

CITY OF YOAKUM, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Yoakum, Texas (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and historical pension information on pages 3 through 9 and 39 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Honorable Mayor and Members
of the City Council

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

Harrison, Waldrop & Uhenk, LLP

July 24, 2012

The discussion and analysis of the City of Yoakum's (the "City") financial performance provides an overall review of the City's financial activities for the year ended September 30, 2011. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter and the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2011, by \$23,624,392. Of this amount, \$13,285,513 of unrestricted net assets is available to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2011, the City's governmental funds reported combined ending fund balances of \$4,358,335, an increase of \$345,493 in comparison with the prior year.
- At September 30, 2011, unassigned fund balance for the General Fund was \$1,826,874 or 33.86% of total General Fund expenditures.
- The total cost of all City activities was \$13,364,973 for the fiscal year which is an increase of \$56,222 from the prior year.
- During the year, the City's general revenues exceeded net expenses of all City activities by \$937,200. This represents a 4.13% increase in net assets from the previous fiscal year as a result from operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization and Flow of Financial Section Information

Independent Auditors' Report <i>Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.</i>	
Management's Discussion and Analysis <i>This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.</i> Page 3 to 9	
Government-wide Financial Statements <i>Provides information on governmental and business-type activities of the primary government.</i> Pages 10 to 12	Fund Financial Statements <i>Provides information on the financial position of specific funds of the primary governments.</i> Pages 13 to 19
Notes to Financial Statements <i>Provides a summary of significant accounting policies and related disclosures.</i> Pages 20 to 39	

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

Statement of Net Assets

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

Statement of Activities

The statement of activities presents information showing how the government's net assets changed during fiscal year 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and earned, but unused vacation leave). The statement of activities can be found on pages 11 through 12.

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

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

Fund Financial Statements

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

Governmental Funds

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

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Fund Financial Statements - (Continued)

Governmental Funds - (Continued)

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

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

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

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

Proprietary Funds

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

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

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 39 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund. Required supplementary information can be found on pages 40 through 43 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 44 through 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$23,624,392 at the close of the fiscal year ended September 30, 2011.

At the end of fiscal year 2011, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Yoakum, Texas

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 4,761,632	\$ 4,338,646	\$ 9,920,916	\$ 11,468,573	\$ 14,682,548	\$ 15,807,219
Capital assets (net)	6,274,303	6,575,074	12,270,874	10,397,076	18,545,177	16,972,150
Total assets	11,035,935	10,913,720	22,191,790	21,865,649	33,227,725	32,779,369
Current and other liabilities	294,903	253,601	1,548,579	1,629,426	1,843,482	1,883,027
Noncurrent liabilities	130,225	149,522	7,629,626	8,059,628	7,759,851	8,209,150
Total liabilities	425,128	403,123	9,178,205	9,689,054	9,603,333	10,092,177
Net assets:						
Invested in capital assets, net of related debt	6,274,303	6,575,074	4,064,576	6,712,316	10,338,879	13,287,390
Unrestricted	4,336,504	3,935,523	8,949,009	5,464,279	13,285,513	9,399,802
Total net assets	\$ 10,610,807	\$ 10,510,597	\$ 13,013,585	\$ 12,176,595	\$ 23,624,392	\$ 22,687,192

The largest portion of the City's net assets (43.76% or 10,338,879) reflects its investment in capital assets (e.g., land, buildings, streets, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

City of Yoakum, Texas

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 2,190,161	\$ 1,831,221	\$ 10,475,573	\$ 9,797,528	\$ 12,665,734	\$ 11,628,749
Operating grants and contributions	150,376	98,415	-	-	150,376	98,415
Capital grants and contributions	130,275	-	37,205	-	167,480	-
General revenues:						
Property taxes	164,904	165,627	-	-	164,904	165,627
Other taxes	922,405	841,923	-	-	922,405	841,923
Other	179,394	221,507	51,880	120,628	231,274	342,135
Total revenues	3,737,515	3,158,693	10,564,658	9,918,156	14,302,173	13,076,849
EXPENSES						
General government	902,228	795,493	-	-	902,228	795,493
Public safety	2,014,956	1,908,689	-	-	2,014,956	1,908,689
Public works	2,162,106	2,234,229	-	-	2,162,106	2,234,229
Cultural and recreation	637,007	587,502	-	-	637,007	587,502
Utilities	-	-	7,648,676	7,735,608	7,648,676	7,735,608
Total expenses	5,716,297	5,525,913	7,648,676	7,735,608	13,364,973	13,261,521
Change in net assets before transfers	(1,978,782)	(2,367,220)	2,915,982	2,182,548	937,200	(184,672)
Transfers	2,078,992	1,776,975	(2,078,992)	(1,776,975)	-	-
Change in net assets	100,210	(590,245)	836,990	405,573	937,200	(184,672)
Net assets - beginning, as restated	10,510,597	11,100,842	12,176,595	11,771,022	22,687,192	22,871,864
Net assets - ending	\$ 10,610,807	\$ 10,510,597	\$ 13,013,585	\$ 12,176,595	\$ 23,624,392	\$ 22,687,192

Governmental activities increased the City's net assets by \$100,210, thereby the business-type activities increased by \$836,990. Inter-fund transfers were approximately \$300,000 higher than the prior year.

The City's total revenues increased from the prior year. Charges for services increased due to higher utility sales. The capital grant revenues increased due to new grants that were received during the year. The City's governmental activities expenses increased from prior year by \$190,384, primarily in general government and public safety.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of fiscal year 2011, the City's governmental funds reported combined ending fund balances of \$4,358,335, an increase of \$345,493 in comparison with the prior year. Substantially the entire balance is available for spending, subject to regulatory, statutory, and budgetary restrictions.

The General Fund is the chief operating fund of the City. At the end of fiscal year 2011, unassigned fund balance of the General Fund was \$1,826,874. The unassigned fund balance represents 33.86% of the total General Fund expenditures.

The fund balance of the City's General Fund increased by \$323,782 during the current fiscal year. Key factors in this increase are as follows:

- Net transfers in fiscal year 2011 were \$114,517 higher than that reported in the prior year.
- Charges for services were \$358,940 higher than the prior year.

The Capital Project Fund had a \$23,995 decrease in fund balance in comparison with the prior year. This is due to a decrease of \$137,087 of transfers from other funds compared to the prior year.

Proprietary Funds

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the General Fund's original budget and final amended budget includes an increase in anticipated revenues of \$147,180. The increase in revenue was due to an increase in the revenues realized from the solid waste services. The decrease in expenditures was due to lower costs associated with the public safety and public works departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$18,324,650 (net of accumulated depreciation). This investment in capital assets includes land, building, office equipment, machinery and equipment, infrastructure, water works system, sewer system, electric system, and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was 9.50% (a 4.57% decrease for governmental activities and 18.60% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- Improvements to the waste water utility system.

Additional information on the City's capital assets can be found in Note 5 of this report.

Long-term Debt

At the end of fiscal year 2011, the City had total bonded debt outstanding of \$7,985,770. All of the debt is related to utility system improvements.

The City had outstanding \$221,199 in compensated absences, which was a decrease of approximately 13.23% from the prior year.

Additional information on the City's debt can be found in Note 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Inflationary trends in the region compare favorably to national and state indices.
- The City is expecting sales tax revenue for fiscal year 2012 to be slightly higher than that received in fiscal year 2011.
- The ad valorem tax rate for the General Fund increased to \$0.09278 from \$0.08909 for the 2012 fiscal year budget. The ad valorem tax rate for the Debt Service Fund increased to \$0.06071 from \$0.05646 for fiscal year 2012. Therefore, the overall tax rate increased \$0.00369 from 2011. Property tax revenues are only expected to have a slight increase over 2012.

