>
Total net assets	\$ <u><u>14,516,893</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ANNA**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2008

**OPERATING REVENUES**

Water income	\$ 1,419,188
Sewer income	850,091
Sanitation income	416,840
Meter connect and install fees	51,820
Water customer late fees	79,059
Miscellaneous revenue	126,026
Water and sewer tap fees	2,250
Developer fees	291,620
Grants	250,000
Sewer camera inspection fees	<u>4,300</u>
Total operating revenues	<u>3,491,194</u>

**OPERATING EXPENSES**

Water service	1,436,794
Sewer service	273,126
Sanitation service	364,442
Depreciation	<u>594,588</u>
Total operating expenses	<u>2,668,950</u>

**OPERATING INCOME**

822,244

**NON-OPERATING REVENUES/(EXPENSES):**

Interest income	81,870
Interest expense	(657,725)
Bond amortization	<u>(17,862)</u>
Total non-operating income/(loss)	<u>(593,717)</u>

Change in net assets	228,527
Net assets - beginning	<u>14,288,366</u>
Net assets - ending	<u>\$ 14,516,893</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ANNA**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2008

Cash flows from operating activities:	
Cash received from customers and users	\$ 3,495,601
Cash payments to suppliers	(511,839)
Cash payments to employees	<u>(1,432,447)</u>
Net cash provided by operating activities	<u>1,551,315</u>
Cash flows from noncapital financing activities:	
Advances from other funds	<u>1,147</u>
Net cash provided by noncapital financing activities	<u>1,147</u>
Cash flows from capital and related financing activities:	
Proceeds from capital debt	7,335,000
Bond issuance cost	(34,130)
Acquisition and construction of capital assets	(3,528,067)
Interest paid on capital debt	(640,494)
Principal paid on capital debt	<u>(338,863)</u>
Net cash provided for capital and related financing activities	<u>2,793,446</u>
Cash flows from investing activities:	
Interest received	<u>81,870</u>
Net cash provided by investing activities	<u>81,870</u>
Net increase in cash and cash equivalents	4,427,778
Cash and cash equivalents - beginning	<u>5,927,305</u>
Cash and cash equivalents - ending	\$ <u>10,355,083</u>

**CITY OF ANNA**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2008  
-continued-

Reconciliation of Net Income to Net Cash Provided  
by Operating Activities

Operating income	\$ <u>822,244</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	594,588
Decrease/(increase) in accounts receivable	(25,413)
Decrease/(increase) in accounts payable	129,467
Increase/(decrease) in compensated absences	609
Increase/(decrease) in customer deposits	<u>29,820</u>
Total adjustments	<u>729,071</u>
Net cash provided by operating activities	\$ <u>1,551,315</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF ANNA**  
Notes to the Financial Statements  
September 30, 2008

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Anna, Texas (the “City”) has adopted a Home Rule Charter that operates under a Council-Manager form of government. The City provides the following services; public safety, ambulance, streets, sanitation, planning and zoning, and general administrative services. Other services include water, sewer, and sanitation operations.

The financial statements of the City of Anna, Texas, have been prepared in conformity with accounting principles generally accepted (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, 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 GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity.

**Discretely Presented Component Units**

Based on the criterion stated above, the Anna Community Development Corporation (“CDC”) and the Anna Economic Development Corporation (“EDC”) are component units of the City. The CDC and EDC are nonprofit organizations established to act on behalf of the City of Anna under the Development Corporation Act of 1979, section 4B and 4A, respectively.

**B. Government-wide and Fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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.

**CITY OF ANNA**  
Notes to the Financial Statements  
September 30, 2008  
-continued-

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**B. 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.

**C. 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 government 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, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental funds:

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

**CITY OF ANNA**  
Notes to the Financial Statements  
September 30, 2008  
-continued-

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**C. Measurement focus, basis of accounting, and financial statement presentation**  
(continued)

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt of governmental funds.

The *capital projects fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

The government reports the following major proprietary fund:

The *Enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

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 Governmental Accounting Standards Board. 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 government 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 payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. 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 enterprise fund are charges to customers for sales and services. The enterprise 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 the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and Investments**

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments. Investments are stated at cost.

**2. Short-term Interfund Receivables/Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."

**3. Restricted Assets**

Certain resources are classified as restricted assets on the balance sheet because their use is limited.

**4. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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 cost 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. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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	20
Machinery and System infrastructure	35
Equipment	3-10
Streets	20

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**D. Assets, liabilities, and net assets or equity** (continued)

**5. Compensated Absences**

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation 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.

**6. Long-term Obligations**

In the government-wide financial statements, and 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

**7. 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 represent tentative management plans that are subject to change.

**8. Comparative data/reclassifications**

Comparative total data for the prior year have not been presented in the fund financial statements.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund and water and sewer fund. All annual appropriations lapse at fiscal year end.

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY** (continued)

**A. Budgetary Information** (continued)

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to September 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Water and Sewer Funds.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. At year end, encumbrances are canceled or reappropriated as part of the following year budget.

**B. Excess of Expenditures/Expenses Over Appropriations**

For the year ended September 30, 2008, expenditures exceeded appropriations in the General Fund (the legal level of budgetary control) by \$165,834. These over expenditures were funded by available fund balance.

