R. D. Harrison, CPA

Certified Public Accountant

Member American Institute of Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council City of Shavano Park, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Shavano Park, Texas, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Shavano Park, Texas, management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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, each major fund, and the aggregate remaining fund information of the City of Shavano Park, Texas, as of September 30, 2007, 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.

The management's discussion and analysis and budgetary comparison information on pages two through seven and thirty through thirty-two, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

R.D. Haim

R. D. Harrison Certified Public Accountant

January 31, 2008



City of Shavano Park

900 Saddletree Court • San Antonio, Texas 78231

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Shavano Park's financial performance provides an overview of the City's financial activities for the year ended September 30, 2007.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages eight and nine) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page ten. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page three. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities Most of the City's basic services are reported here, including the police, fire, general administration, court, and public works. Ad valorem and sales taxes, franchise fees, fines, and building permit fees finance most of these activities.
- Business-type activities The City charges a fee to customers to cover all of the cost of certain services it provides. The City's water system is reported here.

In my opinion, the City is better off as a result of this year's activities.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page four. The fund financial statements begin on page ten and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes (like the Capital Projects Fund). The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- Governmental funds Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE CITY AS A WHOLE

For the year ended September 30, 2007, total and net assets changed as follows:

	Governmenta Activities		Business-type Activities			Total
Beginning total assets Increase in total assets Ending total assets	\$ <u>\$</u>	6,757,274. <u>466,776.</u> <u>7,224,050.</u>	\$ <u>\$</u>	3,409,490. <u>115,714.</u> <u>3,525,204.</u>	\$ <u>\$</u>	10,166,764. 582,490. 10,749,254.
Beginning net assets Increase in net assets Ending net assets	\$ <u>\$</u>	3,031,519. 529,428. 3,560,947.	\$ <u>\$</u>	2,719,678. 108,048. 2,827,726.	\$ <u>\$</u>	5,751,197. <u>637,476.</u> <u>6,388,673.</u>

The increase in total assets and net assets for the year is a result of the excess of revenues over expenditures by both governmental and business-type activities for the year. These surpluses of \$529,428 and \$108,048 respectively are principally reflected in the Statement of Net Assets as cash and investments, which have increased by \$346,767 to a total of \$3,547,070.

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

Administration	Building permits, development fees, occupational licenses, and plumbing/electric inspections.					
Court	Court costs allocation from fines.					
Police	Fines and arrest fees. Grants are classified as operating grants.					
Fire	EMS fees. Grants are classified as operating grants.					

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Expenses for government activities (as presented on page 9) increased 18.5% (or \$399,650) to \$2,562,314 in 2007 from 2006 levels principally due to increased personnel costs of \$220,079. The City's General Revenues increased 8.1% (or \$172,219) principally due to increased tax revenues of \$46,636. The City's Net Revenue for 2007 was \$529,428, compared to \$627,415 in 2006.

Business-type Activities

Water revenues (as presented on page 9) decreased by 43.5% (or \$451,805) to \$587,484 due to significantly reduced usage in 2007 from 2006. Total operating expenses of the Water Department remained virtually the same, increasing by only \$118. Net income decreased by \$407,680 to \$108,048 in 2007 due to the revenue decline.

THE CITY'S FUNDS

The City's government funds – total assets (as presented on page 10) increased 13.4% (or \$303,445) in 2007. The City's net government funds balances increased by 16.2% (or \$330,027). This increase was primarily due to an increase in the General Fund Balance of \$330,879 which was due to an excess of revenue over expenditures.

The following schedule presents a summary of general, capital project, and debt service fund revenues and expenditures (as presented on page 11) for the fiscal year ended September 30, 2007, and the amount and percentage of increases and decreases in relation to the prior year.

Revenues:		YE 2007 Amount	Percent of Total	Increase (Decrease) from FYE 2006		Percent Increase (Decrease)					
Taxes	\$	1,944,912.	62 %	\$	267,263.	16	%				
Franchise fees		217,712.	7 %		10,601.	5	%				
Building permits and fees		372,233.	12 %		29,755.	9	%				
Fines and forfeitures		306,934.	10 %		106,501.	53	%				
Interest		180,322.	6 %		99,425.	123	%				
Other		103,580.	3 %		(23,560)	(19)	%				
Total Revenues	\$	<u>3,125,493.</u>	100 %	<u>\$</u>	489,985.	19	%				
				I	ncrease	Percent					
	F	YE 2007	Percent	(Decrease) from		Increase					
Expenditures:	Amount		Amount		Amount		of Total	FYE 2006		(Decrease))
City Council	\$	1,314.	- %	\$	(3,491)	(73)	%				
Administration		409,849.	14 %		59,621.	17	%				
Municipal Court		51,077.	2 %		10,925.	27	%				
Police		711,058.	25 %		110,801.	18	%				
Fire		689,107.	24 %		127,453.	23	%				
Public Works		230,157.	8 %		23,606.	11	%				
Capital Outlay		445,331.	16 %		191,346.	75	%				
Debt Service		309,356.	<u> </u>		2,965.	1	%				
Total Expenditures	<u>\$</u>	<u>2,847,249.</u>	100 %	<u>\$</u>	523,226.	23	%				

BUDGETARY HIGHLIGHTS

Budgetary comparisons are included on pages 30 through 32 of this annual financial report. There were minor budget amendments during the year.

