BASIC FINANCIAL STATEMENTS

City of Sachse

CITY OF SACHSE, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Cash and Cash Equivalents	$ 30,509,519	$ 2,072,901	$ 32,582,420	$ 2,877,036
Receivables (net of allowances for uncollectibles):	938,155	1,056,893	1,995,048	65,227
Internal balances	(453,680)	453,680	--	--
Advances from/to other funds	(920,045)	920,045	--	--
Due from primary government	--	--	--	2,858
Inventories	--	43,002	43,002	225,999
Prepaid items	49,815	--	49,815	202
Deferred charges	365,966	16,493	382,459	--
Capital assets (net of accumulated depreciation):				
Land	1,237,774	346,821	1,584,595	--
Rights-of-way	7,516,680	--	7,516,680	--
Construction in progress	13,888,483	74,498	13,962,981	--
Buildings and improvements	8,464,407	113,141	8,577,548	--
Office equipment	538,581	14,454	553,035	--
Machinery and equipment and vehicles	1,150,221	258,862	1,409,083	--
Parks improvements	1,734,335	--	1,734,335	--
Bridge improvements	721,886	--	721,886	--
Street infrastructure	33,883,967	--	33,883,967	--
Water and sewer system infrastructure	--	18,252,745	18,252,745	--
Total Assets	99,626,064	23,623,535	123,249,599	3,171,322
LIABILITIES:				
Accounts payable and accrued liabilities	3,073,700	798,030	3,871,730	33,705
Retainage payable	685,747	--	685,747	--
Accrued interest payable	235,229	6,641	241,870	--
Due to component unit	2,858	--	2,858	--
Unearned revenue	7,624,586	--	7,624,586	--
Customer deposits	223,381	129,972	353,353	--
Noncurrent Liabilities:				
Due within one year	933,890	92,000	1,025,890	1,365
Due in more than one year	40,352,802	1,229,364	41,582,166	--
Total Liabilities	53,132,193	2,256,007	55,388,200	35,070
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	39,179,257	17,765,521	56,944,778	--
Restricted For:				
Debt Service	588,184	--	588,184	--
Capital Projects	3,372,786	--	3,372,786	--
Unrestricted	3,353,644	3,602,007	6,955,651	3,136,252
Total Net Assets	$ 46,493,871	$ 21,367,528	$ 67,861,399	$ 3,136,252

The accompanying notes are an integral part of this statement.

CITY OF SACHSE, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 2,234,555	$ 63,958	$ --	$ --
Public safety	5,529,604	508,356	127,053	--
Public works	5,752,940	91,740	--	247,440
Culture and Recreation	1,234,883	70,160	1,165	24,893
Community development	630,764	361,538	--	--
Interest on Long-term Debt	1,932,003	--	--	--
Total Governmental Activities	17,314,749	1,095,752	128,218	272,333
Business-type Activities:				
Water and Sewer Enterprise	5,952,236	5,273,953	--	385,859
Total Primary Government	$ 23,266,985	$ 6,369,705	$ 128,218	$ 658,192
COMPONENT UNIT:				
Economic Development	$ 11,222,533	$ --	$ 75	$ --

General Revenues:
- Property taxes
- Sales taxes
- Franchise taxes
- Beverage taxes
- Unrestricted investment earnings
- Miscellaneous revenue

Transfers
- Total General Revenues
- Change in Net Assets

Net Assets - Beginning
Prior Period Adjustment
Net Assets - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit
$ (2,170,597)		$ (1,145,501)	
(4,894,195)		(4,894,195)	
(5,413,760)		(5,413,760)	
(1,138,665)		(1,138,665)	
(269,226)		(269,226)	
(1,932,003)		(1,932,003)	
(15,818,446)		(15,818,446)	
--	$ (292,424)	(292,424)	
(15,818,446)	(292,424)	(16,110,870)	
			$ (11,222,458)
8,526,042	--	8,526,042	--
1,862,552	--	1,862,552	11,268,898
1,083,810	--	1,083,810	--
19,565	--	19,565	--
279,896	22,281	302,177	7,291
75,326	--	75,326	118
863,752	(863,752)	--	--
12,710,943	(841,471)	11,869,472	11,276,307
(3,107,503)	(1,133,895)	(4,241,398)	53,849
49,842,693	22,403,835	72,246,528	4,892,891
(241,319)	97,588	(143,731)	(1,810,488)
$ 46,493,871	$ 21,367,528	$ 67,861,399	$ 3,136,252

CITY OF SACHSE, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

		General Fund		Debt Service
ASSETS				
Assets:				
Cash and Cash Equivalents	$	5,188,993	$	572,060
Receivables (net of allowances for uncollectibles):				
Ad valorem taxes		60,799		16,124
Services accounts receivable		69,003		--
Franchise taxes		197,514		--
Sales taxes		135,362		--
Other		198,839		--
Due from Other Funds		215,938		--
Prepaid items		49,815		--
Total Assets	$	6,116,263	$	588,184
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable and accrued liabilities	$	738,154	$	--
Retainage payable		--		--
Due to other funds		2,096,405		--
Advances from other funds		--		--
Due to component unit		2,858		--
Deferred revenue		177,434		13,563
Customer deposits		--		--
Total Liabilities		3,014,851		13,563
Fund Balances:				
Reserved Fund Balances:				
Reserved for debt service		--		574,621
Reserved for prepaid items		49,815		--
Unreserved, undesignated, reported in:				
General Fund		3,051,597		--
Special Revenue Funds		--		--
Capital Project Funds		--		--
Total Fund Balance		3,101,412		574,621
Total Liabilities and Fund Balance	$	6,116,263	$	588,184

The accompanying notes are an integral part of this statement.