Expenses in the Water and Sewer Fund exceeded appropriations by \$4,350. These excess expenses were funded by greater than anticipated revenues.

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

The EDC and CDC may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2008, the City's carrying amount of deposits was \$11,948,357 and the bank balance was \$4,315,958 and \$7,631,999 was held by the Greater Texoma Utility Authority. Of the bank balance, \$200,000 was covered by federal depository insurance and \$4,115,958 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**A. Deposits and Investments** (continued)

The carrying amount of deposits for the EDC, a discretely presented component unit, was \$180,490 and the bank balance was \$180,490. The bank balance was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the CDC, a discretely presented component unit, was \$962,791 and the bank balance was \$949,024. The bank balance was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **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 policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC) and pledged securities. The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. **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 investments are with the Texas Local Government Investment Pool ("TexPool"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. The City is not exposed to custodial credit risk for its investments.
- c. **Credit Risk -** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the City's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the City's investment in external investment pools is less than 60 days.

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**A. Deposits and Investments** (continued)

- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The City is not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the City's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the City's policy to not allow for a concentration of credit risk. Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The City is not exposed to concentration of credit risk.

At year end, the government's investment balances were as follows:

	Fair Value	
	City	C. D. C.
State Treasurer's investment pool (TexPool)	\$ 530,067	
Certificate of deposit, matures 10/12/08, 4.5% interest	_____	198,806
Total investments	\$ <u>530,067</u>	<u>198,806</u>

**B. Receivables**

Receivables at September 30, 2008 consisted of the following:

	Primary Government			Component Units	
	General Fund	Debt Service Fund	Enterprise Fund	Economic Development Corporation	Community Development Corporation
Property tax	\$ 61,034	14,151			
Sales tax	67,878		4,056	33,939	33,939
Other			150		
Utility bills			245,999		
Less: Allowance for uncollectibles			(28,005)		
Net receivables	\$ <u>128,912</u>	<u>14,151</u>	<u>222,200</u>	<u>33,939</u>	<u>33,939</u>

Property taxes are based on the appraised values provided by the Collin County Central Appraisal District. Taxes are levied by October 1 of each year. Unpaid property taxes become delinquent on February 1 of the following year. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years.

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**B. Receivables** (continued)

Property taxes are due in full on October 1 and there are no discounts granted. The assessed value as of January 1, 2007, upon which the 2007/2008 levy was based, was approximately \$383,964,945. The tax rate for fiscal year 2007/2008 was \$0.575 per \$100 of assessed valuation.

**C. Capital Assets**

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

	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 845,318			845,318
Construction in progress	851,463		(851,463)	
Depreciable assets:				
Park improvements	141,042	1,393,801		1,534,843
Buildings	148,761	179,567		328,328
Furniture & fixtures	69,898			69,898
Streets and drainage	12,207,129	1,294,376		13,501,505
Machinery & equipment	<u>724,485</u>	<u>68,341</u>		<u>792,826</u>
Totals at historical cost	14,988,096	2,936,085	(851,463)	17,072,718
Less accumulated depreciation	<u>(1,820,246)</u>	<u>(760,365)</u>		<u>(2,580,611)</u>
Governmental activities capital assets, net	<u>\$ 13,167,850</u>	<u>2,175,720</u>	<u>(851,463)</u>	<u>14,492,107</u>
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Business-type activities:				
Non-depreciable assets:				
Land	\$ 143,883			143,883
Construction in progress	4,595,259	3,370,909		7,966,168
Depreciable assets:				
Furniture	5,620			5,620
Buildings & improvements	42,897			42,897
Equipment	273,294	34,942	(14,503)	293,733
Water treatment system	5,994,665			5,994,665
Water and sewer system	<u>13,746,338</u>	<u>122,216</u>		<u>13,868,554</u>
Totals at historical cost	24,801,956	3,528,067	(14,503)	28,315,520
Less accumulated depreciation	<u>(2,735,973)</u>	<u>(594,588)</u>	<u>14,503</u>	<u>(3,316,058)</u>
Business-type activities capital assets, net	<u>\$ 22,065,983</u>	<u>2,933,479</u>	<u>0</u>	<u>24,999,462</u>
EDC component unit:				
Non-depreciable assets:				
Land	\$ 459,176			459,176
Component unit capital assets, net	<u>\$ 459,176</u>			<u>459,176</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**C. Capital Assets** (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Government activities:	
General government	\$ 19,450
Police	51,127
Inspections	9,680
Fire	50,925
Streets	616,429
Parks	<u>12,754</u>
Total depreciation expense - government activities	<u>\$ 760,365</u>
Business-type activities:	
Water and sewer	\$ <u>594,588</u>
Total depreciation expense - business-type activities	<u>\$ 594,588</u>

**D. Interfund Receivables and Payables**

Interfund balances at September 30, 2008 are as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Sewer	\$ <u>202,080</u>