Requests for Information

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

CITY OF YOAKUM, TEXAS
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Yoakum Economic Development Corporation
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,217,430	\$ 5,245,816	\$ 9,463,246	\$ 1,183,122
Receivables (net)	362,927	1,609,915	1,972,842	-
Due from other governments	175,650	-	175,650	44,978
Due from primary government	-	-	-	500
Inventory	5,625	329,157	334,782	-
Restricted assets				
Cash and cash equivalents	-	2,736,028	2,736,028	63,653
Total current assets	4,761,632	9,920,916	14,682,548	1,292,253
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	361,498	5,327,679	5,689,177	-
Buildings, infrastructure, and equipment (net)	5,912,805	6,722,668	12,635,473	-
Bond issue costs (net)	-	220,527	220,527	-
Total noncurrent assets	6,274,303	12,270,874	18,545,177	-
Total assets	11,035,935	22,191,790	33,227,725	1,292,253
LIABILITIES				
Current liabilities				
Accounts payable	139,045	829,599	968,644	-
Accrued expenditures/expenses	124,691	74,585	199,276	-
Deposits	8,624	207,674	216,298	-
Due to other governments	7,574	-	7,574	-
Due to component unit	500	-	500	-
Accrued compensated absences	14,469	7,650	22,119	-
Accrued interest payable	-	4,071	4,071	-
Current portion of long-term obligations	-	425,000	425,000	-
Total current liabilities	294,903	1,548,579	1,843,482	-
Noncurrent liabilities				
Accrued compensated absences	130,225	68,855	199,080	-
Noncurrent portion of long-term obligations (net of deferred amounts)	-	7,560,771	7,560,771	-
Total noncurrent liabilities	130,225	7,629,626	7,759,851	-
Total liabilities	425,128	9,178,205	9,603,333	-
NET ASSETS				
Invested in capital assets, net of related debt	6,274,303	4,064,576	10,338,879	63,653
Unrestricted net assets	4,336,504	8,949,009	13,285,513	1,228,600
Total net assets	\$ 10,610,807	\$ 13,013,585	\$ 23,624,392	\$ 1,292,253

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2011

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 902,228	\$ 166,154	\$ -	\$ -
Public safety	2,014,956	322,271	137,746	-
Public works	2,162,106	1,452,240	12,630	-
Cultural and recreation	637,007	249,496	-	130,275
Total governmental activities	<u>5,716,297</u>	<u>2,190,161</u>	<u>150,376</u>	<u>130,275</u>
Business-type activities				
Utilities	7,648,676	10,475,573	-	37,205
Total business-type activities	<u>7,648,676</u>	<u>10,475,573</u>	<u>-</u>	<u>37,205</u>
Total primary government	<u>\$ 13,364,973</u>	<u>\$ 12,665,734</u>	<u>\$ 150,376</u>	<u>\$ 167,480</u>
Component Unit				
Yoakum Economic Development Corporation	<u>\$ 169,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for debt service

Sales taxes

Franchise taxes

Other taxes

Investment earnings

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning, as restated

Net assets - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			Component
Primary Government			Unit
Governmental Activities	Business- type Activities	Total	Yoakum Economic Development Corporation
\$ (736,074)	\$ -	\$ (736,074)	\$ -
(1,554,939)	-	(1,554,939)	-
(697,236)	-	(697,236)	-
(257,236)	-	(257,236)	-
<u>(3,245,485)</u>	<u>-</u>	<u>(3,245,485)</u>	<u>-</u>
-	2,864,102	2,864,102	-
-	2,864,102	2,864,102	-
<u>(3,245,485)</u>	<u>2,864,102</u>	<u>(381,383)</u>	<u>-</u>
-	-	-	(169,532)
60,357	-	60,357	-
104,547	-	104,547	-
732,328	-	732,328	244,609
128,362	-	128,362	-
61,715	-	61,715	-
32,246	51,880	84,126	10,337
147,148	-	147,148	-
2,078,992	(2,078,992)	-	-
<u>3,345,695</u>	<u>(2,027,112)</u>	<u>1,318,583</u>	<u>254,946</u>
100,210	836,990	937,200	85,414
<u>10,510,597</u>	<u>12,176,595</u>	<u>22,687,192</u>	<u>1,206,839</u>
<u>\$ 10,610,807</u>	<u>\$ 13,013,585</u>	<u>\$ 23,624,392</u>	<u>\$ 1,292,253</u>

CITY OF YOAKUM, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2011

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,757,730	\$ 2,194,915	\$ 264,785	\$ 4,217,430
Receivables (net)	338,016	-	24,911	362,927
Due from other funds	-	62,970	3,177	66,147
Due from other governments	175,650	-	-	175,650
Inventory	5,625	-	-	5,625
Total assets	<u>\$ 2,277,021</u>	<u>\$ 2,257,885</u>	<u>\$ 292,873</u>	<u>\$ 4,827,779</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 122,796	\$ -	\$ 16,249	\$ 139,045
Accrued expenditures	124,691	-	-	124,691
Deposits	8,624	-	-	8,624
Due to other funds	66,147	-	-	66,147
Due to component unit	500	-	-	500
Due to other governments	7,574	-	-	7,574
Deferred revenue	114,190	-	8,673	122,863
Total liabilities	<u>444,522</u>	<u>-</u>	<u>24,922</u>	<u>469,444</u>
Fund balance				
Nonspendable				
Inventory	5,625	-	-	5,625
Restricted	-	2,257,885	267,951	2,525,836
Unassigned	1,826,874	-	-	1,826,874
Total fund balances	<u>1,832,499</u>	<u>2,257,885</u>	<u>267,951</u>	<u>4,358,335</u>
Total liabilities and fund balances	<u>\$ 2,277,021</u>	<u>\$ 2,257,885</u>	<u>\$ 292,873</u>	<u>\$ 4,827,779</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS

OF GOVERNMENTAL ACTIVITIES

September 30, 2011

Total governmental fund balances

\$ 4,358,335

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

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

17,258

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

105,605

Capital assets used in governmental activities are reported as expenditures in governmental funds when purchased or constructed. The cost of these assets is \$13,210,780 and the accumulated depreciation is \$6,936,477.

6,274,303

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Compensated absences

(144,694)

Net assets of governmental activities

\$ 10,610,807

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended September 30, 2011

	General	Capital Project	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 925,409	\$ -	\$ 167,398	\$ 1,092,807
Licenses and permits	63,733	-	-	63,733
Intergovernmental	150,376	-	-	150,376
Charges for services	1,977,454	-	10,815	1,988,269
Fines and forfeitures	101,670	-	2,443	104,113
Investment income	16,848	15,037	361	32,246
Miscellaneous	257,433	3,751	17,436	278,620
Total revenues	<u>3,492,923</u>	<u>18,788</u>	<u>198,453</u>	<u>3,710,164</u>
EXPENDITURES				
Current				
General government	818,487	-	36,383	854,870
Public safety	1,987,195	-	11,364	1,998,559
Public works	1,822,283	-	-	1,822,283
Cultural and recreation	767,951	-	-	767,951
Total expenditures	<u>5,395,916</u>	<u>-</u>	<u>47,747</u>	<u>5,443,663</u>
Excess (deficiency) of revenues over expenditures	(1,902,993)	18,788	150,706	(1,733,499)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,289,745	62,970	-	2,352,715
Transfers out	(62,970)	(105,753)	(105,000)	(273,723)
Total other financing sources (uses)	<u>2,226,775</u>	<u>(42,783)</u>	<u>(105,000)</u>	<u>2,078,992</u>
Net change in fund balances	323,782	(23,995)	45,706	345,493
Fund balances at beginning of year, as restated	<u>1,508,717</u>	<u>2,281,880</u>	<u>222,245</u>	<u>4,012,842</u>
Fund balances at end of year	<u>\$ 1,832,499</u>	<u>\$ 2,257,885</u>	<u>\$ 267,951</u>	<u>\$ 4,358,335</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS

*RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2011*

Total net change in fund balances - governmental funds	\$ 345,493
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2010/2011 capital outlays is to increase net assets.	239,507
Depreciation is not recognized as an expense on the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(533,583)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(6,695)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year end and are not reported as revenue in the governmental funds.	
Property taxes	\$ (1,358)
Other revenues	<u>35,404</u>
	34,046
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:	
Decrease in compensated absences	<u>21,442</u>
Change in net assets of governmental activities	<u>\$ 100,210</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2011