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 23,359,266	$ 1,389,200	$ 30,509,519
--	--	76,923
--	--	69,003
--	--	197,514
--	--	135,362
260,514	--	459,353
1,426,389	398	1,642,725
--	--	49,815
$ 25,046,169	$ 1,389,598	$ 33,140,214
$ 2,335,148	$ 398	$ 3,073,700
685,747	--	685,747
--	--	2,096,405
--	920,045	920,045
--	--	2,858
7,614,464	10,122	7,815,583
--	223,381	223,381
10,635,359	1,153,946	14,817,719
--	--	574,621
--	--	49,815
--	--	3,051,597
--	235,652	235,652
14,410,810	--	14,410,810
14,410,810	235,652	18,322,495
$ 25,046,169	$ 1,389,598	$ 33,140,214

City of Sachse

CITY OF SACHSE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

Total fund balances - governmental funds balance sheet	$	18,322,495
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		69,136,335
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		65,801
Payables for bond principal which are not due in the current period are not reported in the funds.		(40,995,101)
Payables for bond interest which are not due in the current period are not reported in the funds.		(235,229)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(309,233)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		17,642
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		365,966
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.		56,193
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.		69,002
Net assets of governmental activities - Statement of Net Assets	$	46,493,871

The accompanying notes are an integral part of this statement.

CITY OF SACHSE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Debt Service
Revenue:		
Advalorem taxes, penalties and interest	$ 6,222,249	$ 2,306,135
Sales taxes	646,361	--
Franchise taxes	1,083,810	--
Beverage taxes	19,565	--
Fines	284,327	--
Licenses, permits and fees	770,609	--
Gifts and contributions	149,335	--
Impact and development fees	--	--
Interest and investment earnings	7,620	2,677
Miscellaneous	89,991	--
Total revenues	9,273,867	2,308,812
Expenditures:		
Current:		
General Government	1,185,963	--
Public Safety	5,138,748	--
Public works	1,360,400	--
Cultural and recreation	1,046,719	--
Community development	625,773	--
Nondepartmental	1,025,096	--
Capital Outlay	--	--
Debt Service:		
Principal	--	730,000
Interest and Fiscal Charges	--	1,918,372
Fiscal Agent's Fees	--	573
Total Expenditures	10,382,699	2,648,945
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,108,832)	(340,133)
Other Financing Sources (Uses):		
Transfers In	870,052	1,363,615
Transfers Out	(6,300)	--
Total Other Financing Sources (Uses)	863,752	1,363,615
Net Change in Fund Balances	(245,080)	1,023,482
Fund Balances (Deficit) - Beginning	3,346,492	(448,861)
Fund Balances - Ending	$ 3,101,412	$ 574,621

The accompanying notes are an integral part of this statement.

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ --	$ --	$ 8,528,384
1,216,191	--	1,862,552
--	--	1,083,810
--	--	19,565
--	17,958	302,285
--	4,974	775,583
163,684	1,165	314,184
--	86,367	86,367
263,359	6,240	279,896
--	--	89,991
1,643,234	116,704	13,342,617
--	--	1,185,963
--	5,104	5,143,852
--	--	1,360,400
--	31,703	1,078,422
--	--	625,773
--	--	1,025,096
18,269,229	223,382	18,492,611
		--
--	--	730,000
--	--	1,918,372
--	--	573
18,269,229	260,189	31,561,062
(16,625,995)	(143,485)	(18,218,445)
--	--	2,233,667
(1,363,615)	--	(1,369,915)
(1,363,615)	--	863,752
(17,989,610)	(143,485)	(17,354,693)
32,400,420	379,137	35,677,188
$ 14,410,810	$ 235,652	$ 18,322,495

City of Sachse

CITY OF SACHSE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Net change in fund balances - total governmental funds	$	(17,354,693)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		16,466,854
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,942,538)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(2,342)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		730,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		(17,272)
(Increase) decrease in accrued interest from beginning of period to end of period.		4,214
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		5,054
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.		(2,228)
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.		5,448
Change in net assets of governmental activities - Statement of Activities	$	(3,107,503)

The accompanying notes are an integral part of this statement.