**E. Capital Leases**

The City has entered into two capital lease agreements for equipment and vehicles. As of September 30, 2008, the equipment and vehicles leased under capital leases had a carrying value of \$138,890 which is included in the governmental activities on the Statement of Net Assets. Capital lease expenditures for 2008 were \$22,352, of which \$5,061 represented interest. Effective interest rates range from 5.0% to 5.3%. Pursuant to the terms of the capital lease agreements, the City will be required to make future minimum payments as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Governmental Activities</u>	
	<u>Fire</u> <u>Truck</u>	<u>Police</u> <u>Vehicles</u>
2009	\$ 22,352	14,857
2010	22,352	14,857
2011	22,352	14,857
2012	<u>22,352</u>	<u>          </u>
Future minimum lease payments	89,408	44,571
Less: amount representing interest	<u>(11,213)</u>	<u>(4,171)</u>
Present value of future minimum lease payments	<u>\$ 78,195</u>	<u>40,400</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt**

Long-term liability activity for governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Tax & Limited Surplus					
Revenue C/O	\$ 2,480,000		(100,000)	2,380,000	100,000
General Obligation					
Refunding & Tax C/O	1,790,000		(85,000)	1,705,000	90,000
Truck Note	109,547		(19,835)	89,712	20,140
Compensated					
Absences	24,770	35,039	(24,770)	35,039	35,039
Capital leases	<u>95,486</u>	<u>40,400</u>	<u>(17,291)</u>	<u>118,595</u>	<u>38,348</u>
Totals	<u>\$ 4,499,803</u>	<u>75,439</u>	<u>(246,896)</u>	<u>4,328,346</u>	<u>283,527</u>

The City has a note payable that financed the purchase of a fire truck. The note has a fixed interest rate of 5.625% with monthly payments until 2012.

	<u>Balance Outstanding</u>	<u>Due Within One Year</u>
	\$ 89,712	20,140

The City issued 2006 Combination Tax and Limited Surplus Revenue Certificates of Obligation to finance improvements to streets, parks and city hall. Interest rates range from 3.50% to 5.25%. Interest payments are due on February 15<sup>th</sup> and August 15<sup>th</sup>. Principal payments are due February 15<sup>th</sup> through 2026.

2,380,000	100,000
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The City issued 2007 General Obligation Refunding Bonds and Tax Certificates of Obligation. Interest rates range from 3.95% to 15.00%. Interest payments are due on February 15<sup>th</sup> and August 15<sup>th</sup>. Principal payments are due February 15<sup>th</sup> through 2027.

<u>1,705,000</u>	<u>90,000</u>
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Combined debt

\$ <u>4,174,712</u>	<u>210,140</u>
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**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

Annual governmental activities long-term debt service requirements are as follows:

Fiscal Year Ended	Note Payable		2006 Issue		2007 Issue	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 20,651	4,536	100,000	101,475	90,000	65,570
2010	21,842	3,345	100,000	97,975	95,000	61,916
2011	23,104	2,083	100,000	94,475	95,000	58,164
2012	24,115	1,072	105,000	90,888	100,000	54,313
2013			110,000	86,850	105,000	50,264
2014			110,000	82,450	105,000	46,116
2015			115,000	77,950	115,000	41,771
2016			120,000	73,250	120,000	37,130
2017			125,000	68,350	75,000	77,755
2018			130,000	63,250	40,000	117,750
2019			135,000	57,950	45,000	111,375
2020			140,000	52,450	50,000	104,250
2021			145,000	46,206	55,000	96,375
2022			155,000	39,081	70,000	88,000
2023			160,000	31,400	75,000	76,125
2024			170,000	23,150	95,000	63,375
2025			175,000	14,306	105,000	48,375
2026			185,000	4,856	125,000	31,125
2027					145,000	10,875
	<u>\$ 89,712</u>	<u>11,036</u>	<u>2,380,000</u>	<u>1,106,312</u>	<u>1,705,000</u>	<u>1,240,624</u>

Long-term liability activity for business-type activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type activities:					
General Water					
Revenue Bonds	\$ 32,000		(4,000)	28,000	4,000
General Obligation					
Enterprise bonds	41,000		(4,000)	37,000	4,000
Contractual					
Obligations	13,239,613	7,335,000	(330,863)	20,243,750	517,500
Compensated					
absences	8,564	9,173	(8,564)	9,173	9,173
Totals	\$ <u>13,321,177</u>	<u>7,344,173</u>	<u>(347,427)</u>	<u>20,317,923</u>	<u>534,673</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

The City has two long-term contractual obligations with Capmark Financial. The current principal obligations of these two 1976 Series revenue bonds are \$65,000, with an interest rate of 5%. Principal payments are due annually on May 1<sup>st</sup> and January 1<sup>st</sup>. Interest payments are due semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> and also on March 1<sup>st</sup> and September 1<sup>st</sup>. The City's obligation to Capmark Financial under the 1976 bonds expires with the retirement of the bonds in the fiscal year ending September 30, 2016.

Under the terms of long term water supply and sewer service contracts between the City and Greater Texoma Utility Authority (GTUA), the city recognizes that GTUA has an undivided ownership interest in the City's water system and sewer collection and treatment facility equivalent to the percentage of the total cost of the facility provided by GTUA through the issuance of GTUA bonds. The City has a contractual obligation to make payments specified by the contract to GTUA to pay the principal and interest on the bonds, maintain a Reserve Fund for the security and payment of bonds similarly secured, pay the administrative and overhead expenses of GTUA directly attributable to the bonds, and pay any extraordinary expenses incurred by GTUA in connection with the bonds. Under terms of the contracts the City's obligation to make payments to GTUA, as well as GTUA's Ownership interest in the facilities terminates, when all of GTUA's bonds issued in connection with construction of the facilities have been paid in full, are retired, and are no longer outstanding.