	<u>Business-type Activities Utility Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 5,245,816
Receivables (net)	1,609,915
Inventory	329,157
Restricted assets	
Cash and cash equivalents	<u>2,736,028</u>
Total current assets	<u>9,920,916</u>
Noncurrent assets	
Capital assets	
Land and other assets not being depreciated	5,327,679
Buildings, infrastructure, and equipment (net)	6,722,668
Bond issue costs (net)	<u>220,527</u>
Total noncurrent assets	<u>12,270,874</u>
Total assets	<u>22,191,790</u>
LIABILITIES	
Current liabilities	
Accounts payable	829,599
Accrued expenses	74,585
Deposits	207,674
Accrued compensated absences	7,650
Accrued interest payable	4,071
Current portion of bonds and certificates payable	<u>425,000</u>
Total current liabilities	<u>1,548,579</u>
Noncurrent liabilities	
Accrued compensated absences	68,855
Bonds and certificates payable (net of deferred amounts)	<u>7,560,771</u>
Total noncurrent liabilities	<u>7,629,626</u>
Total liabilities	<u>9,178,205</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,800,605
Unrestricted net assets	<u>6,212,980</u>
Total net assets	<u>\$ 13,013,585</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUNDS**

For the year ended September 30, 2011

	Business-type Activities
	Utility Fund
OPERATING REVENUES	
Charges for services	\$ 10,407,667
Miscellaneous	67,906
Total operating revenues	<u>10,475,573</u>
OPERATING EXPENSES	
Personnel	1,346,181
Supplies	135,580
Cost of power	5,155,186
Services	311,872
Maintenance	234,389
Other	28,608
Depreciation and amortization	390,858
Total operating expenses	<u>7,602,674</u>
Operating income (loss) before nonoperating revenues (expenses) contributions and transfers	2,872,899
NONOPERATING REVENUES (EXPENSES)	
Investment income	51,880
Interest and fiscal charges	(46,002)
Net nonoperating revenues (expenses)	<u>5,878</u>
Income before contributions and transfers	2,878,777
Contributions and transfers	
Capital contributions	37,205
Transfers in	206,143
Transfers out	(2,285,135)
Total transfers	<u>(2,041,787)</u>
Change in net assets	836,990
Total net assets at beginning of year	<u>12,176,595</u>
Total net assets at end of year	<u>\$ 13,013,585</u>

The accompanying notes are an integral part of this statement.

CITY OF YOAKUM, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2011

	Business-type Activities
	Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 10,370,421
Cash payments to suppliers for goods and services	(6,037,450)
Cash payments to employees for services	(1,318,819)
Net cash provided by operating activities	<u>3,014,152</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received (paid) on customer meter deposits	25,636
Transfers (from) to other funds	(2,079,644)
Net cash provided (used) by noncapital financing activities	<u>(2,054,008)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,227,603)
Principal paid on bond maturities	(415,000)
Interest and finance charges paid on bonds	(40,080)
Net cash provided (used) by capital and related financing activities	<u>(2,682,683)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	51,880
Net cash provided (used) by investing activities	<u>51,880</u>
Net increase (decrease) in cash and cash equivalents	(1,670,659)
Cash and cash equivalents at beginning of year	9,652,503
Cash and cash equivalents at end of year	<u>\$ 7,981,844</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 2,872,899
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	374,793
Amortization	16,065
Changes in assets and liabilities	
(Increase) decrease in accounts receivable	(105,152)
(Increase) decrease in inventory	(17,850)
Increase (decrease) in accounts payable	(153,965)
Increase (decrease) in accrued expenses	39,650
Increase (decrease) in accrued compensated absences	(12,288)
Net cash provided by operating activities	<u>\$ 3,014,152</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and cash equivalents - Unrestricted	\$ 5,245,816
Cash and cash equivalents - Restricted	2,736,028
Total cash and cash equivalents	<u>\$ 7,981,844</u>

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Component Unit

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

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

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

C. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The Capital Project Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. The Capital Project Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following funds:

The Special Revenue Funds account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

The Debt Service Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for general government debt principal and interest. The Debt Service Fund makes annual transfers to the Utility Fund to provide for payment on the Series 2004 General Obligation Refunding Bonds.

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

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

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

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

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

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

E. Budgets and Budgetary Accounting

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

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

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

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

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end lapse and are appropriately provided for in the subsequent year's budget. There are no outstanding encumbrances at September 30, 2011.

G. Deposits and Investments

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

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

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

G. Deposits and Investments - (Continued)

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

Investments for the City, as well as the component unit, are recorded at amortized cost, which as of September 30, 2011, approximates fair value. Because the fair value of the City's investments did not materially differ from cost, no adjustments were made to the City's reporting amounts. See Note 3 for further discussion.

H. Receivables and Payables

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

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

I. Inventories

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

J. Restricted Assets

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

K. Capital Assets

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

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

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

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

K. Capital Assets - (Continued)

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

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

L. Compensated Absences

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of the number of days an employee may earn during a two-year period. Sick leave benefits are earned by all full-time employees at a rate of twelve days per year and may be accumulated without limit. In the event of termination, an employee is reimbursed for all accumulated vacation days up to the maximum accrued time. Retired employees are also reimbursed for 25% of accrued sick leave in excess of 60 days up to a maximum of 30 days accrued time. All compensated absence pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

M. Long-Term Obligations

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

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

N. Fund Equity

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances - nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The City did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2011. This Statement did not have an impact on the City's functions, financial position or results of operations.

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

O. Use of Estimates

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

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess Expenditures Over Appropriations

General Fund expenditures in a number of different departments exceeded the amount appropriated during the current fiscal year. These variances are detailed below.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Administration	\$ 331,530	\$ 351,029	\$ (19,499)
Building maintenance	82,850	94,638	(11,788)
Non-departmental	165,900	195,700	(29,800)
Parks and recreation	497,530	624,830	(127,300)
Transfers out	45,000	62,970	(17,970)

These over expenditures were funded by available fund balance in the General Fund.

NOTE 3: DEPOSITS AND INVESTMENTS

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Money Market Mutual Funds	\$ 1,892,309	N/A

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2011, and for the year then ended, the City was not exposed to credit risk.

Concentration of Credit Risk

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

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 102% of the carrying value of deposits held. During the fiscal year the City had deposits that were uninsured and under collateralized and at year end the City was exposed to custodial credit risk of \$945,555.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held in the name of the City or held on behalf of the City and that all securities are purchased using the delivery versus payment method. As of September 30, 2011, and for the year then ended, the City was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2011, consist of the following:

	<u>General</u>	<u>Utility</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Gross receivables:				
Accounts	\$ 193,601	\$ 1,566,608	\$ -	\$ 1,760,209
Ad valorem taxes	9,539	-	9,637	19,176
Ambulance	91,128	-	-	91,128
Fines	14,477	-	-	14,477
Franchise taxes	30,225	-	-	30,225
Other	-	43,307	16,238	59,545
Total gross receivables	338,970	1,609,915	25,875	1,974,760
Less: Allowances	954	-	964	1,918
Total net receivables	<u>\$ 338,016</u>	<u>\$ 1,609,915</u>	<u>\$ 24,911</u>	<u>\$ 1,972,842</u>

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
General Fund			
Ad valorem taxes	\$ 8,585	\$ -	\$ 8,585
Ambulance	91,128	-	91,128
Fines	14,477	-	14,477
Debt Service Fund			
Ad valorem taxes	8,673	-	8,673
Total	<u>\$ 122,863</u>	<u>\$ -</u>	<u>\$ 122,863</u>

NOTE 4: RECEIVABLES - (Continued)

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

Property taxes are prorated between operations and debt service based on rates adopted for the year of the levy. For the current year, the City levied property taxes of \$0.08909 per \$100 of assessed valuation which were prorated between operations and debt service in the amounts of \$0.03263 and \$0.05646, respectively. The resulting adjusted total tax levy was \$159,321 on the total adjusted taxable valuation of \$185,952,828 for the 2010 tax year.