General Fund actual revenues exceeded the budget by 7% (or \$186,000) principally due to court fine revenues. Actual expenditures were less than budgeted amounts in every department principally due to personnel costs which were \$187,846 under budget and capital expenditures which were \$188,425 under budget. Total expenditures were less than the budget by 15% (or \$424,437).

Water Fund revenues were less than budget by 20% (or \$167,588). Total expenditures were under budget by 31% (or \$335,805), principally due to capital expenditures and maintenance costs being under budget by \$275,469.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of September 30, 2007, the City had \$10,705,243 invested in capital assets including police and fire equipment, buildings, roads, and water facilities. (See table below.) This represents a net increase of 7.4% (or \$736,862) over last year.

	Government	al Activities	Business-ty	pe Activities	Totals		
	2006	2007	2006	2007	2006	2007	
Land and Rights	\$ 36,385.	\$ 36,385.	\$ 333,127.	\$ 333,127.	\$ 369,512.	\$ 369,512.	
Buildings	2,428,406.	2,471,673.	-	-	2,428,406.	2,471,673.	
Vehicles	619,227.	892,487.	94,741.	94,741.	713,968.	987,228.	
Furniture & Equip.	497,865.	626,669.	107,655.	133,323.	605,520.	759,992.	
Infrastructure	2,560,046.	2,560,046.	3,290,929.	3,556,792.	5,850,975.	6,116,838.	
TOTALS	<u>\$ 6,141,929.</u>	<u>\$ 6,587,260.</u>	<u>\$ 3,826,452.</u>	<u>\$ 4,117,983.</u>	<u>\$ 9,968,381.</u>	<u>\$ 10,705,243.</u>	

This year's major additions included:

Total	<u>\$</u>	<u>636,890.</u>
Water system improvements		265,863.
Police vehicles		24,996.
Fire vehicles		248,264.
Computers and software	\$	97,767.

Debt

At September 30, 2007, the City had \$4,062,407 in outstanding notes and a capital lease compared to \$4,238,726 last year. That is a decrease of 4 percent due to the required principal payments as shown in the following table.

	Governmen	tal Activities	Business-typ	oe Activities	Totals		
	2006	2007	2006	2007	2006	2007	
Bonds	\$ 3,490,200.	\$ 3,359,723.	\$ 664,800.	\$ 645,277.	\$ 4,155,000.	\$ 4,005,000.	
Capital lease obligations	83,726.	57,407.			83,726.	57,407.	
Totals	<u>\$ 3,573,926</u>	<u>\$ 3,417,130.</u>	<u>\$ 664,800.</u>	<u>\$ 645,277.</u>	<u>\$ 4,238,726.</u>	<u>\$ 4,062,407.</u>	

Other obligations of the City include accrued compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund revenues for fiscal 2008 are budgeted at \$2,994,320, a 7% increase over 2007 actual amounts. With the passage of the 65+ tax freeze on ad valorem tax rates and the susceptibility of building permits and fees to economic conditions, and the finite supply of undeveloped property, the City does not expect to realize significant revenue growth. Although ad valorem taxes will not decrease, building permits and deposits could fall short of budget and even begin to decline from prior years. General Fund expenditures for fiscal 2008 are budgeted at \$3,315,527, a 35% increase over 2007 actual results.

Personnel costs are budgeted to increase by 34% (or \$514,258) due to salary increases and additional fire and police personnel. In addition, \$525,497 is budgeted for Capital expenditures.

Water Fund revenues for fiscal 2008 are budgeted at \$794,190, a 38% increase from 2007 actual revenues. Water expenditures are budgeted at \$927,615, a 22% increase from 2007 actual expenditures. Capital improvements and maintenance are budgeted to increase by \$43,721.

Under current mandated pumping limitations imposed by the Edwards Aquifer Authority, there is no guarantee that the Water Fund would be able to meet the water needs of its customer base. The 2008 budget includes \$90,000 in its capital improvement/maintenance budget to acquire/lease additional pumping rights.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's Office at 900 Saddletree Court, Shavano Park, Texas.

Manuel Long ~ 72.