Collin Grayson Municipal Alliance Transmission Water Pipeline

On December 13, 2004, the City, along with the City of Van Alstyne, Howe, and Melissa, formed a group called the Collin Grayson Municipal Alliance ("CGMA"). CGMA entered into a long-term contractual obligation with GTUA for the purpose of providing funds for the construction of a transmission water pipeline that will provide water to CGMA cities. The cost of the pipeline is being funded in phases.

Each CGMA city is required to make payments to GTUA in an amount equivalent to 25% of the total obligation to cover their portion of the cost of the obligation until the pipeline project is complete and the water is pumping for three months. GTUA expects to begin pumping water to the CGMA cities in the summer of 2008. From the time water has been delivered to each CGMA city through the pipeline for three months and forward and while water continues to flow to each CGMA city, upon a monthly basis, the City shall be charged it's percentage or fraction share of debt service on the obligation based upon: the amount of water to be paid by the City under its water contract (i.e. the greater of its minimum take-or-pay amount or the actual amount of water taken) divided by the total amount of water to be paid by all CGMA cities. The sum of the four (4) fractional amounts shall always equal 100% of the debt service on the contractual obligation with GTUA. The billing rates for each City will be calculated to provide funds necessary to cover the contractual obligation, interest, repairs, maintenance, and production costs.

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

At the end of the contractual obligation with GTUA, the City will own an undivided interest in the transmission water pipeline based on the percentage of water it utilized and paid for during the contract term. Presently it appears that the undivided interest will be approximately 25% of the waterline. The contract will expire and the transfer of ownership will occur during the fiscal year ended September 30, 2040, as long as no new debt is issued.

Bonds payable at September 30, 2008 are comprised of the following individual issues for the Water and Sewer Fund:

	<u>Balance</u> <u>Outstanding</u>	<u>Due Within</u> <u>One Year</u>
1976 Junior Lien Waterworks & Sewer System Revenue Bonds, due in annual installments through September 30, 2014, bearing interest at 5.0%, payable March 1 and September 1.	\$ 28,000	4,000
1976 General Obligation Water Bonds, due in annual installments through September 30, 2016, bearing interest at 5.0%, payable January 1 and July 1.	37,000	4,000
1997 GTUA contract due in annual installments through September 30, 2018, bearing interest rates ranging from 3.35% to 5.5%, payable May 1 and November 1.	155,000	10,000
2000 GTUA contract due in annual installments through September 30, 2021, bearing interest rates ranging from 4.5% to 8.2%, payable May 1 and November 1.	540,000	30,000
2004 GTUA contract revenue bonds due in annual installments through September 30, 2019, bearing interest rates ranging from 2.5% to 6.0%, payable May 1 and November 1.	860,000	60,000
2005 GTUA refunding contractual obligation due in annual installments through September 30, 2028, bearing fixed interest rate of 4.42%, payable May 1 and November 1.	\$ 1,970,000	65,000

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

2005 GTUA contract issued due in annual installments through September 30, 2026, bearing fixed interest rate of 5.26%, payable May 1 and November 1.	\$ 2,610,000	75,000
Series 2006 GTUA contract revenue bonds due in annual installments through September 30, 2026, bearing interest rates ranging from 2.95% to 3.75%, payable June 1 and December 1.	1,975,000	80,000
Series 2007 GTUA contract revenue bonds due in annual installments through September 30, 2027, bearing interest rates ranging from 3.07% to 5.57%, payable May 1 and November 1.	755,000	25,000
2007 GTUA contract due in annual installments through September 30, 2027, bearing interest rates ranging from 3.07% to 5.57%, payable May 1 and November 1.	1,100,000	25,000
2007 GTUA contract due in annual installments through September 30, 2028, bearing interest rates ranging from 2.95% to 4.1%, payable June 1 and December 1.	2,325,000	80,000
2007 GTUA contract due in annual installments through September 30, 2032, bearing interest rates ranging from 3.07% to 5.62%, payable May 1 and November 1.	3,360,000	25,000
2008 GTUA contract due in annual installments through September 30, 2027, bearing interest of 5.14%, payable May 1 and November 1.	540,000	20,000
The original principal obligation for Phase I of the CGMA pipeline project was \$2,800,000 of which twenty-five percent (25%) or \$700,000 pertained to the City. The Phase I contract has interest rates varying between 2.29% and 5.74%. The City's obligation to GTUA under the Phase I contract expires with the retirement of the obligation in the fiscal year ending September 30, 2029.	\$ 637,500	17,500

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

The original principal obligation for Phase II of the CGMA pipeline project was \$8,675,000 of which twenty-five percent (25%) or \$2,168,750 pertained to the City. The Phase II contract has interest rates varying between 5.68% and 5.83%. Payments for this contract have been deferred until the fiscal year 2009. The City's obligation to GTUA under the Phase II contract expires with the retirement of the obligation in the fiscal year ending September 30, 2040.