NOTE 5: CAPITAL ASSETS

The City's capital asset activity for the year ended September 30, 2011, was as follows:

Primary Government:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 361,498	\$ -	\$ -	\$ 361,498
Total capital assets, not being depreciated	<u>361,498</u>	<u>-</u>	<u>-</u>	<u>361,498</u>
Capital assets, being depreciated				
Machinery and equipment	3,204,716	93,219	22,318	3,275,617
Buildings	3,102,081	146,288	-	3,248,369
Infrastructure	6,325,296	-	-	6,325,296
Total capital assets, being depreciated	<u>12,632,093</u>	<u>239,507</u>	<u>22,318</u>	<u>12,849,282</u>
Less accumulated depreciation for				
Machinery and equipment	1,577,217	213,056	15,623	1,774,650
Buildings	1,414,727	67,026	-	1,481,753
Infrastructure	3,426,573	253,501	-	3,680,074
Total accumulated depreciation	<u>6,418,517</u>	<u>533,583</u>	<u>15,623</u>	<u>6,936,477</u>
Total capital assets being depreciated, net	<u>6,213,576</u>	<u>(294,076)</u>	<u>6,695</u>	<u>5,912,805</u>
Governmental activities capital assets, net	<u>\$ 6,575,074</u>	<u>\$ (294,076)</u>	<u>\$ 6,695</u>	<u>\$ 6,274,303</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 3,838	\$ -	\$ -	\$ 3,838
Construction in progress	3,348,462	1,975,379	-	5,323,841
Total capital assets, not being depreciated	<u>3,352,300</u>	<u>1,975,379</u>	<u>-</u>	<u>5,327,679</u>
Capital assets, being depreciated				
Machinery and equipment	1,078,457	185,493	78,949	1,185,001
Buildings and improvements	240,434	-	-	240,434
Water works system	4,743,453	32,987	-	4,776,440
Sewer system	7,264,977	43,709	-	7,308,686
Electric system	2,832,475	29,457	-	2,861,932
Total capital assets, being depreciated	<u>16,159,796</u>	<u>291,646</u>	<u>78,949</u>	<u>16,372,493</u>
Less accumulated depreciation for				
Machinery and equipment	767,234	72,384	76,580	763,038
Buildings and improvements	226,400	5,958	-	232,358
Water works system	2,581,615	104,102	-	2,685,717
Sewer system	3,849,743	123,304	-	3,973,047
Electric system	1,926,620	69,045	-	1,995,665
Total accumulated depreciation	<u>9,351,612</u>	<u>374,793</u>	<u>76,580</u>	<u>9,649,825</u>
Total capital assets being depreciated, net	<u>6,808,184</u>	<u>(83,147)</u>	<u>2,369</u>	<u>6,722,668</u>
Business-type activities capital assets, net	<u>\$ 10,160,484</u>	<u>\$ 1,892,232</u>	<u>\$ 2,369</u>	<u>\$ 12,050,347</u>

NOTE 5: CAPITAL ASSETS - (Continued)

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

Governmental activities:	
General government	\$ 53,358
Public safety	106,716
Public works	352,165
Cultural and recreation	<u>21,344</u>
Total depreciation expense - governmental activities	<u>\$533,583</u>
Business-type activities:	
Utilities	<u>\$374,793</u>
Total depreciation expense - business-type activities	<u>\$374,793</u>

Discretely Presented Component Unit

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

NOTE 6: EMPLOYEES' RETIREMENT PLAN

Plan Description

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

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

	<u>Plan Year 2011</u>	<u>Plan Year 2010</u>
Employee deposit rate	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% repeating transfers	100% repeating transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)

Contributions

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

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

Contributions Required and Contributions Made				
Year Ended September 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
2011	\$ 656,140	100%	\$ -	-
2010	611,620	100%	-	-
2009	449,362	100%	-	-

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	Actuarial Valuation Information			
	12/31/10 Restructured	12/31/10 Prior to Restructuring	12/31/09	12/31/08
Actuarial cost method	projected unit credit	projected unit credit	projected unit credit	projected unit credit
Amortization method	level percent of payroll	level percent of payroll	level percent of payroll	level percent of payroll
GASB 25 equivalent single amortization period	27.0 years; closed period	27.0 years; closed period	28.0 years; closed period	29.0 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset valuation method	10-year smoothed market	10-year smoothed market	10-year smoothed market	amortized cost
Investment rate of return *	7.0%	7.5%	7.5%	7.5%
Projected salary increases *	varies by age and service	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at Cost of living adjustments	3.0%	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%	2.1%

NOTE 6: EMPLOYEES' RETIREMENT PLAN - (Continued)Funded Status and Funding Progress

In June 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations is presented as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/10 ²	\$ 10,068,444	\$ 14,838,564	\$ 4,770,120	67.9%	\$ 2,979,038	160.1%
12/31/10 ¹	14,297,256	18,015,563	3,718,307	79.4%	2,979,038	124.8%

¹ Actuarial valuation performed under the original fund structure

² Actuarial valuation performed under the new fund structure

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. 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.

NOTE 7: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEMPlan Description

The Fire Fighters' Pension Commissioner (FFPC) is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. The Office of the FFPC issues a publicly available annual financial report that includes financial statements and required supplementary information (RSI). This report may be obtained by writing to FFPC, 920 Colorado Street, 11th Floor, Austin, Texas 78701 in addition, the report is available on FFPC's website at www.ffpc.state.tx.us. At August 31, 2010, there were 199 members of fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

NOTE 7: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Plan Description - (Continued)

At August 31, 2010, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,167
Terminated participants entitled to benefits but not yet receiving them	2,106
Active participants (vested and nonvested)	<u>4,371</u>
	<u>8,644</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005) recodified the provision and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the 10th year of service, with the vesting percent increasing 10% for each of the next 5 years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by 6 times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

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

Funding Policy

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

Annual Required Contributions

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

NOTE 7: TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)**Annual Required Contributions - (Continued)**

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

Without the expected future annual contributions from the state, TESRS would have an inadequate contribution arrangement.

Three-Year Trend Information - State-wide			
Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	\$ 2,875,103 ³	\$ 2,875,103	100%
2009	2,698,271 ³	2,698,271	100%
2008	3,160,764 ²	11,239,339 ¹	356%

¹ Includes a state contribution of \$8,800,000.

² Based on the August 31, 2006, actuarial valuation.

³ Based on the August 31, 2008, actuarial valuation.

NOTE 8: SUPPLEMENTAL DEATH BENEFIT PLAN

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

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

NOTE 9: RISK MANAGEMENT

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

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

NOTE 10: LONG-TERM DEBT**A. Changes In Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Compensated absences	\$ 166,136	\$ -	\$ 21,442	\$ 144,694	\$ 14,469
Total governmental activity long-term liabilities	<u>\$ 166,136</u>	<u>\$ -</u>	<u>\$ 21,442</u>	<u>\$ 144,694</u>	<u>\$ 14,469</u>
Business-type activities					
General obligation bonds	\$ 1,200,000	\$ -	\$ 225,000	\$ 975,000	\$ 235,000
Certificates of obligation	7,225,000	-	190,000	7,035,000	190,000
Less deferred amounts:					
Loss on refunding	(30,287)	-	(6,057)	(24,230)	-
Net bonds and certificates payable	<u>8,394,713</u>	<u>-</u>	<u>408,943</u>	<u>7,985,770</u>	<u>425,000</u>
Compensated absences	<u>88,793</u>	<u>-</u>	<u>12,288</u>	<u>76,505</u>	<u>7,650</u>
Total business-type activity long-term liabilities	<u>\$ 8,483,506</u>	<u>\$ -</u>	<u>\$ 421,231</u>	<u>\$ 8,062,275</u>	<u>\$ 432,650</u>

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

NOTE 10: LONG-TERM DEBT - (Continued)

B. General Obligation Bonds and Certificates of Obligation

Bonds and certificates payable at September 30, 2011, are comprised of the following individual issues:

\$2,265,000 Series 2004 General Obligation Refunding Bonds, due in annual installments of \$225,000 to \$255,000 through 2015; interest at 3.34%.	\$ 975,000
\$5,000,000 Series 2006 Combination Tax and Subordinate Lien Revenue Certificates of Obligation, due in annual installments of \$75,000 to \$345,000 through 2028; interest at 0.00%.	4,765,000
\$2,500,000 Series 2008 Combination Tax and Subordinate Lien Revenue Certificates of Obligation due in annual installments of \$110,000 to \$115,000 through 2031; interest at 0.00%.	<u>2,270,000</u>
Total General Obligation Certificates and Bonds	<u>\$ 8,010,000</u>

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 425,000	\$ 32,565	\$ 457,565
2013	435,000	24,716	459,716
2014	440,000	16,700	456,700
2015	450,000	8,517	458,517
2016	460,000	-	460,000
2017-2021	2,295,000	-	2,295,000
2022-2026	2,265,000	-	2,265,000
2027-2031	<u>1,240,000</u>	<u>-</u>	<u>1,240,000</u>
	<u>\$ 8,010,000</u>	<u>\$ 82,498</u>	<u>\$ 8,092,498</u>

There are a number of limitations and restrictions contained in the bond indenture. The City is in compliance with all significant limitations and restrictions. The bond indenture requires the establishment and maintenance of an interest and sinking fund. At September 30, 2011, the balance in this fund is \$132,815.