CITY OF SACHSE, TEXAS

STATEMENT OF NET ASSETS
ENTERPRISE FUND
SEPTEMBER 30, 2010

		Enterprise Fund Water and Sewer Enterprise
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	$	2,072,901
Receivables		
Accounts (net of allowances for uncollectible)		1,056,893
Due from other funds		453,680
Advances to other funds		920,045
Inventories		43,002
Total Current Assets		4,546,521
Noncurrent Assets:		
Deferred charges		16,493
Property, Plant and Equipment		
Land		346,821
Construction in progress		74,498
Buildings		313,503
Office equpment		267,210
Machinery and equipment and vehicles		945,361
Water and sewer system improvements		37,729,689
Less Accumulated Depreciation		(20,616,561)
Net Property, Plant and Equipment		19,060,521
Total Noncurrent Assets		38,121,042
Total Assets		23,623,535
LIABILITIES:		
Current Liabilities:		
Accounts payable and accrued liabilities		798,030
Accrued interest payable		6,641
Customer deposits		129,972
Compensated absences payable - current		7,000
Certificates of obligation - current		85,000
Total Current Liabilities		1,026,643
Noncurrent Liabilities:		
Certificates of obligation		1,210,000
Compensated absences payable		19,364
Total Noncurrent Liabilities		1,229,364
Total Liabilities		2,256,007
NET ASSETS:		
Invested in capital assets, net of related debt		17,765,521
Unrestricted net assets		3,602,007
Total Net Assets	$	21,367,528

The accompanying notes are an integral part of this statement.

CITY OF SACHSE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

		Enterprise Fund Water and Sewer Enterprise
OPERATING REVENUES:		
Water sales	$	3,064,779
Sewer charges		2,027,204
Connection and tap charges		68,010
Miscellaneous		113,961
Total Operating Revenues		5,273,954
OPERATING EXPENSES:		
Personnel		541,340
Supplies and maintenance		284,208
Materials and maintenance		118,162
Operational items		3,802,389
Depreciation and amortization		1,149,811
Total Operating Expenses		5,895,910
Operating Income (Loss)		(621,956)
NON-OPERATING REVENUES (EXPENSES):		
Investment income		22,281
Interest Expense		(56,327)
Total Non-operating Revenues (Expenses)		(34,046)
Income Before Capital Contributions and Transfers		(656,002)
CAPITAL CONTRIBUTIONS AND TRANSFERS		
Capital contributions		385,859
Transfers out		(863,752)
Total Operating Expenses		(477,893)
Change in Net Assets		(1,133,895)
Total Net Assets - Beginning		22,403,835
Prior Period Adjustment		97,588
Total Net Assets - Ending	$	21,367,528

The accompanying notes are an integral part of this statement.

EXHIBIT A-9

CITY OF SACHSE, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

		Water and Sewer Enterprise
Cash Flows from Operating Activities:		
Cash received from customers	$	5,071,849
Cash payments to employees for services		(3,936,221)
Cash payments to other suppliers for goods and services		(538,384)
Net Cash Provided (Used) by Operating Activities		597,244
Cash Flows from Non-capital Financing Activities:		
Payments from (to) other funds		(267,809)
Net Cash Provided (Used) by Non-capital Financing Activities		(267,809)
Cash Flows from Capital and Related Financing Activities:		
Principal and interest paid		(85,714)
Acquisition or conatruction of capital assets		--
Net Cash Provided (Used) for Capital & Related Financing Activities		(85,714)
Cash Flows from Investing Activities:		
Interest and dividends on investments		22,281
Net Cash Provided (Used) for Investing Activities		22,281
Net Increase (Decrease) in Cash and Cash Equivalents		266,002
Cash and Cash Equivalents at Beginning of Year		1,806,899
Cash and Cash Equivalents at End of Year	$	2,072,901
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$	(621,956)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation		1,149,811
Change in Assets and Liabilities:		
Decrease (increase) in receivables		(203,658)
Decrease (increase) in inventories		(15,979)
Increase (decrease) in accounts payable		284,518
Increase (decrease) in retainage payable		--
Increase (decrease) in accrued wages payable		2,955
Increase (decrease) in customer deposits		1,553
Total Adjustments		1,219,200
Net Cash Provided (Used) by Operating Activities	$	597,244
Non-cash Financing Activities:		
Contributions of capital assets from PGBT TIF Fund	$	223,382
Contributions of capital assets from developers		162,477
	$	385,859

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Sachse (the "City"), was incorporated in 1956 under the provisions of Chapter 11, Title 28, Texas Revised Civil Statutes of 1925 and has adopted a charter making it a home rule city operating under a Council-Manager form of government. The City provides such services as are authorized by its charter to advance the welfare, health, comfort, safety and convenience of the City and its inhabitants.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and by the Financial Accounting Standards Board (when applicable). For proprietary funds, the City has elected to not apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

Financial Reporting Entity

The City is governed by an elected mayor and a six-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB 39 "Determining Whether Certain Organizations Are Component Units."

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 14 by including entities which meet all three of the following requirements:

A. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.

B. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.

C. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to that primary government.