\$ 2,168,750

The original principal obligation for Phase III of the CGMA pipeline project was \$5,000,000 of which twenty-five percent (25%) or \$1,250,000 pertained to the City. The Phase III contract has interest rates varying between 2.67% and 5.62%. The City's obligation to GTUA under the Phase III contract expires with the retirement of the obligation in the fiscal year ending September 30, 2036.

1,247,500                      5,000

Combined debt

\$ 20,308,750                      525,500

The annual requirements to amortize the long-term debt outstanding for business-type activities are as follows:

1976 Junior Lien Waterworks & Sewer System Revenue Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,000	1,400	5,400
2010	4,500	1,200	5,700
2011	4,500	975	5,475
2012	5,000	750	5,750
2013	5,000	500	5,500
2014	<u>5,000</u>	<u>250</u>	<u>5,250</u>
	<u>\$ 28,000</u>	<u>5,075</u>	<u>33,075</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

1976 General Obligation Water Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,000	1,750	5,750
2010	4,000	1,550	5,550
2011	4,500	1,338	5,838
2012	4,500	1,112	5,612
2013	5,000	875	5,875
2014	5,000	625	5,625
2015	5,000	375	5,375
2016	<u>5,000</u>	<u>125</u>	<u>5,125</u>
	<u>\$ 37,000</u>	<u>7,750</u>	<u>44,750</u>

1997 GTUA Contract

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 10,000	7,558	17,558
2010	15,000	6,963	21,963
2011	15,000	6,235	21,235
2012	15,000	5,496	20,496
2013	15,000	4,750	19,750
2014	15,000	3,996	18,996
2015	15,000	3,235	18,235
2016	15,000	2,466	17,466
2017	20,000	1,560	21,560
2018	<u>20,000</u>	<u>520</u>	<u>20,520</u>
	<u>\$ 155,000</u>	<u>42,779</u>	<u>197,779</u>

2000 GTUA Contract

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 30,000	32,223	62,223
2010	25,000	30,557	55,557
2011	25,000	29,158	54,158
2012	30,000	27,745	57,745
2013	30,000	26,035	56,035
2014	35,000	24,295	59,295
2015	45,000	22,247	67,247
2016	50,000	19,570	69,570
2017	50,000	16,570	66,570
2018	55,000	13,545	68,545
2019	80,000	10,190	90,190
2020	<u>85,000</u>	<u>5,270</u>	<u>90,270</u>
	<u>\$ 540,000</u>	<u>257,405</u>	<u>797,405</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

2004 GTUA Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 60,000	47,863	107,863
2010	65,000	45,133	110,133
2011	65,000	41,915	106,915
2012	70,000	38,568	108,568
2013	75,000	34,823	109,823
2014	75,000	30,735	105,735
2015	80,000	26,535	106,535
2016	85,000	21,935	106,935
2017	90,000	16,963	106,963
2018	95,000	11,653	106,653
2019	<u>100,000</u>	<u>6,000</u>	<u>106,000</u>
	<u>\$ 860,000</u>	<u>322,123</u>	<u>1,182,123</u>

2005 GTUA Refunding Contractual Obligation

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 65,000	101,913	166,913
2010	70,000	98,362	168,362
2011	75,000	94,549	169,549
2012	80,000	90,472	170,472
2013	85,000	86,133	171,133
2014	90,000	81,530	171,530
2015	90,000	76,796	166,796
2016	95,000	71,931	166,931
2017	105,000	66,671	171,671
2018	110,000	61,016	171,016
2019	115,000	55,099	170,099
2020	120,000	48,918	168,918
2021	125,000	42,475	167,475
2022	135,000	35,637	170,637
2023	140,000	28,404	168,404
2024	150,000	20,777	170,777
2025	155,000	12,756	167,756
2026	<u>165,000</u>	<u>4,340</u>	<u>169,340</u>
	<u>\$ 1,970,000</u>	<u>1,077,779</u>	<u>3,047,779</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

2005 GTUA Water Contract Obligation			
<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 75,000	115,362	190,362
2010	80,000	112,047	192,047
2011	90,000	108,511	198,511
2012	90,000	104,533	194,533
2013	95,000	100,555	195,555
2014	95,000	96,356	191,356
2015	95,000	92,157	187,157
2016	95,000	87,958	182,958
2017	100,000	83,759	183,759
2018	105,000	79,339	184,339
2019	105,000	74,698	179,698
2020	110,000	70,057	180,057
2021	210,000	65,195	275,195
2022	210,000	55,913	265,913
2023	220,000	46,631	266,631
2024	230,000	36,907	266,907
2025	235,000	26,741	261,741
2026	245,000	16,354	261,354
2027	<u>125,000</u>	<u>5,525</u>	<u>130,525</u>
	<u>\$ 2,610,000</u>	<u>1,378,598</u>	<u>3,988,598</u>

2006 GTUA Contract Revenue Bonds			
<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 80,000	68,560	148,560
2010	80,000	66,120	146,120
2011	85,000	63,680	148,680
2012	90,000	61,045	151,045
2013	90,000	58,210	148,210
2014	95,000	55,330	150,330
2015	100,000	52,243	152,243
2016	100,000	48,892	148,892
2017	105,000	45,493	150,493
2018	110,000	41,870	151,870
2019	115,000	38,020	153,020
2020	120,000	33,937	153,937
2021	125,000	29,678	154,678
2022	125,000	25,177	150,177
2023	130,000	20,615	150,615
2024	135,000	15,870	150,870
2025	140,000	10,875	150,875
2026	<u>150,000</u>	<u>5,625</u>	<u>155,625</u>
	<u>\$ 1,975,000</u>	<u>741,240</u>	<u>2,716,240</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