NOTE 10: LONG-TERM DEBT - (Continued)

C. Prior Year Defeasance of Debt

On December 14, 2004, the City issued \$2,265,000 in bonds to advance refund \$2,150,000 of outstanding 1995 General Obligation Bonds. As a result, the Series 1995 bonds are considered defeased and the liability has been removed from the business-type activities column of the statement of net assets. At September 30, 2011, \$985,000 of bonds outstanding are considered defeased.

Subsequent to September 30, 2011, the City refunded the 2004 General Obligation Refunding Bonds by issuing \$995,000 of 2011 General Obligation Refunding Bonds. The proceeds were deposited into an escrow account to provide for future payment of the outstanding bonds.

NOTE 11: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

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

Interfund receivable and payable balances as of September 30, 2011, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General Fund	\$ 62,970
Nonmajor Governmental	General Fund	3,177
		<u>\$ 66,147</u>

B. Interfund Transfers

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

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Capital Project</u>	<u>Utility</u>	
General	\$ -	\$ 62,970	\$ -	\$ 62,970
Capital Project	4,610	-	101,143	105,753
Nonmajor Governmental	-	-	105,000	105,000
Utility	<u>2,285,135</u>	-	-	<u>2,285,135</u>
	<u>\$ 2,289,745</u>	<u>\$ 62,970</u>	<u>\$ 206,143</u>	<u>\$ 2,558,858</u>

NOTE 12: COMMITMENTS AND CONTINGENCIES**Grant Programs**

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2011, may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 13: RELATED PARTY TRANSACTIONS

During fiscal year 2011, the City's General Fund entered into transactions with the Yoakum Economic Development Corporation, a discretely presented component unit of the City, whereby the Corporation contributed to the primary government \$64,710 for administrative services.

NOTE 14: RESTATEMENT OF PREVIOUSLY ISSUED STATEMENTS

The City reclassified certain governmental activities in accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". The effect of the implementation of this Statement required, for financial reporting purposes, that certain funds that were previously reported as Special Revenue Funds now be reported as part of the General Fund. The effect of this increased the beginning balance in the General Fund fund balance by \$13,561 with a corresponding decrease in the beginning balance in the Special Revenue Funds. In addition, there was a restatement to the beginning governmental activities unrestricted net assets and General Fund fund balance to properly reflect expenditures/expenses and cash at and as of September 30, 2010. The result of the restatement was to decrease General Fund expenditures, decrease expenses of the governmental activities, and increase the cash balances by \$47,230.

NOTE 15: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2011:

	<u>Governmental Fund Balances</u>			<u>Total</u>
	<u>Nonspendable</u>	<u>Restricted</u>	<u>Unassigned</u>	
General				
Inventory	\$ 5,625	\$ -	\$ -	\$ 5,625
Unassigned	-	-	1,826,874	1,826,874
Capital Project		2,257,885		2,257,885
Nonmajor Governmental				
Tourism	-	105,549	-	105,549
Culture and recreation	-	40,411	-	40,411
Public safety	-	103,451	-	103,451
Debt service	-	18,540	-	18,540
	<u>\$ 5,625</u>	<u>\$ 2,525,836</u>	<u>\$ 1,826,874</u>	<u>\$ 4,358,335</u>

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

For the year ended September 30, 2011

	2011			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 901,200	\$ 901,200	\$ 925,409	\$ 24,209
Licenses and permits	15,000	45,000	63,733	18,733
Intergovernmental	145,940	76,600	150,376	73,776
Charges for services	1,650,810	1,825,040	1,977,454	152,414
Fines and forfeitures	75,000	75,000	101,670	26,670
Investment income	25,000	25,000	16,848	(8,152)
Miscellaneous	125,460	137,750	257,433	119,683
Total revenues	<u>2,938,410</u>	<u>3,085,590</u>	<u>3,492,923</u>	<u>407,333</u>
EXPENDITURES				
Current				
General government	761,950	761,950	818,487	(56,537)
Public safety	2,069,180	2,049,180	1,987,195	61,985
Public works	1,911,270	1,886,270	1,822,283	63,987
Cultural and recreation	656,160	656,160	767,951	(111,791)
Total expenditures	<u>5,398,560</u>	<u>5,353,560</u>	<u>5,395,916</u>	<u>(42,356)</u>
Excess (deficiency) of revenues over expenditures	(2,460,150)	(2,267,970)	(1,902,993)	364,977
OTHER FINANCING SOURCES (USES)				
Transfers in	2,460,150	2,312,970	2,289,745	(23,225)
Transfers out	-	(45,000)	(62,970)	(17,970)
Total other financing sources (uses)	<u>2,460,150</u>	<u>2,267,970</u>	<u>2,226,775</u>	<u>(41,195)</u>
Net change in fund balance	-	-	323,782	323,782
Fund balance beginning of year, as restated	<u>1,508,717</u>	<u>1,508,717</u>	<u>1,508,717</u>	-
Fund balance at end of year	<u>\$ 1,508,717</u>	<u>\$ 1,508,717</u>	<u>\$ 1,832,499</u>	<u>\$ 323,782</u>

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

CITY OF YOAKUM, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 HISTORICAL PENSION INFORMATION
 September 30, 2011

TEXAS MUNICIPAL RETIREMENT SYSTEM

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
12/31/10 ²	\$ 10,068,444	\$ 14,838,564	\$ 4,770,120	67.85%	\$ 2,979,038	160.12%
12/31/10 ¹	14,297,256	18,015,563	3,718,307	79.36%	2,979,038	124.82%
12/31/09	8,958,103	13,811,585	4,853,482	64.90%	2,914,157	166.50%
12/31/08	8,014,458	12,695,109	4,680,651	63.13%	2,937,548	159.34%
12/31/07	7,385,418	11,565,602	4,180,184	63.90%	2,457,892	170.10%
12/31/06	7,201,451	9,749,222	2,547,771	73.87%	2,399,850	106.16%
12/31/05	6,929,154	9,336,602	2,407,448	74.21%	2,384,012	100.98%
12/31/04	7,398,080	9,644,529	2,246,449	76.71%	2,326,376	96.56%
12/31/03	7,166,456	9,474,240	2,307,784	75.64%	2,228,516	103.56%
12/31/02	6,649,762	8,737,233	2,087,471	76.11%	2,249,594	92.79%
12/31/01	6,204,270	8,121,785	1,917,515	76.40%	2,055,086	93.30%

¹Actuarial valuation performed under the original fund structure

²Actuarial valuation performed under the new fund structure

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

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

CITY OF YOAKUM, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
HISTORICAL PENSION INFORMATION
September 30, 2011

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - (Continued)

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability ¹ (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL per Member Covered (b-a)/(c)
8/31/2006	\$ 42,268,305	\$ 58,082,828	\$ 15,814,523	72.8%	8,061	\$ 1,962
8/31/2008 ²	60,987,157	64,227,341	3,240,184	95.0%	8,254	393
8/31/2010 ³	64,113,803	79,953,215	15,839,412	80.2%	8,708	1,819

¹ The actuarial accrued liability is based upon the entry age actuarial cost method.

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

³ Changes in actuarial assumptions were reflected in this valuation.

Three-Year Trend Information - State-wide			
Fiscal Year Ending August 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2010	\$ 2,875,103 ³	\$ 2,875,103	100%
2009	2,698,271 ³	2,698,271	100%
2008	3,160,764 ²	11,239,339 ¹	356%

¹ Includes a state contribution of \$8,800,000.