Blended Component Unit

PGBT Reinvestment Zone Tax Increment Fund (TIF) - The City created the TIF in November 2003 to encourage and accelerate planned development along the George Bush Eastern Extension of the Turnpike to the City. The five member Board of Directors are appointed by the Sachse City Council and serve for two-year staggered terms. The members of the Board are citizens of Sachse. Any future debt obligations issued and backed by the TIF are to be repaid from property tax levies, based on the incremental increase in the real property values from the base year 2003.

Since the TIF Board of Directors acts primarily in an advisory role to the Sachse City Council, who exercise the ultimate financial control over the recommendations of the TIF board, the financial information of the TIF is blended as a governmental fund into the primary government. Separate financial statements are not prepared.

Discretely Presented Component Unit

Sachse Economic Development Corporation (SEDC) - The SEDC serves all citizens of the City and is governed by a seven member board of directors appointed by the Sachse City Council. An Executive Director is appointed by the Sachse SEDC seven member board to carry out the Board's administrative and policy initiatives. The Sachse SEDC is a 4B Corporation and is supported by a half-cent sales tax voted by referendum in 1994. The scope of public service of the SEDC benefits the government and its citizens and is operated primarily within geographic boundaries of the City.

The SEDC's balance sheet and statement of revenues, expenditures and changes in fund balance are presented in Note 8. Separate financial statements are not prepared. However, additional financial information for the SEDC may be obtained at the entity's administrative offices at the following address: Sachse Economic Development Corporation 3815 Sachse Road, Sachse, Texas 75048.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, 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. The governmental activities of the City include general government, public safety, public works, culture and recreation, and community development.

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

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental funds and proprietary funds. These statements present each major fund as a separate column on the fund financial statements.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or concurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for non-matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, sales taxes, franchise taxes and interest are susceptible to accrual. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Cash, Cash Equivalents and Investments

State statutes and policy as established by the City Council authorize the City to invest in certificates of deposit, direct obligations of the U.S. Treasury, investment pools consisting of U.S. Treasury obligations, repurchase agreements, commercial paper and mutual funds. Substantially all operating cash and cash equivalents are maintained in pooled cash and time deposit accounts. Interest income relating to pooled deposits is allocated to the individual funds based on each fund's pro rata share of total pooled deposits.

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents, as they are available for withdrawal on demand.

Inventories and prepaid items

All inventories are valued at cost using the first-in first-out (FIFO) method. Inventories consist of expendable supplies held for consumption or the construction of plant and equipment. Inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures when consumed.

Property Taxes

The City's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and certain personal property located within the City. Property taxes attach as an enforceable lien on property as of January 1 after they are levied. Taxes are due on October 1 and are delinquent after the following January 31.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Allocations of property tax levy to finance general governmental services including the payment of principal and interest on long-term debt for the year ended September 30, 2010 is as follows, per $100 of assessed valuation:

2009 Tax Levy Rates for Fiscal Year 2010

General Fund	$ 0.513894
Debt Service Fund	0.191925
Total	$ 0.705819

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the fund level.

In Texas, countywide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

Transactions Between Funds and Between Funds and Component Units

Interfund services are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/ expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services and reimbursements, are recorded as transfers.

Transactions between the component units and the primary government are accounted for as external transactions. At September 30, 2010, the SEDC had receivables from the City in the amount of $2,858. This balance is reported by the General Fund as Due to Component Unit and by SEDC as Due from Primary Government.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities and component unit columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical costs are not available. Donated assets are valued at fair market value on the date donated.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical costs for the initial reporting of these assets through back trending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend the asset lives are not capitalized. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of $5,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	25 Years
Machinery and equipment	5-10 Years
Vehicles	5 - 10 Years
Street Infrastructure - Gravel	5 Years
Street Infrastructure - Asphalt	10 Years
Street Infrastructure - Concrete	30 Years

Vacation and Sick Leave (Compensated Absences)

City employees earn vacation and sick leave, which may either be taken or accumulated, up to certain amounts, until retirement or termination. Once per year, employees with accumulations greater than 40 hours may redeem 3 days of sick and vacation leave. Upon termination or retirement, an employee is reimbursed up to a maximum number of hours of vacation pay based upon the years of service. Sick leave is not paid at termination or retirement. All vacation and qualifying sick leave 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 are expected to be liquidated with expendable available financial resources, for example, as a result of employee resignations and retirements.

Interfund Receivables and Payables

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Cash and Cash Equivalents

The City's portfolio consists of an operational checking account and a money market investment account. Additionally, the City has investments with TexPool, a local government investment pool. All City funds are invested in interest bearing accounts. The City does not carry any security instrument (investment type) on its books that are traded on the open market; therefore all investments are listed at 100% of market value. 100% of the City's current portfolio has same day liquidity which means that the City has same day access to all cash.

The Master Account is an interest bearing checking account which the City operates as a pooled cash account for all funds. Transactions typical of this account are accounts payable and payroll checks, all cash receipt deposits, electronic tax receipt deposits, and electronic credit card deposits. Each fund type's portion of this pool is reported in the fund financial statements as "cash and cash equivalents."