City Manager

CITY OF SHAVANO PARK, TEXAS Statement of Net Assets September 30, 2007

	Government <u>Activities</u>		Business-type <u>Activities</u>		<u>Total</u>	
ASSETS						
Cash and investments Accounts receivable	\$	1,291,646. 58,433.	\$	1,190,303. 14,357.	\$	2,481,949. 72,790.
Internal balances		202,665.		(202,665)		-
Inventory		-		3,000.		3,000.
Prepaid expenses Total current assets		<u>600.</u> 1,553,344.		<u>600.</u> 1,005,595.		<u>1,200.</u> 2,558,939.
Total cullent assets		1,555,544.		1,005,595.		2,338,939.
Restricted cash		1,020,505.		44,616.		1,065,121.
Fixed assets		6,587,260.		4,117,983.		10,705,243.
Accumulated depreciation		(1,937,059)		(1,642,990)		(3,580,049)
Net fixed assets		4,650,201.		2,474,993.		7,125,194.
Total Assets		7,224,050.		3,525,204.		10,749,254.
LIABILITIES						
Accounts payable		199,714.		25,253.		224,967.
Customer deposits		-		19,750.		19,750.
Accrued interest payable		21,259.		-		21,259.
Current portion of bonds payable		139,449.		20,551.		160,000.
Current portion of lease obligations		27,877.				27,877.
Total current liabilities		388,299.		65,554.		453,853.
Compensated absences		25,000.		7,198.		32,198.
Capital lease obligations		29,530.		-		29,530.
Bonds payable		3,220,274.		624,726.		3,845,000.
Total liabilities		3,663,103.		697,478.		4,360,581.
NET ASSETS						
Invested in capital assets –						
net of related debt		1,233,071.		1,829,716.		3,062,787.
Reserved for capital improvement		785,860.		-		785,860.
Reserved for court technology		18,280.		-		18,280.
Reserved for court security		10,129.		-		10,129.
Reserved for debt service		108,207.		24,866.		133,073.
Reserved for crime control		73,109.		-		73,109.
Reserved for oak wilt		24,920.		-		24,920.
Unreserved	+	1,307,371.	+	973,144.		2,280,515.
Total net assets	<u>\$</u>	3,560,947.	<u>\$</u>	2,827,726.	\$	6,388,673.

CITY OF SHAVANO PARK, TEXAS Statement of Activities Year Ended September 30, 2007

		<u>Program F</u>	Revenue	Ne	(Expense) Revenue		
		Charges for	Operating	Government	Business-type		
Program Activities	Expenses	Services	Grants	Activities	Activities	<u>Total</u>	
Government activities:							
City Council	\$ 1,314.	\$ -	\$ -	\$ (1,314)	\$ -	\$ (1,314)	
Administration	570,791.	439,103.	-	(131,688)	-	(131,688)	
Municipal Court	51,077.	68,866.	-	17,789.	-	17,789.	
Police	766,058.	222,766.	-	(543,292)	-	(543,292)	
Fire	759,107.	59,488.	7,719.	(691,900)	-	(691,900)	
Public Works	231,157.	-	-	(231,157)	-	(231,157)	
Interest	182,810.			(182,810)		(1,828,810)	
Total Government							
Activities:	2,562,314.	790,223.	7,719.	(1,764,372)	-	(1,764,372)	
Business-type Activities:							
Water	499,368.	587,484.			88,116.	88,116.	
Total:	<u>\$ 3,061,682.</u>	<u>\$ 1,377,707.</u>	<u>\$ 7,719.</u>		88,116.	(1,676,256)	
	G 1 D						
	General Reven	nues:					
	Taxes	_		1,827,896.	-	1,827,896.	
	Franchise I	rees		217,712.	-	217,712.	
	Interest			103,580.	59,690.	163,270.	
	Other			92,829.	12,025.	104,854.	
	Transfers			51,783.	(51,783)		
	Total General	Revenue and Th	ransfers	2,293,800.	19,932.		
	Change in Net	Assets		529,428.	108,048.	637,476.	
	Not Assots of 1	Decimping of V	201				
	as adjusted	Beginning of Ye	201	3,031,519.	2,719,678.	5,751,197.	
	······j-····j						
	Net Assets and	l End of Year		<u>\$ 3,560,947.</u>	<u>\$ 2,827,726.</u>	<u>\$ 6,388,673.</u>	