² Based on the August 31, 2006, actuarial valuation.

³ Based on the August 31, 2008, actuarial valuation.

State contributions to the City's plan for the fiscal year 2011 has been deemed insignificant to the financial statements. Therefore, no amounts have been recognized as revenues and expenditures during the period.

CITY OF YOAKUM, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2011

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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

NOTE 2: BUDGETARY LEGAL COMPLIANCE

General Fund expenditures in a number of different departments exceeded the amount appropriated during the current fiscal year. These variances are detailed below.

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Negative Variance</u>
General Fund			
Administration	\$ 331,530	\$ 351,029	\$ (19,499)
Building maintenance	82,850	94,638	(11,788)
Non-departmental	165,900	195,700	(29,800)
Parks and recreation	497,530	624,830	(127,300)
Transfers out	45,000	62,970	(17,970)

These over expenditures were funded by available fund balance in the General Fund.

Combining and Individual Fund Statements and Schedules

CITY OF YOAKUM, TEXAS
ALL NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 249,422	\$ 15,363	\$ 264,785
Receivables (net)	16,238	8,673	24,911
Due from other funds	-	3,177	3,177
Total assets	<u>\$ 265,660</u>	<u>\$ 27,213</u>	<u>\$ 292,873</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 16,249	\$ -	\$ 16,249
Deferred revenue	-	8,673	8,673
Total liabilities	<u>16,249</u>	<u>8,673</u>	<u>24,922</u>
Fund balance			
Restricted			
Tourism	105,549	-	105,549
Public safety	103,451	-	103,451
Culture and recreation	40,411	-	40,411
Debt service	-	18,540	18,540
Total fund balance	<u>249,411</u>	<u>18,540</u>	<u>267,951</u>
Total liabilities and fund balances	<u>\$ 265,660</u>	<u>\$ 27,213</u>	<u>\$ 292,873</u>

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

For the year ended September 30, 2011

	Total Nonmajor Special Revenue Funds	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 60,640	\$ 106,758	\$ 167,398
Charges for services	10,815	-	10,815
Fines and forfeitures	2,443	-	2,443
Investment income	276	85	361
Miscellaneous	17,436	-	17,436
Total revenues	<u>91,610</u>	<u>106,843</u>	<u>198,453</u>
EXPENDITURES			
Current			
General government	36,383	-	36,383
Public safety	11,364	-	11,364
Total expenditures	<u>47,747</u>	<u>-</u>	<u>47,747</u>
Excess (deficiency) of revenues over expenditures	43,863	106,843	150,706
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(105,000)	(105,000)
Total other financing sources (uses)	<u>-</u>	<u>(105,000)</u>	<u>(105,000)</u>
Net change in fund balance	43,863	1,843	45,706
Fund balance beginning of year, as restated	205,548	16,697	222,245
Fund balance at end of year	<u>\$ 249,411</u>	<u>\$ 18,540</u>	<u>\$ 267,951</u>

CITY OF YOAKUM, TEXAS**NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS****COMBINING BALANCE SHEET**

September 30, 2011

	<u>Hotel/Motel Tax</u>	<u>Police Projects</u>	<u>Fire/ Ambulance Projects</u>	<u>Library Projects</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 103,076	\$ 88,520	\$ 17,415	\$ 40,411	\$ 249,422
Taxes receivable	<u>16,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,238</u>
Total assets	<u>\$ 119,314</u>	<u>\$ 88,520</u>	<u>\$ 17,415</u>	<u>\$ 40,411</u>	<u>\$ 265,660</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 13,765	\$ 2,484	\$ -	\$ -	\$ 16,249
Total liabilities	<u>13,765</u>	<u>2,484</u>	<u>-</u>	<u>-</u>	<u>16,249</u>
Fund balance					
Restricted					
Tourism	105,549	-	-	-	105,549
Public safety	-	86,036	17,415	-	103,451
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,411</u>	<u>40,411</u>
Total fund balance	<u>105,549</u>	<u>86,036</u>	<u>17,415</u>	<u>40,411</u>	<u>249,411</u>
Total liabilities and fund balances	<u>\$ 119,314</u>	<u>\$ 88,520</u>	<u>\$ 17,415</u>	<u>\$ 40,411</u>	<u>\$ 265,660</u>

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

For the year ended September 30, 2011

	<u>Hotel/Motel Tax</u>	<u>Police Projects</u>	<u>Fire/ Ambulance Projects</u>	<u>Library Projects</u>	<u>Total</u>
REVENUES					
Taxes	\$ 60,640	\$ -	\$ -	\$ -	\$ 60,640
Charges for services	-	10,815	-	-	10,815
Fines and forfeitures	-	2,443	-	-	2,443
Investment income	-	-	-	276	276
Miscellaneous	-	4,017	7,667	5,752	17,436
Total revenues	<u>60,640</u>	<u>17,275</u>	<u>7,667</u>	<u>6,028</u>	<u>91,610</u>
EXPENDITURES					
Current					
General government	36,383	-	-	-	36,383
Public safety	-	11,044	320	-	11,364
Total expenditures	<u>36,383</u>	<u>11,044</u>	<u>320</u>	<u>-</u>	<u>47,747</u>
Net change in fund balances	24,257	6,231	7,347	6,028	43,863
Fund balances beginning of year	<u>81,292</u>	<u>79,805</u>	<u>10,068</u>	<u>34,383</u>	<u>205,548</u>
Fund balances at end of year	<u>\$ 105,549</u>	<u>\$ 86,036</u>	<u>\$ 17,415</u>	<u>\$ 40,411</u>	<u>\$ 249,411</u>

CITY OF YOAKUM, TEXAS**MAJOR GOVERNMENTAL FUNDS - GENERAL FUND****BALANCE SHEET**

September 30, 2011

With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 1,757,730	\$ 1,461,138
Receivables, net		
Accounts	193,601	131,608
Ad valorem taxes	8,585	8,585
Ambulance	91,128	57,778
Fines	14,477	13,781
Franchise taxes	30,225	31,510
Due from other governments	175,650	115,832
Inventory	<u>5,625</u>	<u>6,028</u>
Total assets	<u>\$ 2,277,021</u>	<u>\$ 1,826,260</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 122,796	\$ 108,120
Accrued expenditures	124,691	111,925
Deposits	8,624	7,183
Due to other funds	66,147	1,678
Due to component unit	500	500
Due to other governments	7,574	7,993
Deferred revenue	<u>114,190</u>	<u>80,144</u>
Total liabilities	<u>444,522</u>	<u>317,543</u>
Fund balance, as restated		
Nonspendable - inventory	5,625	6,028
Unassigned	<u>1,826,874</u>	<u>1,502,689</u>
Total fund balance	<u>1,832,499</u>	<u>1,508,717</u>
Total liabilities and fund balance	<u>\$ 2,277,021</u>	<u>\$ 1,826,260</u>

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
REVENUES				
Taxes				
Ad valorem	\$ 74,500	\$ 61,838	\$ (12,662)	\$ 67,824
Penalty and interest	5,500	1,806	(3,694)	3,389
Franchise	150,000	128,362	(21,638)	137,331
Sales	670,000	732,328	62,328	673,866
Other	1,200	1,075	(125)	1,600
Total taxes	901,200	925,409	24,209	884,010
Licenses and permits				
Landfill/transfer station	30,000	45,073	15,073	28,039
Miscellaneous	15,000	18,660	3,660	14,857
Total licenses and permits	45,000	63,733	18,733	42,896
Intergovernmental	76,600	150,376	73,776	87,000
Charges for services				
Sanitation	1,390,810	1,408,075	17,265	1,293,789
Ambulance	205,000	218,158	13,158	208,050
Golf course	85,000	88,438	3,438	77,309
Swimming pool	5,500	4,851	(649)	5,059
Community center	4,600	3,751	(849)	4,556
RV park	30,000	149,664	119,664	34,243
Park pavilion	3,900	2,792	(1,108)	3,052
Chamber office rent	1,500	1,500	-	1,500
Other	98,730	100,225	1,495	79,288
Total charges for services	1,825,040	1,977,454	152,414	1,706,846
Fines and forfeitures				
Municipal courts	75,000	101,670	26,670	77,542
Investment income	25,000	16,848	(8,152)	11,322
Miscellaneous				
Donations/grants	100,410	130,275	29,865	32,368
Police calendar sales	1,500	2,025	525	1,508
Recycled materials	25,000	59,361	34,361	103,286
Other	10,840	65,772	54,932	38,439
Total miscellaneous	137,750	257,433	119,683	175,601
Total revenues	3,085,590	3,492,923	407,333	2,985,217