2007 GTUA Contract Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 80,000	84,998	164,998
2010	80,000	82,637	162,637
2011	85,000	80,278	165,278
2012	85,000	77,727	162,727
2013	90,000	75,135	165,135
2014	95,000	72,255	167,255
2015	100,000	69,168	169,168
2016	105,000	65,817	170,817
2017	105,000	62,248	167,248
2018	110,000	58,572	168,572
2019	115,000	54,613	169,613
2020	120,000	50,357	170,357
2021	125,000	45,858	170,858
2022	130,000	41,045	171,045
2023	135,000	36,040	171,040
2024	140,000	30,775	170,775
2025	145,000	25,245	170,245
2026	155,000	19,445	174,445
2027	160,000	13,245	173,245
2028	<u>165,000</u>	<u>6,765</u>	<u>171,765</u>
	<u>\$ 2,325,000</u>	<u>1,052,223</u>	<u>3,377,223</u>

2007 GTUA Contract Revenue Bonds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,000	36,996	61,996
2010	25,000	36,141	61,141
2011	25,000	35,224	60,224
2012	30,000	34,256	64,256
2013	30,000	33,020	63,020
2014	30,000	31,739	61,739
2015	35,000	30,413	65,413
2016	35,000	28,813	63,813
2017	35,000	27,197	62,197
2018	40,000	25,527	65,527
2019	40,000	23,579	63,579
2020	45,000	21,591	66,591
202	45,000	19,332	64,332
2022	45,000	17,028	62,028
2023	50,000	14,679	64,679
2024	\$ 50,000	12,044	62,044

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 55,000	9,359	64,359
2026	55,000	6,378	61,378
2027	<u>60,000</u>	<u>3,342</u>	<u>63,342</u>
	<u>\$ 755,000</u>	<u>446,658</u>	<u>1,201,658</u>

2007 GTUA Contract

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,000	54,140	79,140
2010	35,000	53,285	88,285
2011	40,000	52,001	92,001
2012	40,000	50,452	90,452
2013	45,000	48,805	93,805
2014	45,000	46,883	91,883
2015	50,000	44,894	94,894
2016	50,000	42,634	92,634
2017	55,000	40,299	95,299
2018	55,000	37,675	92,675
2019	60,000	34,997	94,997
2020	60,000	32,015	92,015
2021	65,000	29,003	94,003
2022	70,000	25,675	95,675
2023	75,000	22,021	97,021
2024	75,000	18,069	93,069
2025	80,000	14,041	94,041
2026	85,000	9,705	94,705
2027	<u>90,000</u>	<u>5,013</u>	<u>95,013</u>
	<u>\$ 1,100,000</u>	<u>661,607</u>	<u>1,761,607</u>

2007 GTUA Contract Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 25,000	179,092	204,092
2010	25,000	178,237	203,237
2011	25,000	177,320	202,320
2012	25,000	176,352	201,352
2013	50,000	175,322	225,322
2014	50,000	173,187	223,187
2015	50,000	170,977	220,977
2016	\$ 50,000	168,717	218,717

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 50,000	166,382	216,382
2018	50,000	163,997	213,997
2019	60,000	161,562	221,562
2020	160,000	158,580	318,580
2021	170,000	150,548	320,548
2022	175,000	141,844	316,844
2023	185,000	132,709	317,709
2024	195,000	122,959	317,959
2025	210,000	112,488	322,488
2026	220,000	101,106	321,106
2027	230,000	88,962	318,962
2028	245,000	76,151	321,151
2029	255,000	62,382	317,382
2030	270,000	48,051	318,051
2031	285,000	32,877	317,877
2032	<u>300,000</u>	<u>16,860</u>	<u>316,860</u>
	<u>\$ 3,360,000</u>	<u>3,136,662</u>	<u>6,496,662</u>

2008 GTUA Contract Revenue Bonds

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 20,000	22,436	42,436
2010	20,000	26,728	46,728
2011	20,000	25,700	45,700
2012	20,000	24,672	44,672
2013	20,000	23,644	43,644
2014	20,000	22,616	42,616
2015	25,000	21,588	46,588
2016	25,000	20,303	45,303
2017	25,000	19,018	44,018
2018	25,000	17,733	42,733
2019	30,000	16,448	46,448
2020	30,000	14,906	44,906
2021	30,000	13,364	43,364
2022	35,000	11,822	46,822
2023	35,000	10,023	45,023
2024	35,000	8,224	43,224
2025	40,000	6,425	46,425
2026	40,000	4,369	44,369
2027	<u>45,000</u>	<u>2,313</u>	<u>47,313</u>
	<u>\$ 540,000</u>	<u>312,332</u>	<u>852,332</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