The Pooled Money Market Account is an investment account to which funds are swept and withdrawn as needed for operational cash flow requirements. TexPool is a long-term investment account used primarily for the investment of special revenue and bond funds.

The investment policies of the city are governed by State statutes and a City council adopted Investment Policy Ordinance. Major provisions of the City's investment policy include: responsibility for investments, authorized investments, bank and security dealer selection, and qualifying procedures, safekeeping and custodial procedures.

Cash

At September 30, 2010, the carrying amount of the City's deposits was $7,644,760 and the bank balance was $7,897,566. The bank balance was covered by federal depository insurance and by collateral held by the pledging financial institution's trust department or agent in the City's name.

External Investment Pools

The City invests in the TexPool (the Texas Local Government Investment Pool) which is an investment fund authorized by the Texas Legislature and overseen by the State Comptroller of Public Accounts. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both Participants in TexPool and other persons who do not have a business relationship with TexPool.

The purpose of TexPool is to allow for the pooling of public funds to provide a higher yield on the pooled investment than would be possible with the investment of the individual public entity's funds. TexPool investments are subject to the same investment policies maintained by the State Treasury for all state funds. The Legislature has authorized only certain investment instruments for public funds, including repurchase agreements, U.S. Treasury bills and bonds, securities of other U.S. government agencies, commercial paper and other safe instruments. The investment in TexPool and any accrued interest may be redeemed at the City's discretion. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the City's position in TexPool is the same as the value of TexPool shares.

At September 30, 2010, the City's balance in investment pools was as follows:

Primary Government Description	Carrying Amount	Fair Value	% of Total (Cost)	Weighted Average Maturity	Rating
Money Market Mutual Funds	$ 18,793,955	$ 18,793,955	75%	1 day	
CDARS	4,869,514	4,869,514	20%	1 day	
Government Sponsored Investment Pools					
TexPool	1,274,191	1,274,191	5%	1 day	AAAm
	$ 24,937,660	$ 24,937,660	100%		
Cash	$ 7,644,760				
Investmetns	24,937,660				
	$ 32,582,420				
Component Unit (SEDC)					
Money Market Mutual Funds	$ 2,877,036	$ 2,877,036	100%	1 day	

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days, thus reducing the interest rate risk.

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. The City's policy is to maintain a list of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of Texas. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-I (uniform net capital rule). The City's investment in the Texas Local Government Pool (TexPool) carried a credit rating of AAAm by Standard & Poor's as of September 30, 2010.

Money market mutual funds are secured by collateral pledged by the City's depository. CDARS are certificates of deposits spread among numerous depositories and secured by FDIC depository insurance.

3. RECEIVABLES

	Governmental Funds				Proprietary Fund
	General	Capital Projects	Nonmajor	Total	Water & Sewer Enterprise
Ad valorem taxes	$ 67,555	$ -	$ 17,916	$ 85,471	$ -
Allowance for uncollectible taxes	(6,756)	-	(1,792)	(8,548)	-
	60,799	-	16,124	76,923	-
Services accounts	196,380	-	-	196,380	1,085,874
Allowance for uncollectible accounts	(127,377)	-	-	(127,377)	(28,981)
	69,003	-	-	69,003	1,056,893
Franchise taxes	197,514	-	-	197,514	-
Sales taxes	135,362	-	-	135,362	-
Other					
Court fines	190,812	-	-	190,812	-
Allowance for uncollectible accounts	(37,462)	-	-	(37,462)	-
Other governments	16,737			16,737	
Miscellaneous	28,752	260,514	-	289,266	-
	198,839	260,514	-	459,353	-
Total	$ 661,517	$ 260,514	$ 16,124	$ 938,155	$ 1,056,893

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

	Deferred	Unearned
Major Funds		
Delinquent property taxes receivable (General Fund)	$ 52,238	$ -
Ambulance revenue receivable (General Fund)	69,003	-
Municipal court fines receivable (General Fund)	56,193	
Delinquent property taxes receivable (Debt Service Fund)	13,563	
Advance grant funding (Capital Projects Fund)	7,614,464	7,614,464
	7,805,461	7,614,464
Nonmajor Funds		
Improvements (Special Revenue Fund)	10,122	10,122
Total deferred/unearned revenue for governmental funds	$ 7,815,583	$ 7,624,586

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010, was as follows:

	Balance 9/30/2009	Addtions	Deletions & Transfers Out	Transfers and Completed Construction	Balance 9/30/2010
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	$ 1,237,774	$ -	$ -	$ -	$ 1,237,774
Right-of-way	7,516,680	-	-	-	7,516,680
Construction in progress	9,052,094	15,625,129	-	(10,788,740)	13,888,483
Total capital assets not being depreciated	17,806,548	15,625,129	-	(10,788,740)	22,642,937
Capital assets, being depreciated					
Buildings	4,376,372	116,288	-	5,652,822	10,145,482
Office equipment	808,097	6,768	-	250,885	1,065,750
Machinery and equipment	475,111	-	-	-	475,111
Vehicles	2,295,264	694,304	(19,806)	-	2,969,762
Parks improvements	1,148,602	18,367	-	962,923	2,129,892
Bridge improvements	1,948,398	-	-	-	1,948,398
Street infrastructure	80,144,169	6,000	-	3,922,110	84,072,279
Total capital assets being depreciated	91,196,015	841,727	(19,806)	10,788,740	102,806,674
Less accumulated depreciation for:					
Buildings	(1,468,248)	(212,827)	-	-	(1,681,075)
Office equipment	(437,468)	(89,701)	-	-	(527,169)
Machinery and equipment	(294,726)	(30,270)	-	-	(324,996)
Vehicles	(1,773,867)	(215,595)	19,806	-	(1,969,656)
Parks improvements	(332,026)	(63,531)	-	-	(395,557)
Bridge improvements	(1,161,565)	(64,947)	-	-	(1,226,512)
Street infrastructure	(47,922,645)	(2,265,667)	-	-	(50,188,312)
Total accumulated depreciation	(53,390,545)	(2,942,538)	19,806	-	(56,313,277)
Total capital assets being depreciated, net	37,805,470	(2,100,811)	-	10,788,740	46,493,397
Governmental activities capital assets, net	$ 55,612,018	$ 13,524,318	$ -	$ -	$ 69,136,334

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

Current Depreciation Expense, by Function	
General government	$ 30,636
Public safety	387,032
Public works	2,367,396
Culture and recreation	155,110
Community development	2,364
	$ 2,942,538

	Balance 9/30/2009	Addtions	Retirements	Transfers and Completed Construction	Balance 9/30/2010
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	$ 346,821	$ -	$ -	$ -	$ 346,821
Construction in progress	975,915	249,515	-	(1,150,932)	74,498
Total capital assets not being depreciated	1,322,736	249,515	-	(1,150,932)	421,319
Capital assets, being depreciated					
Buildings	313,503	-	-	-	313,503
Office equipment	267,210	-	-	-	267,210
Machinery and equipment	426,393	46,934	-	-	473,327
Vehicles	452,283	19,751	-	-	472,034
Water and sewer system infrastructure	36,569,767	8,990	-	1,150,932	37,729,689
Total capital assets being depreciated	38,029,154	75,675	-	1,150,932	39,255,763
Less accumulated depreciation for:					
Buildings	(187,626)	(12,736)	-	-	(200,362)
Office equipment	(233,325)	(19,431)	-	-	(252,756)
Machinery and equipment	(387,808)	(11,515)	-	-	(399,323)
Vehicles	(247,031)	(40,145)	-	-	(287,176)
Water and sewer system infrastructure	(18,410,960)	(1,065,984)	-	-	(19,476,944)
Total accumulated depreciation	(19,466,749)	(1,149,811)	-	-	(20,616,561)
Total capital assets being depreciated, net	18,562,405	(1,074,136)	-	1,150,932	18,639,202
Business-type activities capital assets, net	$ 19,885,141	$ (824,621)	$ -	$ -	$ 19,060,521

Construction commitments

The City has active construction projects as of September 30, 2010. The projects include land acquisition, street construction, park improvements, water system improvements, and sewer system improvements.

Land acquisition, building construction, street and park improvements are being financed by bond proceeds, park development fees, combination tax and revenue certificates of obligation (general purposes) and self supporting combination tax and revenue certificates of obligation. The commitment for water system improvements and sewer system improvements are being financed by self supporting bonds, combination tax and revenue certificates of obligation, and water and sewer impact fees.

	Spent to Date	Remaining Commitment	Total Commitment
Buildings			
City Hall	$ 5,555,739	$ 4,644,261	$ 10,200,000
Public Safety	7,029,456	1,640,544	8,670,000
Library	309,377	305,623	615,000
Senior Citizens	620,852	299,148	920,000
Animal Shelter	5,666	74,334	80,000
Parks			
Salmon Park	966,579	(96,579)	870,000
Streets			
SH 78	1,723,431	5,776,569	7,500,000
Murphy Road	2,886,935	3,164,065	6,051,000
5th Street	3,934,071	(302,071)	3,632,000
Dewitt Road	1,333,165	296,835	1,630,000
Bunker Hill	993,209	9,806,791	10,800,000
Bryan Street	661,039	(161,039)	500,000
NTTA ROW	646,817	513,183	1,160,000
Merritt Road	136,061	-	-
	$ 26,802,397	$ 25,961,664	$ 52,628,000
Water System			
Maxwell Creek Road waterline	$ 62,000	438,000	$ 500,000
PGBT waterline	1,150,932	91,068	1,242,000
Sewer System			
Old Town CDBG sewerline	-	108,000	108,000
	$ 1,212,932	$ 637,068	$ 1,850,000

5. LONG-TERM DEBT

At September 30, 2010, bonds payable consisted of the following individual issues:

Purpose	Original Amount	Year of Issue	Final Maturity	Average Annual Payment	Interest Rate	Balance - 9/30/10 Governmental	Balance - 9/30/10 Business-type
GOVERNMENTAL TYPE ACTIVITIES DEBT							
General Obligation Bonds:							
Improvements	$ 6,130,000	2007	2028	$ 448,300	4.00% - 4.15%	$ 5,735,000	$ -
Improvements/Refunding	34,560,000	2009	2034	2,500,700	4.00% - 4.15%	34,200,000	-
						$ 39,935,000	$ -
Certificates of Obligation:							
Improvements	2,000,000	2003	2019	159,950	2.70% - 3.70%	$ 1,080,000	$ -
Improvements	1,530,000	2007	2022	137,250	3.72% - 4.50%	-	1,295,000
						$ 1,080,000	$ 1,295,000

The following is a summary of long-term debt transactions, including current portion, of the City for the year ended September 30, 2010:

Description	September 30, 2009	Additions	Retirements	September 30, 2010	Due Within One Year
Governmental activities:					
General obligation bonds	$ 40,510,000	$ -	$ (575,000)	$ 39,935,000	$ 700,000
Certificates of obligation	1,235,000	-	(155,000)	1,080,000	165,000
Total bonds payable	41,745,000	-	(730,000)	41,015,000	865,000
Deferred loss on refunding	(18,409)	-	767	(17,642)	-
Bond premiums/discounts	(21,007)	-	1,108	(19,899)	(1,110)
Compensated absences	314,287	70,328	(75,381)	309,234	70,000
	$ 42,019,871	$ 70,328	$ (803,506)	$ 41,286,693	$ 933,890

Description	September 30, 2009	Additions	Retirements	September 30, 2010	Additions
Business-type activities:					
General obligation bonds	$ -	$ -	$ -	$ -	$ -
Certificates of obligation	1,375,000	-	(80,000)	1,295,000	85,000
Total bonds payable	1,375,000	-	(80,000)	1,295,000	85,000
Compensated absences	23,409	6,735	(3,780)	26,364	7,000
	$ 1,398,409	$ 6,735	$ (83,780)	$ 1,321,364	$ 92,000

Description	September 30, 2009	Additions	Retirements	September 30, 2010	Additions
SEDC - Sachse Economic Development Corporation:					
Compensated absences	$ 9,187	$ 1,365	$ (9,187)	$ 1,365	$ 1,000

The City intends to retire all of its general long-term liabilities, plus accrued interest, from ad valorem taxes and other current revenues from the Debt Service Fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the Water and Sewer Enterprise Fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

Certificates of Obligation.

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

Due Fiscal Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2011	$ 700,000	$ 1,852,641	$ 2,552,641
2012	780,000	1,828,191	2,608,191
2013	860,000	1,803,721	2,663,721
2014	1,020,000	1,777,476	2,797,476
2015	1,085,000	1,745,276	2,830,276
2016 - 2020	6,710,000	8,081,421	14,791,421
2021 - 2025	8,950,000	6,420,304	15,370,304
2026 - 2030	10,460,000	4,007,419	14,467,419
2030 - 2034	9,370,000	1,133,928	10,503,928
	$ 39,935,000	$ 28,650,377	$ 68,585,377

General Obligation Bonds

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

Due Fiscal Year Ending September 30,	Governmental Activities		Business-type Activities		
	Principal	Interest	Principal	Interest	Total
2011	$ 165,000	$ 39,145	$ 85,000	$ 51,502	$ 340,647
2012	165,000	33,370	90,000	48,142	336,512
2013	175,000	26,725	90,000	44,663	336,388
2014	105,000	21,055	95,000	41,060	262,115
2015	110,000	16,915	100,000	37,238	264,153
2016- 2020	360,000	22,805	570,000	120,534	1,073,339
2021 - 2022	-	-	265,000	11,973	276,973
	$ 1,080,000	$ 160,015	$ 1,295,000	$ 355,112	$ 2,890,127

6. INTERFUND RECEIVABLES AND PAYABLES

Due to/from other funds at September 30, 2010 consisted of the following individual fund receivables and payables:

	Due From Other Funds	Due To Other Funds
General Fund	$ 215,938	$ 2,096,405
Capital Projects Fund	1,426,389	-
Nonmajor governmental funds	398	-
Water and Sewer Fund	453,680	-
	$ 2,096,405	$ 2,096,405

	Advance to Other Funds	Advance From Other Funds
Nonmajor governmental funds	$ -	$ 920,045
Water and Sewer Fund	920,045	-
	$ 920,045	$ 920,045

The purpose of interfund receivables and payables is to loan cash between funds. All balances are expected to be settled within one year.

7. INTERFUND TRANSFERS

All interfund transfers between the various funds are approved supplements to the operations of those funds. Individual fund operating transfers for fiscal year 2010 were as follows:

	Transfers To Other Funds	Transfers From Other Funds
General Fund	$ 870,052	$ 6,300
Debt Service Fund	1,363,615	-
Capital Projects Fund	-	1,363,615
Water and Sewer Fund	-	863,752
	$ 2,233,667	$ 2,233,667

Transfers from the Water and Sewer Fund were made for operations support costs borne by the General Fund. Transfers from the Debt Service Fund to the Water and Sewer Fund were made for debt refunding purposes. The refunding debt will be repaid entirely by the Debt Service from future ad valorem property tax revenue.