CITY OF SHAVANO PARK, TEXAS Balance Sheet Government Funds September 30, 2007

	General	<u>Debt</u> Service	Crime Control <u>District</u>	Capital <u>Projects</u>	<u>Total</u>
ASSETS					
Cash and investments	\$ 1,818,585.	\$ 37,701.	\$ 105,109.	\$350,756.	\$ 2,312,151.
Receivable:					
Delinquent ad valorem taxes	6,853.	1,489.	-	-	8,342.
Franchise fees	50,091.	-	-	-	50,091.
Due from other funds	223,706.	70,506.	(32,000)	(59,547)	202,665.
Prepaid expenses	600.				600.
Total assets	<u>\$ 2,099,835.</u>	<u>\$ 109,696.</u>	<u>\$ 73,109.</u>	<u>\$291,209.</u>	<u>\$ 2,573,849.</u>
LIABILITIES					
Accounts payable	\$ 199,714.	\$ -	\$ -	\$ -	199,714.
Deferred revenue – ad valorem taxes	6,853.	1,489.			8,342.
Total liabilities	206,567.	1,489.	-	-	208,056.
FUND BALANCES					
Reserved for capital replacements	494,651.	-	-	291,209.	785,860.
Reserved for court technology	18,280.	-	-	-	18,280.
Reserved for court security	10,129.	-	-	-	10,129.
Reserved for debt service	-	108,207.	-	-	108,207.
Reserved for crime control	-	-	73,109.	-	73,109.
Reserved for oak wilt	24,920.	-	-	-	24,920.
Unreserved	1,345,288.				1,345,288.
Total fund balances	1,893,268.	108,207.	73,109.	291,209.	2,365,793.
Total liabilities and fund balances	<u>\$ 2,099,835.</u>	<u>\$ 109,696.</u>	<u>\$ 73,109.</u>	<u>\$291,209.</u>	

Amounts reported for government activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds; net of accumulated depreciation of \$1,937,059.	4,650,201.
Delinquent ad valorem taxes are not available to pay for current period expenditures and therefore are deferred in the funds.	8,342.
Accrued interest payable on Bonds payable does not require current financial resources and therefore are not reported in the funds.	(21,259)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(25,000)
Bonds payable	(3,359,723)
Capital lease obligation	(57,407)
Net assets of governmental activities	<u>\$ 3,560,947.</u>

CITY OF SHAVANO PARK, TEXAS Statement of Revenues, Expenditures and Changes in Fund Balances Government Funds Year Ended September 30, 2007

	General	Debt <u>Service</u>	Crime Control <u>District</u>	Capital Projects	<u>Total</u>
Revenues:					
Taxes	\$ 1,579,413.	\$ 309,221.	\$ 56,078.	\$ -	\$ 1,944,712.
Franchise fees	217,712.	-	-	-	217,712.
Building permits and fees	372,233.	-	-	-	372,233.
Fines and forfeits	306,934.	-	-	-	306,934.
Other	180,322.	375.	-	-	180,322.
Interest	85,108.			18,097.	103,580.
Total revenues	2,741,722.	309,596.	56,078.	18,097.	3,125,493.
Expenditures:					
City Council	1,314.	-	-	-	1,314.
General Administration	409,849.	-	-	-	409,849.
Municipal Court	51,077.	-	-	-	51,077.
Police	679,058.	-	32,000.	-	711,058.
Fire	689,107.	-	-	-	689,107.
Public Works	230,157.	-	-	-	230,157.
Capital outlay	402,064.	-	-	43,267.	445,331.
Principal retirement	-	130,477.	-	-	130,477.
Interest and fees		178,879.			178,879.
Total expenditures	2,462,626.	309,356.	32,000.	43,267.	2,847,249.
Excess of revenues over expenditures	279,096.	240.	24,078.	(25,170)	278,244.
Other financing sources: Transfers from Proprietary Fund	51,783.		<u> </u>	<u> </u>	51,783.
Excess of revenue and other financing sources over expenditures	330,879.	240.	24,078.	(25,170)	330,027.
Fund balances – beginning of year Fund balances – end of year	<u>1,562,389.</u> <u>\$ 1,893,268.</u>	<u>107,967.</u> <u>\$ 108,207.</u>	<u>49,031.</u> <u>\$ 73,109.</u>	<u>316,379.</u> <u>\$ 291,209.</u>	<u>2,035,766.</u> <u>\$2,365,793.</u>

CITY OF SHAVANO PARK, TEXAS Statement of Revenues, Expenditures and Changes in Fund Balances, continued Government Funds Year Ended September 30, 2007

The following is a reconciliation of the excess of revenue and other financing sources over expenditures in the Statement of Revenue, Expenditures and Changes in Fund Balance – Government Funds to the Changes in Net Assets from Governmental Activities reported in the Statement of Activities.		
Excess of revenue and other financing sources over expenditures.	\$ 330,027	7.
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. However, in the government-wide Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	445,331	l.
Depreciation expense on capital assets is reported in the government-wide Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in government funds.	(282,000))
The repayment of long-term debt (Bonds and Capital Lease Obligations) consumes the current financial resources of government funds. Neither of these transactions, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt is as follows: Bond principal payments130,477. 26,319.		
	156,796	5.
The decrease in accrued interest expenses does not create a current financial resource and is, therefore, not reported as an expenditure in the government funds.	1,032	2.
The increase in the liability for compensated absences does not consume a current financial recourse and is therefore not reported as an expenditure in the government funds.	(4,942	2)
The decrease in delinquent ad-valorem taxes for the year does not create a current financial resource and therefore is deferred in the government funds.	(116,816	<u>i)</u>
Change in Net Assets of Governmental Activities	<u>\$ 529,428</u>	<u>}.</u>