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
EXPENDITURES				
General government				
Administrative and finance				
Personnel	\$ 277,900	\$ 294,412	\$ (16,512)	\$ 259,209
Supplies	10,000	9,106	894	8,575
Services	33,030	37,278	(4,248)	30,196
Maintenance	5,000	5,421	(421)	7,188
Other	5,600	4,812	788	3,680
Total administrative and finance	<u>331,530</u>	<u>351,029</u>	<u>(19,499)</u>	<u>308,848</u>
Building maintenance				
Personnel	55,950	47,883	8,067	53,358
Supplies	2,800	2,616	184	2,840
Services	16,500	33,724	(17,224)	33,391
Maintenance	7,600	10,415	(2,815)	20,143
Total building maintenance	<u>82,850</u>	<u>94,638</u>	<u>(11,788)</u>	<u>109,732</u>
Inspection/code enforcement				
Personnel	45,840	46,255	(415)	43,043
Supplies	4,070	3,405	665	3,480
Services	10,350	10,072	278	12,544
Maintenance	450	10	440	107
Other	3,500	2,639	861	1,346
Total inspection/code enforcement	<u>64,210</u>	<u>62,381</u>	<u>1,829</u>	<u>60,520</u>
Economic development				
Personnel	106,940	105,667	1,273	100,829
Supplies	820	508	312	527
Services	4,200	4,716	(516)	3,800
Other	5,500	3,848	1,652	4,117
Total economic development	<u>117,460</u>	<u>114,739</u>	<u>2,721</u>	<u>109,273</u>
Non-departmental				
Insurance	27,500	20,101	7,399	22,988
Audit	19,450	20,050	(600)	14,650
Legal services	5,000	22,298	(17,298)	4,225
Community center	44,600	40,184	4,416	9,697
Sundry charges	18,400	23,443	(5,043)	9,426
Museum contribution	9,000	9,000	-	9,000
Other contributions	40,950	59,692	(18,742)	40,596

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
EXPENDITURES - (Continued)				
General government - (continued)				
Non-departmental - (continued)				
Senior citizen project	\$ 1,000	\$ 932	\$ 68	\$ 779
Total non-departmental	<u>165,900</u>	<u>195,700</u>	<u>(29,800)</u>	<u>111,361</u>
Total general government	<u>761,950</u>	<u>818,487</u>	<u>(56,537)</u>	<u>699,734</u>
Public safety				
Police				
Personnel	1,002,290	979,259	23,031	910,293
Supplies	51,970	50,066	1,904	34,632
Services	53,750	37,143	16,607	34,009
Maintenance	24,500	27,653	(3,153)	22,041
Other	14,400	13,942	458	5,801
Capital outlay	<u>25,000</u>	<u>22,471</u>	<u>2,529</u>	<u>113,041</u>
Total police	<u>1,171,910</u>	<u>1,130,534</u>	<u>41,376</u>	<u>1,119,817</u>
Municipal court				
Personnel	14,530	13,342	1,188	13,271
Supplies	500	229	271	377
Maintenance	1,500	2,287	(787)	1,607
Other	<u>1,500</u>	<u>417</u>	<u>1,083</u>	<u>278</u>
Total municipal court	<u>18,030</u>	<u>16,275</u>	<u>1,755</u>	<u>15,533</u>
Fire/ambulance				
Personnel	660,220	635,019	25,201	600,906
Supplies	32,600	43,590	(10,990)	33,121
Services	34,200	36,437	(2,237)	34,465
Maintenance	31,620	35,924	(4,304)	41,163
Other	30,000	30,139	(139)	14,736
Capital outlay	<u>70,600</u>	<u>59,277</u>	<u>11,323</u>	<u>67,834</u>
Total fire/ambulance	<u>859,240</u>	<u>840,386</u>	<u>18,854</u>	<u>792,225</u>
Total public safety	<u>2,049,180</u>	<u>1,987,195</u>	<u>61,985</u>	<u>1,927,575</u>

CITY OF YOAKUM, TEXAS

MAJOR GOVERNMENTAL FUNDS - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

BUDGET (GAAP BASIS) AND ACTUAL

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance	2010
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES - (Continued)				
Public works				
Streets				
Personnel	\$ 286,830	\$ 266,996	\$ 19,834	\$ 273,027
Supplies	18,500	18,735	(235)	16,580
Services	2,700	2,211	489	2,581
Maintenance	56,200	48,524	7,676	43,662
Other	1,800	1,066	734	1,794
Capital outlay	262,000	234,446	27,554	382,986
Total streets	<u>628,030</u>	<u>571,978</u>	<u>56,052</u>	<u>720,630</u>
Solid waste				
Personnel	410,520	374,965	35,555	366,732
Supplies	41,490	39,958	1,532	40,139
Services	759,930	774,787	(14,857)	730,381
Maintenance	44,900	47,466	(2,566)	41,065
Other	1,400	499	901	251
Capital outlay	-	12,630	(12,630)	-
Total sanitation	<u>1,258,240</u>	<u>1,250,305</u>	<u>7,935</u>	<u>1,178,568</u>
Total public works	<u>1,886,270</u>	<u>1,822,283</u>	<u>63,987</u>	<u>1,899,198</u>
Cultural and recreation				
Parks and recreation				
Personnel	354,300	326,500	27,800	320,602
Supplies	34,330	49,907	(15,577)	36,407
Services	61,300	95,425	(34,125)	51,745
Maintenance	37,100	29,128	7,972	42,205
Other	10,500	32,420	(21,920)	8,771
Capital outlay	-	91,450	(91,450)	29,314
Total parks and recreation	<u>497,530</u>	<u>624,830</u>	<u>(127,300)</u>	<u>489,044</u>
Library				
Personnel	54,260	51,671	2,589	50,340
Supplies	9,000	11,493	(2,493)	9,107
Services	14,100	13,723	377	12,351
Maintenance	12,900	9,856	3,044	7,820
Other	7,770	1,540	6,230	2,170
Capital outlay	60,600	54,838	5,762	-
Total library	<u>158,630</u>	<u>143,121</u>	<u>15,509</u>	<u>81,788</u>
Total cultural and recreation	<u>656,160</u>	<u>767,951</u>	<u>(111,791)</u>	<u>570,832</u>
Total expenditures	<u>5,353,560</u>	<u>5,395,916</u>	<u>(42,356)</u>	<u>5,097,339</u>

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

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
Excess (deficiency) of revenues over expenditures	\$ (2,267,970)	\$ (1,902,993)	\$ 364,977	\$ (2,112,122)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,312,970	2,289,745	(23,225)	2,175,228
Transfers out	(45,000)	(62,970)	(17,970)	(132,010)
Total other financing sources (uses)	<u>2,267,970</u>	<u>2,226,775</u>	<u>(41,195)</u>	<u>2,043,218</u>
Net change in fund balance	<u>\$ -</u>	323,782	<u>\$ 323,782</u>	(68,904)
Fund balance beginning of year, as restated		<u>1,508,717</u>		<u>1,577,621</u>
Fund balance at end of year		<u>\$ 1,832,499</u>		<u>\$ 1,508,717</u>

(concluded)