CGMA Pipeline Project - Phase I

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 17,500	32,724	50,224
2010	18,750	32,018	50,768
2011	20,000	31,220	51,220
2012	21,250	30,330	51,580
2013	22,500	29,353	51,853
2014	23,750	28,291	52,041
2015	25,000	27,141	52,141
2016	26,250	25,901	52,151
2017	27,500	24,573	52,073
2018	30,000	23,123	53,123
2019	31,250	21,556	52,806
2020	32,500	19,902	52,402
2021	35,000	18,116	53,116
2022	36,250	16,204	52,454
2023	38,750	14,164	52,914
2024	41,250	11,957	53,207
2025	43,750	9,581	53,331
2026	46,250	7,031	53,281
2027	48,750	4,329	53,079
2028	<u>51,250</u>	<u>1,471</u>	<u>52,721</u>
	<u>\$ 637,500</u>	<u>408,985</u>	<u>1,046,485</u>

CGMA Pipeline Project - Phase II

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$	25,041	25,041
2010		25,041	25,041
2011		37,562	37,562
2012		50,082	50,082
2013		68,863	68,863
2014		87,644	87,644
2015		106,425	106,425
2016		125,206	125,206
2017		125,206	125,206
2018		125,206	125,206
2019		228,947	228,947
2020		228,947	228,947
2021		228,947	228,947
2022		228,947	228,947
2023	\$	228,947	228,947

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$	228,947	228,947
2025		228,947	228,947
2026	95,000	125,206	220,206
2027	100,000	119,810	219,810
2028	106,250	114,080	220,330
2029	112,500	107,992	220,492
2030	118,750	101,545	220,295
2031	125,000	94,741	219,741
2032	133,750	87,578	221,328
2033	140,000	79,915	219,915
2034	148,750	71,823	220,573
2035	156,250	63,225	219,475
2036	166,250	54,193	220,443
2037	176,250	44,584	220,834
2038	185,000	34,397	219,397
2039	197,500	23,611	221,111
2040	<u>207,500</u>	<u>12,098</u>	<u>219,598</u>
	<u>\$ 2,168,750</u>	<u>3,513,703</u>	<u>5,682,453</u>

CGMA Pipeline Project - Phase III

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 5,000	65,133	70,133
2010	18,750	64,962	83,712
2011	32,500	64,274	96,774
2012	41,250	63,016	104,266
2013	45,000	61,317	106,317
2014	47,500	59,395	106,895
2015	50,000	57,296	107,296
2016	52,500	55,036	107,536
2017	55,000	52,584	107,584
2018	11,250	49,961	61,211
2019	12,500	49,413	61,913
2020	13,750	48,792	62,542
2021	13,750	48,101	61,851
2022	15,000	47,397	62,397
2023	16,250	46,614	62,864
2024	16,250	45,758	62,008
2025	26,250	44,885	71,135
2026	27,500	43,463	70,963
2027	28,750	41,945	70,695
2028	\$ 31,250	40,343	71,593

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2029	\$ 70,000	38,602	108,602
2030	75,000	34,704	109,704
2031	78,750	30,489	109,239
2032	82,500	26,063	108,563
2033	87,500	21,426	108,926
2034	92,500	16,509	109,009
2035	97,500	11,310	108,810
2036	<u>103,750</u>	<u>5,831</u>	<u>109,581</u>
	<u>\$ 1,247,500</u>	<u>1,234,619</u>	<u>2,482,119</u>

Long-term liability activity for the Community Development Corporation was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Note payable - State	\$	<u>629,000</u>	<u>(9,668)</u>	<u>619,332</u>	<u>54,153</u>

The C. D. C. Borrowed \$629,000 from the State of Texas, Office of the Governor - Economic Development and Tourism Division. The note is collateralized by Section 4B sales tax. Note proceeds were to be used for park improvements. The note is to be paid in monthly installments for ten years beginning September 1, 2008 with interest computed at the Federal Fixed Rate plus three percent.

Estimated annual requirements to amortize the note payable are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 54,153	19,539	73,692
2010	56,155	17,537	73,692
2011	58,007	15,685	73,692
2012	59,921	13,771	73,692
2013	61,897	11,795	73,692
2014	63,940	9,752	73,692
2015	66,048	7,644	73,692
2016	68,228	5,464	73,692
2017	70,478	3,214	73,692
2018	<u>60,505</u>	<u>905</u>	<u>61,410</u>
	<u>\$ 619,332</u>	<u>105,306</u>	<u>724,638</u>

Long-term liability activity for the Economic Development Corporation was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Note payable	\$ <u>392,364</u>		<u>(5,998)</u>	<u>386,366</u>	<u>7,490</u>

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 3. DETAILED NOTES ON ALL FUNDS** (continued)

**F. Long-term Debt** (continued)

The E. D. C. borrowed \$410,400 from Independent Bank to finance the purchase of 48 acres of land. The note is being paid in 360 equal payments including interest computed at five percent.