CITY OF SHAVANO PARK, TEXAS Statement of Net Assets Proprietary Fund September 30, 2007

ENTERPRISE FUND

ASSETS	
Cash and investments	\$ 1,234,919.
Receivable from water customers	14,357.
Inventory	3,000.
Prepaid expenses	600.
Fixed assets	4,117,983.
Accumulated depreciation	(1,642,990)
Total Assets	3,727,869.
LIABILITIES	
Accounts payable and accrued expenses	25,253.
Water customer deposits	19,750.
Due to other funds	202,665.
Compensated absences	7,198.
Bonds payable	645,277.
Total Liabilities	900,143.
NET ASSETS	
Invested in capital assets, net of related debt	1,829,716.
Restricted for debt service	24,866.
Unrestricted	973,144.
Total Net Assets	<u>\$ 2,827,726.</u>

CITY OF SHAVANO PARK, TEXAS Statement of Revenues, Expenditures and Changes in Net Assets Proprietary Fund Year Ended September 30, 2007

ENTERPRISE FUND

Revenue:	
Water service	\$ 587,484.
Interest income	71,715.
Total revenue	659,199.
Operating expenses:	
Personnel	163,023.
Supplies	12,494.
Services	66,889.
Water lease	51,754.
Maintenance	83,544.
Interest and fees	36,664.
Transfers to General Fund	51,783.
Total operating expenses	466,151.
Net income before depreciation	193,048.
Depreciation	85,000.
Net income	108,048.
Fund net assets – beginning of year	2,719,678.
Fund net assets – end of year	<u>\$ 2,827,726.</u>

CITY OF SHAVANO PARK, TEXAS Statement of Cash Flows Proprietary Fund Year Ended September 30, 2007

ENTERPRISE FUND

OPERATING ACTIVITIES: Net income/loss Adjustments to reconcile net income to net cash provided by operating activities: \$ 108,048. Depreciation 85,000. Change in operating assets and liabilities: Decrease in accounts receivable 3,095. Increase in accounts payable and accrued expenses 24,939. Increase in due to other funds 129,181. Increase in customer deposits 2,250. NET CASH PROVIDED BY OPERATING ACTIVITIES 352,513. **INVESTING ACTIVITIES** Additions to water plant and improvements (291,531) NET CASH USED BY INVESTING ACTIVITIES (291, 531)FINANCING ACTIVITIES Repayment of debt (19,523)NET CASH USED BY FINANCING ACTIVITIES (19,523)**INCREASE IN CASH** 41,459. Cash and cash equivalents at beginning of year 1,193,460. \$ 1,234,919. CASH AND CASH EQUIVALENTS AT END OF YEAR

CITY OF SHAVANO PARK, TEXAS Statement of Net Assets Fiduciary Funds Year Ended September 30, 2007

	Pet Documentation and Rescue Fund		Founder's Landscaping Fund		Total <u>Fiduciary Funds</u>	
Cash	<u>\$</u>	1,560.	<u>\$</u>	837.	<u>\$</u>	2,397.
Fund Balance	<u>\$</u>	1,560.	<u>\$</u>	837.	<u>\$</u>	2,397.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Shavano Park, Texas (The City) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

<u>Reporting Entity</u>: The financial statements include all the government funds and the proprietary fund of the City. There are no component units applicable to the City. Therefore, the primary government (City of Shavano Park, Texas) is the same as the reporting entity. The City is not a component unit of any other entity.

<u>Government-wide Financial Statements:</u> The Statement of Net Assets and Statement of Activities display information abut the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

<u>Fund Financial Statements</u>: The government uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types". Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds) and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in another fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fiduciary funds are used to account for assets held by the City as an agent for individuals and/or other funds.

<u>Basis of Accounting</u>: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Governmental Fund type operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus and using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-tern debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise fees, special assessments, interest revenue and charges for services. Licenses, fines and permits are not susceptible to accrual because generally, they are not measurable until received in cash.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Delinquent taxes are reported as deferred revenue as they are not available for current use.

<u>Cash and Investments</u>: Cash and investments include amounts in demand deposits, savings accounts and MBIA investment accounts.

<u>Short-Term Interfund Receivables/Payables</u>: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

<u>Receivables</u>: In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem taxes and franchise fees. Business-type activities report water earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as ad valorem tax, franchise fees, and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

<u>Inventories</u>: Inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

<u>Prepaid Items</u>: Payments made to vendors for services that will benefit periods beyond September 30, 2007.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

<u>Fixed Assets:</u> The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, except for donated fixed assets which are recorded at their estimated air value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Vehicles	3-10 years
Furniture and Equipment	3-10 years
Infrastructure	10-80 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

<u>Compensated Absences</u>: The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it incurred.