8. DISCRETE COMPONENT UNIT – SACHSE ECONOMIC DEVELOPMENT CORPORATION

ASSETS:	
Investments	$ 2,877,036
Receivables (net of allowances for uncollectibles):	65,227
Due from primary government	2,858
Inventories	225,999
Prepaid items	202
Total Assets	$ 3,171,322

LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	$ 33,705
Total Liabilities	33,705
Fund Balances:	
Reserved for inventory	225,999
Reserved for prepaid items	202
Unreserved	2,911,416
Total Fund Balances	3,137,617
Total Liabilities and Fund Balances	$ 3,171,322

RECONCILIATION OF SEDC FUND BALANCE SHEET TO
DISCRETE COMPONENT UNIT STATEMENT OF NET ASSETS

SEDC Fund Balance	$ 3,137,617
Amounts reported for governmental activities in the statement of net assets are different because:	
Liabilities for compensated absences are not reported in the funds	(1,365)
SEDC Net Assets	$ 3,136,252

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Revenue:	
Sales and other taxes	$ 11,268,898
Interest and investment earnings	7,291
Miscellaneous	193
Total revenues	11,276,382
Expenditures:	
Community development	11,230,355
Total Expenditures	11,230,355
Excess (Deficiency) of Revenues Over (Under) Expenditures	46,027
Fund Balances - Beginning	3,091,590
Fund Balances - Ending	$ 3,137,617

RECONCILIATION OF EDC FUND STATEMENT OF REVENUES, EXPENDITRES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

SEDC Change in Fund Balance	$ 46,027
Amounts reported for governmental activities in the statement of activities are different because:	
Changes in liabilities for compensated absences are not reported in the funds.	7,822
SEDC Net Assets	$ 53,849

9. RETIREMENT PLAN

The City participates in the Texas Municipal Retirement System

Plan Description

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

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

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

	Plan Year 2009	Plan Year 2008	Plan Year 2007
Employee deposit rate:	7%	7%	7%
Matching ratio (employer to employee):	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100%, Repeating, Transfers	100%, Repeating, Transfers	100%, Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

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

Annual Required Contribution (ARC)	$	742,565
Interest on Net Pension Obligation		-
Adjustment to the ARC		-
Annual Pension Cost:		742,565
Contributions Made		742,565
Increase (Decrease) in Net Pension Obligation		-
Net Pension Obligation (Asset) , Beginning of Year		-
Net Pension Obligation (Asset) , End of Year	$	-

Three-Year Trend Information

Fiscal Year Ending		Annual Pension Cost/(APC)		Actual Contribution Made	Percentage of APC Contributed		Net Pension Obligation/ (Asset)
2008	$	580,529	$	580,529	100%	$	-
2009	$	673,804	$	673,804	100%	$	-
2010	$	742,565	$	742,565	100%	$	-

The required contribution rates for fiscal year 2010 were determined as part of the December 31, 2007 and 2008 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining Amortization Period	30 years; closed period	29 years; closed period	28 years; closed period
Asset Valuation Method	Amortized Cost	Amortized Cost	Amortized Cost
Actuarial Assumptions			
Investment Rate of Return	7.0%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Actuarial Assumptions:			
Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-Living Assumptions	2.1%	2.1%	2.1%

The funded status as of December 31, 2009, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded ALL (UALL)	Covered Payroll	UALL as a Percentage of Covered Payroll
12/31/2007	$ 5,876,105	$ 9,065,572	64.8%	$ 3,189,467	$ 4,814,560	66.2%
12/31/2008	$ 6,911,943	$ 10,281,964	67.2%	$ 3,370,021	$ 5,800,630	58.1%
12/31/2009	$ 8,272,045	$ 11,794,392	70.1%	$ 3,522,347	$ 6,087,692	57.9%

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

10. RISK MANAGEMENT

The City 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 City 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 Board for the benefit of the City and the other participating individual city units located in Texas. The City pays an annual premium to the Funds for its workers' compensation and property liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for their members for up to $2,000,000 per insured event, with a deductible of $5,000 due from the City per claim. There were no significant reductions in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

11. RESTATEMENT OF PRIOR YEAR FINANCIAL STATEMENTS

The following adjustments have been made to the indicated opinion units to correct misstatements to the financial statements as of and for the year ended September 30, 2009.

Description	Governmental Activities	Business-type Activities	Water and Sewer Fund	DCU
Fund balance/net assets - as reported 9/30/09	$ 49,842,693	$ 22,403,835	$ 22,403,835	$ 4,892,891
Sales tax receivable	-	-	-	(1,810,488)
Accounts payable	-	17,588	17,588	-
Accrued interest payable	(241,319)			-
Bonds payable	-	80,000	80,000	-
Fund balance/net assets - as restated 9/30/09	$ 49,601,374	$ 22,501,423	$ 22,501,423	$ 3,082,403