Estimated annual requirements to amortize the note payable are as follows:

<u>Year Ending</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 7,490	19,165	26,655
2010	7,874	18,781	26,655
2011	8,276	18,379	26,655
2012	8,700	17,955	26,655
2013	9,145	17,510	26,655
2014	9,613	17,042	26,655
2015	10,105	16,550	26,655
2016	10,622	16,033	26,655
2017	11,165	15,490	26,655
2018	11,736	14,919	26,655
Thereafter	<u>291,640</u>	<u>132,628</u>	<u>424,268</u>
	<u>\$ 386,366</u>	<u>304,452</u>	<u>690,818</u>

**G. Restricted Assets**

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 448,780
Accrued interest payable	190,813
Current bonds payable	<u>525,500</u>
Total restricted assets	<u>\$ 1,165,093</u>

**NOTE 4. OTHER INFORMATION**

**A. Risk Management**

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of 1,821 individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There were no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
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**NOTE 4. OTHER INFORMATION** (continued)

**B. Retirement System**

**Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system. Each of the 827 municipalities have an annual, individual actuarial valuation performed. All assumptions for the December 31, 2007 valuations are contained in the 2007 TMRS Comprehensive Annual Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

**Contributions**

The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year -closed period - amortization period, using the level percent of payroll amortization method. When the government periodically adopts updated service credits and increases its annuities in effect, the increased unfunded (overfunded) actuarial liability (asset) is to be amortized over a new 25-year period. Currently,

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 4. OTHER INFORMATION** (continued)

**B. Retirement System** (continued)

**Contributions** (continued)

the unfunded actuarial liability is being amortized over the 25-year period which began January, 2007. The projected unit credit actuarial cost method is used for determining the government contribution rate. Contributions are made monthly by both the employees and the government. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

**Annual Pension Cost**

For the year ended September 30, 2008, the City's annual pension cost of \$129,428 for TMRS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 7% investment rate of return, (b) no projected salary increases, and (c) no cost-of-living adjustments. A 3.0% inflation rate was used to computing (a) and (b). The actuarial value of TMRS assets was determined using amortized cost.

Three Year Trend Information for TMRS

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>Pension Cost (APC)</u>	<u>Contributions</u> <u>Made</u>	<u>Net Pension</u> <u>Obligation</u>
09/30/06	\$ 35,995	100%	\$0
09/30/07	\$ 93,851	100%	\$0
09/30/08	\$ 129,428	100%	\$0

Schedule of Funding Progress for TMRS  
(In Thousands)

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b)-(a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a)/(b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>U.A.A.L. as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>[(b)-(a)/(c)]</u>
12/31/05	\$ 121	126	5	95.8%	\$ 789	0.7%
12/31/06	\$ 214	384	170	55.7%	\$ 1,114	15.3%
12/31/07	\$ 407	1,029	622	60.4%	\$ 1,283	48.5%

**CITY OF ANNA**  
Notes to Financial Statements  
September 30, 2008  
-continued-

**NOTE 4. OTHER INFORMATION** (continued)

**C. Supplemental Death Benefits Fund**

The City provides Supplemental Death Benefits to retirees through a multiple-employer defined benefit group term life insurance plan operated by TMRS; this is a separate trust administered by the TMRS Board of Trustees for 714 participating entities.

The City's cost is determined annually using the projected unit credit method, with a level percent of payroll, amortized over a 25 year - open period, using the fund value method. The funding assumptions assume a 4.25% investment rate of return, no salary increases, 3% inflation and no cost of living adjustments.

Three Year Trend Information

09/30/06	\$ 1,747
09/30/07	\$ 2,073
09/30/08	\$ 3,050

**INDIVIDUAL FUND STATEMENTS**

**CITY OF ANNA**  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Budget and Actual - Water and Sewer Fund  
For the Fiscal Year Ended September 30, 2008

	Original and Final <u>Budget</u>	Actual <u>Amounts</u>	Variance With Final Budget Positive <u>(Negative)</u>
<b>OPERATING REVENUES:</b>			
Collections:			
Water income	\$ 1,593,000	1,419,188	(173,812)
Sewer income	870,000	850,091	(19,909)
Sanitation income	330,000	416,840	86,840
Meter connect and install fees	80,000	51,820	(28,180)
Water customer late fees	58,000	79,059	21,059
Miscellaneous revenue	2,000	126,026	124,026
Water and sewer tap fees	4,000	2,250	(1,750)
Developer fees		291,620	291,620
Grants		250,000	250,000
Sewer camera inspection fees	<u>10,000</u>	<u>4,300</u>	<u>(5,700)</u>
Total operating revenues	<u>2,947,000</u>	<u>3,491,194</u>	<u>544,194</u>
<b>OPERATING EXPENSES:</b>			
Water service	1,436,900	1,436,794	106
Sewer service	348,700	273,126	75,574
Sanitation service	254,000	364,442	(110,442)
Depreciation	<u>625,000</u>	<u>594,588</u>	<u>30,412</u>
Total operating expenses	<u>2,664,600</u>	<u>2,668,950</u>	<u>(4,350)</u>
<b>OPERATING INCOME</b>	<u>282,400</u>	<u>822,244</u>	<u>539,844</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Interest income	55,000	81,870	26,870
Interest expense	(150,806)	(657,725)	(506,919)
Bond amortization		<u>(17,862)</u>	<u>(17,862)</u>
Total non-operating income/(loss)	<u>(95,806)</u>	<u>(593,717)</u>	<u>(497,911)</u>
 Change in net assets	 186,594	 228,527	 41,933
Net assets - beginning	<u>14,288,366</u>	<u>14,288,366</u>	<u>          </u>
Net assets - ending	\$ <u>14,474,960</u>	<u>14,516,893</u>	<u>41,933</u>