

**CITY OF MCCAMEY, TEXAS
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

**CITY OF MCCAMEY, TEXAS
FINANCIAL STATEMENTS
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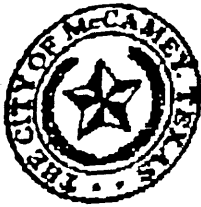
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Wind Energy Capital of Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2007

Within this section of the City of McCamey, Texas annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2007. This discussion should be read in conjunction with the basic financial statements of the City. The discussion focuses on the City's primary government.

Financial Highlights

- ✓ The City's assets exceeded its liabilities (net assets) by \$2,738,051 this year compared to \$2,628,113 for the previous year.
- ✓ Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$1,645,544 include property and equipment, net of accumulated depreciation.
 2. Net assets of \$54,334 are restricted by constraints imposed from the City, grantors, laws or regulations.
 3. Unrestricted net assets of \$1,038,173 represent the portion available to maintain the City's general operations.
- ✓ The City's governmental funds reported a total combined ending unreserved net fund balance of \$ 828,143 compared to \$726,597 the previous year. Total liabilities of the City at the end of the year were \$141,164 compared to last year's \$133,551. Total current assets were \$1,233,671 compared to \$1,163,571 last year.
- ✓ In summary, the City governmental funds had a net excess of revenues over expenditures of \$101,546, before depreciation compared to a net excess of expenditures over revenue of \$35,543, before depreciation, for the year ended September 30, 2006. This represents a net increase of \$66,003 in net revenues over expenditures.

Overview of the Financial Statements

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the city-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference being 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the Statement of Activities which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the Statement of Activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers and residents.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues. Governmental activities include general government, public safety, public services, cultural and recreation. Business-type activities include water and sewer utilities and sanitation services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements for the general fund can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted budget.

Proprietary funds (enterprise funds) are reported in the fund financial statements and generally report services for which the City charges customers a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water and sewer utilities.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

Proprietary funds also present a Statement of Cash Flows. The statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing and financing activities. It provides answers to such questions as "Where did cash come from and what was it used for?" It also indicates the change in cash balance during the reporting period.

Notes to the Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Supplementary information follows the notes to the basic financial statements.

Financial Analysis of the City as a Whole

The City's net assets at fiscal year-end are \$2,738,051 compared to \$2,628,113 last year end. This means there were \$2,738,051 more assets than liabilities. The following table provides a summary of the City's net assets at September 30, 2007 and 2006.

Summary of Net Assets-September 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 864,518	\$ 369,153	\$ 1,233,671
Capital Assets (Net)	<u>253,811</u>	<u>1,391,734</u>	<u>1,645,544</u>
Total Assets	1,118,329	1,760,887	2,879,215
Long-Term Liabilities		48,318	48,318
Other Liabilities	<u>14,311</u>	<u>78,535</u>	<u>92,846</u>
Total Liabilities	<u>14,311</u>	<u>126,853</u>	<u>141,164</u>
Net Assets:			
Invested in Capital Assets	253,811	1,391,734	1,645,544
Restricted		54,334	54,334
Unrestricted	<u>850,207</u>	<u>187,966</u>	<u>1,038,173</u>
Total Net Assets	<u>\$ 1,104,018</u>	<u>\$1,634,034</u>	<u>\$ 2,738,051</u>

Summary of Net Assets-September 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 758,377	\$ 405,195	\$ 1,163,571
Capital Assets (Net)	<u>245,241</u>	<u>1,352,851</u>	<u>1,598,092</u>
Total Assets	1,003,618	1,758,045	2,761,663
Long-Term Liabilities		45,205	45,205
Other Liabilities	<u>15,273</u>	<u>73,072</u>	<u>88,346</u>
Total Liabilities	<u>15,273</u>	<u>118,277</u>	<u>133,551</u>
Net Assets:			
Invested in Capital Assets	245,241	1,352,851	1,598,092
Restricted		52,045	52,045
Unrestricted	<u>743,093</u>	<u>234,883</u>	<u>977,976</u>
Total Net Assets	<u>\$ 988,345</u>	<u>\$1,639,768</u>	<u>\$2,628,113</u>

The following table provides a summary of the City's changes in net assets for the current year and prior year:

Summary of Changes in Net Assets-September 30, 2007

	<u>Governmental Activities</u>	<u>BusinessType Activities</u>	<u>Total</u>
Revenues:			
Program Revenues			
Charges for services	\$ 5,975	\$ 663,016	\$ 668,990
Operating/Capital Grants	117,150	50,000	167,150
General Revenues			
Ad Valorem taxes	92,732		92,732
Sales taxes	232,683		232,683
Franchise taxes & fees/other	71,994		71,994
Transfers	(20,000)	20,000	
Investment Earnings	<u>33,232</u>	<u>13,036</u>	<u>46,268</u>
Total Revenues	<u>533,766</u>	<u>746,052</u>	<u>1,279,818</u>
Expenses:			
General Government	418,093		418,093
Water & Sewer		574,396	574,396
Sanitation	<u>-0-</u>	<u>177,391</u>	<u>177,391</u>
Total Expenses	<u>418,093</u>	<u>751,786</u>	<u>1,169,879</u>
Increase (Decrease) in net assets	<u>\$ 115,673</u>	<u>\$ (5,734)</u>	<u>\$ 109,939</u>

Summary of Changes in Net Assets-September 30, 2006

	<u>Governmental Activities</u>	<u>BusinessType Activities</u>	<u>Total</u>
Revenues:			
Program Revenues			
Charges for services	\$ 5,014	\$ 701,298	\$ 706,312
Operating Grants	4,573		4,573
General Revenues			
Ad Valorem taxes	90,563		90,563
Sales taxes	129,880		129,880
Franchise taxes & fees/other	65,068		65,068
Transfers	911	(911)	
Investment Earnings	27,835	11,066	38,901
Total Revenues	<u>323,844</u>	<u>711,453</u>	<u>1,035,597</u>
Expenses:			
General Government			
Water & Sewer	283,388		283,388
Sanitation		586,921	586,921
Total Expenses	<u>- 0-</u>	<u>159,476</u>	<u>159,476</u>
	<u>283,388</u>	<u>746,396</u>	<u>1,029,784</u>
Increase (Decrease) in net assets	\$ <u>40,457</u>	\$ <u>(34,943)</u>	\$ <u>5,514</u>

Financial Analysis of the City's Funds

Governmental funds

Governmental funds are reported in the fund statements with a short-term, inflow and outflow focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending unreserved fund balances of \$828,143 compared to \$726,597 last year, which are available for continuing City service requirements.

Major Governmental Funds

The fund balance of the General Fund increased \$99,057 compared to an increase of \$35,543 in the last fiscal year. Revenue was up by \$118,725. Sales taxes increased by \$102,803, Hotel Occupancy tax was up \$2,856, property taxes were up by \$7,932. Interest income was up by \$5,397. Expenditures were up by \$25,281. Expenditures were generally up across the board for increased costs due to inflation.