<u>Long-Term Debt</u>: The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or the fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payable, accrued compensated absences, and Capital lease obligations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Long-term debt for governmental funds is no reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications:

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE B – PENSION PLAN

<u>Plan Description</u>: The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement Systems (TMRS), one of 821 administered by TMRS, an agent multiple employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the

NOTE B - PENSION PLAN, continued

employee's accumulated contribution and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with five or more years of service or with 25 or more years of service regardless of age. A member is vested after five years, but he must leave his accumulated contribution in the plan. If a member withdraws his own money, he is not entitled to the employer financed monetary credits, even if he was vested. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

<u>Contributions</u>: The contribution rate for the employees is 7%, and the City matching percent is currently 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee retirement date, not at the time the employee contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. The City's current contribution rate based on the actuarial valuation is 9.31%.

The City's total payroll in fiscal year 2007 was \$1,374,729, and the City's contributions were based on a covered payroll of \$1,373,395. Both the City and the covered employees made the required contributions, amounting to \$123,935 and \$96,277, respectively.

NOTE B – PENSION PLAN, continued

-			-	-		
	Actuarial	Actuarial		Over/(under)		Unfunded
Dec.	Values of	Accrued	Percentage	-funded	Covered	Obligation as
31	Assets	Liability	Funded	Amount	Payroll	a % of Payroll
1998	\$ 345,211.	\$ 311,926.	110.7%	\$ 33,285.	\$484,049.	N/A
1999	391,537.	356,695.	109.8%	34,842.	525,712.	N/A
2000	464,648.	421,237.	110.3%	43,411.	599,645.	N/A
2001	570,086.	520,406.	109.5%	49,680.	818,126.	N/A
2002	582,040.	542,860.	107.2%	39,180.	869,769.	N/A
2003	682,063.	646,513.	105.5%	35,550.	893,004.	N/A
2004	808,848.	790,758.	102.3%	18,090.	974,158.	N/A
2005	840,801.	965,315.	87.1%	(124,514)	1,096,200.	11.4%
2006	1,041,974.	1,245,371.	83.7%	(203,397)	1,289,560.	15.8%

<u>Funding Status and Progress</u>: The historical trend information below demonstrates the City's progress in meeting its pension funding obligations:

Each of the 821 municipalities administered by TMRS has an annual individual actuarial valuation performed. All assumptions for the December 31, 2006 valuations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P. O. Box 149153, Austin, Texas 78714-9153.

NOTE C – PROPERTY TAXES

Taxes were levied on and payable as of January 1. For fiscal year 2007, the assessed tax rate for the City was \$.335 per \$100 on an assessed valuation of \$517,188,184. This is broken out as \$.276532 per \$100 for general operations and \$.058468 per \$100 for debt retirement. Total tax levy for 2007 was \$1,627,851. As of September 30, 2007, the current year uncollected taxes were \$7,063 with total delinquent taxes of \$8,342.

NOTE D – DEPOSITS AND INVESTMENTS

The City is allowed to invest monies in any federally backed securities. All excess cash is currently invested in pooled investment accounts with MBIA. The City's depository has pledged securities with the Federal Reserve Bank in an amount sufficient to collateralize all deposits in excess of \$100,000.

Investments owned by various City funds are summarized as follows:

	Interest Rates	General Fund	Debt Service Fund	Capital Projects Fund	Proprietary Fund	Total
MBIA	5.45 %	<u>\$ 1,680,276.</u>	<u>\$ 7,244.</u>	<u>\$ 349,815.</u>	<u>\$ 1,059,333.</u>	<u>\$ 3,096,668.</u>

NOTE E – LONG-TERM DEBT

At September 30, 2007, the City's long-term debt consisted of the following combination tax and limited pledge revenue certificates of obligation bonds, issued in 2000 and 2004 titled "\$3,650,000 City of Shavano Park Combination Tax and Limited Revenue Pledge Certificates of Obligation Bonds, Series 2000" and titled "\$1,000,000 City of Shavano Park, Combination Tax and Limited Pledge Revenue Certificate of Obligation, Series 2004":

	Range of Interest Rates on Unpaid Principal	Unpaid Principal	Current Maturities	Long-term Maturities
General Obligation: Series 2000 Bonds	5.0% - 5.75%	\$2,494,723.	\$ 79,449.	\$ 2,415,274.
Self-Supporting Obligation: Series 2000 Bonds	5.0% - 5.75%	\$ 645,277.	\$ 20,551.	\$ 624,726.
General Obligation: Series 2004 Bonds	3.6% - 4.1%	<u>\$ 865,000.</u>	<u>\$ 60,000.</u>	<u>\$ 805,000.</u>

The changes in long-term debt during the year are summarized as follows:

General	Original Range of Interest Rate	Original <u>Amount</u>	Balance Outstanding <u>10/1/2006</u>	Issued During <u>Year</u>	Retired During <u>Year</u>	Balance Outstanding <u>9/30/ 2007</u>
Obligation: Series 2000	5.0% - 5.75%	<u>\$ 2,900,000.</u>	<u>\$ 2,570,200.</u>	<u>\$0.</u>	<u>\$ 75,477.</u>	<u>\$ 2,494,723.</u>
Self-Supporting Obligations: Series 2000	5.0% - 5.75%	<u>\$ 750,000.</u>	<u>\$ 664,800.</u>	<u>\$ 0.</u>	<u>\$ 19,523.</u>	<u>\$ 645,277.</u>
General Obligation: Series 2004	3.6% - 4.1%	<u>\$ 1,000,000.</u>	<u>\$ 920,000.</u>	<u>\$ 0.</u>	<u>\$ 55,000.</u>	<u>\$ 865,000.</u>

NOTE E - LONG-TERM DEBT, continued

Series 2000

a .	20	A
Series	-20	04
001100		\mathbf{v}

Fiscal Year	Self-Supporting Obligation Ge		General C	Obligation General Obligation		
Ending		Interest		Interest		Interest
September	Principal	Payable	Principal	Payable	Principal	Payable
30	Due	Semi-	Due	Semi-	Due	Semi-
30	August 15	annually	August 15	annually	Feb. 15	annually
2008	\$ 20,551	\$ 35,639	\$ 79,449	\$ 137,786	\$ 60,000	\$ 32,830
2009	22,605	34,534	87,395	133,516	60,000	30,430
2010	23,632	33,234	91,368	128,491	60,000	28,030
2011	24,661	31,876	95,339	123,237	65,000	25,530
2012	24,661	30,643	95,339	118,470	65,000	22,930
2013	26,715	29,410	103,285	113,703	70,000	20,230
2014	28,771	28,040	111,229	108,410	75,000	17,330
2015	29,798	26,530	115,202	102,570	75,000	14,480
2016	31,853	24,966	123,147	96,522	80,000	11,650
2017	32,881	23,254	127,119	89,902	80,000	8,630
2018	33,907	21,486	131,093	83,070	85,000	5,390
2019	36,991	19,664	143,009	76,024	90,000	1,845
2020	38,018	17,629	146,982	68,159	-	-
2021	40,072	15,538	154,928	60,075	-	-
2022	43,155	13,234	166,845	51,166	-	-
2023	45,210	10,753	174,790	41,572	-	-
2024	48,292	8,153	186,708	31,522	-	-
2025	51,375	5,377	198,625	20,786	-	-
2026	42,128	2,422	162,872	9,366		
	<u>\$ 645,277</u>	<u>\$ 439,382</u>	<u>\$ 2,415,274</u>	<u>\$ 1,594,347</u>	<u>\$ 865,000</u>	<u>\$ 219,305</u>

The bonds are \$5,000 in denomination and are dated August 15, 2000 and February 15, 2004. The bonds were issued for the purpose for securing funds to improve the City's water system, construct and renovate a new city hall, and for drainage and street improvements. The Self-Supporting Limited Revenue Pledge Bonds are repayable from the net revenue of the City's Proprietary Fund. The General Obligation Bonds are payable out of the City's ad valorem tax revenues, the City Council having been authorized to levy and cause to be assessed and collected an amount of ad valorem taxes sufficient to pay the annual as provided in the Bond Ordinance, solely for the benefit of said bonds. The Bond Ordinance stipulates that "Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of said City, and shall be used only for paying the interest on and principal of said bonds." All ad valorem taxes levied and collected for and on account of said bonds shall be deposited, as collected, to the

NOTE E - LONG-TERM DEBT, continued

credit of said Interest and Sinking Fund. During each year while any of said bonds or interest coupons appertaining thereto are outstanding and unpaid, the governing body of said City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest of said bonds as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of such bonds as such principal matures and said tax shall be assessed and collected each such year and deposited to the credit of the aforesaid Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of said bonds, as such interest comes due and such principal matures, are hereby pledged irrevocably for such payment, within the limit prescribed by law.

NOTE F – GENERAL FIXED ASSETS

The following is a summary of changes in general fixed assets:

	9/30/2006	9/30/2006 Additions		9/30/2007	
Land	\$ 36,385.	\$ -	\$ -	\$ 36,385.	
Buildings	2,428,406.	43,267.	-	2,471,673.	
Street Improvements	2,560,046.	-	-	2,560,046.	
Vehicles and equipment:					
Admin. and Court	181,585.	62,743.	-	244,328.	
Police	214,971.	62,948.	-	277,919.	
Fire	620,441.	276,373.	-	896,814.	
Public Works	100,095.			100,095.	
	<u>\$ 6,141,929.</u>	<u>\$ 445,331.</u>	<u>\$ </u>	<u>\$ 6,587,260.</u>	
Accumulated Depreciation	<u>\$ 1,655,059.</u>	<u>\$ 282,000.</u>	<u>\$</u>	<u>\$ 1,937,059.</u>	

The following is a summary of the property, plant, and equipment of the Proprietary Fund at September 30, 2007. There were no disposals during the year ended September 30, 2007. Total additions to plant and improvements were \$265,863 and to machinery and equipment were \$25,668 during the year ended September 30, 2007.