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,245,816	\$ 4,705,957
Receivables (net)		
Accounts	1,566,608	1,497,391
Other	43,307	7,372
Inventory	329,157	311,307
Restricted assets		
Cash and cash equivalents	<u>2,736,028</u>	<u>4,946,546</u>
Total current assets	<u>9,920,916</u>	<u>11,468,573</u>
Noncurrent assets		
Capital assets		
Machinery and equipment	1,185,001	1,078,457
Buildings and improvements	240,434	240,434
Water works system	4,776,440	4,743,453
Sewer system	7,308,686	7,264,977
Electric system	<u>2,861,932</u>	<u>2,832,475</u>
Total depreciable capital assets	16,372,493	16,159,796
Less: Accumulated depreciation	<u>9,649,824</u>	<u>9,351,612</u>
Subtotal	6,722,669	6,808,184
Land	3,838	3,838
Construction in progress	<u>5,323,841</u>	<u>3,348,462</u>
Net capital assets	<u>12,050,348</u>	<u>10,160,484</u>
Bond issue costs (net)	<u>220,526</u>	<u>236,592</u>
Total noncurrent assets	<u>12,270,874</u>	<u>10,397,076</u>
Total assets	<u>22,191,790</u>	<u>21,865,649</u>

CITY OF YOAKUM, TEXAS
MAJOR ENTERPRISE FUND - UTILITY FUND
BALANCE SHEET
September 30, 2011
With comparative totals for September 30, 2010

	<u>2011</u>	<u>2010</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 829,599	\$ 983,564
Accrued expenses	74,585	34,935
Deposits	207,674	182,038
Accrued compensated absences	7,650	8,879
Accrued interest payable	4,071	5,010
Current portion of bonds and certificates payable	425,000	415,000
Total current liabilities	<u>1,548,579</u>	<u>1,629,426</u>
Noncurrent liabilities		
Accrued compensated absences	68,855	79,914
Bonds and certificates payable (net of deferred amounts)	7,560,771	7,979,714
Total noncurrent liabilities	<u>7,629,626</u>	<u>8,059,628</u>
Total liabilities	<u>9,178,205</u>	<u>9,689,054</u>
 NET ASSETS		
Invested in capital assets, net of related debt	6,800,605	6,712,316
Unrestricted net assets	6,212,980	5,464,279
Total net assets	<u>\$ 13,013,585</u>	<u>\$ 12,176,595</u>

CITY OF YOAKUM, TEXAS**MAJOR ENTERPRISE FUND - UTILITY FUND****SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS****BUDGET (NON-GAAP BASIS) AND ACTUAL**

For the year ended September 30, 2011

With comparative totals for the year ended September 30, 2010

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
OPERATING REVENUES				
Electric service	\$ 8,036,490	\$ 8,335,502	\$ 299,012	\$ 8,129,833
Water service	1,069,450	1,222,905	153,455	892,901
Sewer service	784,000	729,998	(54,002)	663,173
Service taps	15,000	28,711	13,711	7,450
Penalties	100,000	100,709	709	92,575
Service charges	22,500	23,981	1,481	15,820
Miscellaneous	56,870	67,906	11,036	46,554
Total operating revenues	10,084,310	10,509,712	425,402	9,848,306
OPERATING EXPENSES				
General and administrative				
Personnel	344,160	342,313	1,847	328,938
Supplies	34,570	31,124	3,446	31,095
Services	29,960	30,405	(445)	35,320
Maintenance	1,600	4,981	(3,381)	4,299
Other	5,000	4,376	624	1,760
Bad debts	45,000	34,139	10,861	50,778
Capital outlay	37,290	37,290	-	-
Total general and administrative	497,580	484,628	12,952	452,190
Electric				
Personnel	277,800	260,292	17,508	257,152
Supplies	10,630	11,061	(431)	9,148
Cost of power	5,192,060	5,155,186	36,874	5,253,942
Services	92,630	81,388	11,242	85,555
Maintenance	65,860	57,348	8,512	59,023
Other	10,400	4,980	5,420	7,501
Capital outlay	169,360	168,176	1,184	37,561
Total electric	5,818,740	5,738,431	80,309	5,709,882
Water				
Personnel	310,010	261,922	48,088	249,320
Supplies	60,000	60,772	(772)	50,729
Services	70,570	80,262	(9,692)	59,149
Maintenance	163,370	120,707	42,663	143,587
Other	7,000	3,249	3,751	3,427
Capital outlay	13,000	12,892	108	-
Total water	623,950	539,804	84,146	506,212

CITY OF YOAKUM, TEXAS*MAJOR ENTERPRISE FUND - UTILITY FUND**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**BUDGET (NON-GAAP BASIS) AND ACTUAL**For the year ended September 30, 2011**With comparative totals for the year ended September 30, 2010*

	2011		Variance Positive (Negative)	2010
	Final Budget	Actual		Actual
OPERATING EXPENSES - (Continued)				
Sewer				
Personnel	\$ 327,120	\$ 324,987	\$ 2,133	\$ 301,904
Supplies	26,950	25,171	1,779	20,381
Services	112,400	104,069	8,331	106,609
Maintenance	57,200	44,608	12,592	57,898
Other	2,000	1,927	73	2,535
Capital outlay	70,100	38,455	31,645	33,018
Total sewer	<u>595,770</u>	<u>539,217</u>	<u>56,553</u>	<u>522,345</u>
Warehouse				
Personnel	65,970	66,081	(111)	64,151
Supplies	2,940	2,622	318	1,689
Services	10,800	13,224	(2,424)	8,522
Maintenance	1,500	866	634	949
Other	700	423	277	240
Capital outlay	-	17,912	(17,912)	35,904
Total warehouse	<u>81,910</u>	<u>101,128</u>	<u>(19,218)</u>	<u>111,455</u>
Garage				
Personnel	112,650	90,586	22,064	108,953
Supplies	4,700	4,830	(130)	3,930
Services	3,100	2,524	576	2,619
Maintenance	6,400	5,879	521	9,066
Other	300	136	164	86
Total garage	<u>127,150</u>	<u>103,955</u>	<u>23,195</u>	<u>124,654</u>
Total operating expenses	<u>7,745,100</u>	<u>7,507,163</u>	<u>237,937</u>	<u>7,426,738</u>
Operating income (loss) before nonoperating revenues (expenses) and transfers	2,339,210	3,002,549	663,339	2,421,568
NONOPERATING REVENUES (EXPENSES)				
Investment income	125,000	51,880	(73,120)	120,628
Bond principal, interest, and fiscal charges	<u>(455,480)</u>	<u>(461,002)</u>	<u>(5,522)</u>	<u>(462,820)</u>
Total nonoperating revenues (expenses)	<u>(330,480)</u>	<u>(409,122)</u>	<u>(78,642)</u>	<u>(342,192)</u>

CITY OF YOAKUM, TEXAS*MAJOR ENTERPRISE FUND - UTILITY FUND**SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS**BUDGET (NON-GAAP BASIS) AND ACTUAL**For the year ended September 30, 2011**With comparative totals for the year ended September 30, 2010*

	2011			2010
	Final Budget	Actual	Variance Positive (Negative)	Actual
Income (loss) before contributions and transfers	\$ 2,008,730	\$ 2,593,427	\$ 584,697	\$ 2,079,376
Contributions and transfers				
Capital contributions	37,290	37,205	(85)	-
Transfers in	251,400	206,143	(45,257)	253,840
Transfers out	<u>(2,297,420)</u>	<u>(2,285,135)</u>	<u>12,285</u>	<u>(2,030,815)</u>
Net transfers in (out)	<u>(2,008,730)</u>	<u>(2,041,787)</u>	<u>(33,057)</u>	<u>(1,776,975)</u>
Change in net assets - (NON-GAAP BUDGETARY BASIS)	<u>\$ -</u>	551,640	<u>\$ 551,640</u>	302,401
ADJUSTMENTS				
To adjust for principal payments on long-term debt		415,000		410,000
To adjust for capital expenses		261,208		105,275
To adjust for amortization expense		(16,066)		(16,066)
To adjust for depreciation expense		<u>(374,792)</u>		<u>(396,037)</u>
Change in net assets - (GAAP BASIS)		836,990		405,573
Total net assets at beginning of year		<u>12,176,595</u>		<u>11,771,022</u>
Total net assets at end of year		<u>\$ 13,013,585</u>		<u>\$ 12,176,595</u>

(concluded)

**OVERALL COMPLIANCE AND INTERNAL
CONTROL SECTION**



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Yoakum, Texas (the "City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

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

The Honorable Mayor and Members
of the City Council

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

Harrison, Waldrop & Ullrich, LLP

July 24, 2012