Water plant and improvements	\$ 3,556,792.
Machinery and equipment	 228,064.
	3,784,856.
Accumulated Depreciation	 (1,642,990)
	2,141,866.
Land	30,146.
Water Rights	 302,981.
	\$ 2,474,993.

NOTE G – CHANGES IN FUND EQUITY

The following changes occurred in the General Governmental Fund individual fund balances during the year ended September 30, 2007:

	Fund Balances						
	<u>Unreserved</u>	Reserved for Court <u>Technology</u>	Reserved for Court <u>Security</u>	Reserved for Capital <u>Replacements</u>	Reserved for Oak <u>Wilt</u>	<u>Total</u>	
Balance October 1, 2006	\$ 788,651.	\$ 35,123.	\$ 15,587.	\$ 703,983.	\$ 19,045.	\$ 1,562,389.	
Revenue	2,765,432.	12,702.	9,496.	-	5,875.	2,793,505.	
Expenditures	(2,083,795)	(29,545)	(14,954)	(334,332)	-	(2,462,626)	
Transfers	(125,000)			125,000.			
Balance September 30, 2007	<u>\$1,345,288.</u>	<u>\$ 18,280.</u>	<u>\$ 10,129.</u>	<u>\$ 494,651.</u>	<u>\$ 24,920.</u>	<u>\$ 1,893,268.</u>	

The following changes occurred in the proprietary fund individual retained earnings equity accounts during the year ended September 30, 2007:

	Retained Earnings					
	Unreserved	Reserved for Improvements	Reserved for Debt Service	Total		
Balance October 1, 2006	\$ 970,284.	\$ 119,877.	\$ 25,855.	\$ 1,116,016.		
Net Income before depreciation	174,514.	-	18,534.	193,048.		
Capital Improvements	(171,654)	(119,877)	-	(291,531)		
Debt Payments	<u> </u>	<u>-</u>	(19,523)	(19,523)		
Balance September 30, 2007	<u>\$ 973,144.</u>	<u>\$</u>	<u>\$ 24,866.</u>	<u>\$ 998,010.</u>		

NOTE H – CAPITAL LEASE OBLIGATIONS

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at September 30, 2007.

	Fire Truck		
Year ended			
September 30:			
2008	\$	31,282.	
2009		31,282.	
Total		62,864.	
Less interest		5,457.	
Present value	\$	57,407.	

NOTE I – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The \$152,160 in the plan at September 30, 2007, was held by ICMA Retirement Corporation as the plan administrator for the City.

NOTE J – CONTINGENT LIABILITIES

The City is contingently liable in respect of lawsuits and other claims in the ordinary course of its operations. Should such contingencies become a real liability, funds would have to be appropriated in future budgets for settlement. The City does not feel that there are any matters pending at September 30, 2007 that would have a material effect on the financial condition of the City.

In addition, the City participates in federally funded grant programs from the U.S. Justice Department and Department of Homeland Security, which are subject to federal regulations and guidelines. Should any of the grant program expenditures be disallowed by the respective grantor agency, funds would have to be appropriated in future City budgets for settlement. However, the City feels that such future amounts, if any, would be immaterial.

NOTE K – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs, and other economic and social factors. The liability for claims and judgements would be reported in the general long-term debt account group because they would not be liquidated with expendable available financial resources. The City did not have any such liability at September 30, 2007. There were no reductions in insurance coverage for the prior year. Also, the amount of settlements did not exceed insurance coverage for each of the past three years.

CITY OF SHAVANO PARK, TEXAS Statement of Revenue and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis) Year Ended September 30, 2007

Budgeted Amounts

	<u> </u>	Variations to		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget
General Fund:				
Revenues:				
Taxes – Ad valorem	\$ 1,426,598.	\$ 1,426,598.	\$ 1,445,471.	\$ 18,873.
Taxes – Sales	103,000.	103,000.	133,942.	30,942.
Franchise Fees	170,500.	170,500.	217,712.	47,212.
Permits and Licenses	351,350.	351,350,	372,233.	20,883.
Court Fines	216,505.	216,505.	306,934.	90,429.
Grants	98,063.	105,782.	7,719.	(98,063)
Rentals	20,750.	20,750.	39,532.	18,782.
EMS Fees	33,000.	43,000.	57,938.	14,938.
Other	45,750.	58,237.	75,133.	16,896.
Interest	60,000.	60,000.	85,108.	25,108.
Transfer from Water	51,783.	51,783.	51,783.	
Total Revenues	2,577,299.	2,607,505.	2,793,505.	186,000.
Expenditures:				
City Council				
Personnel	500.	500.	87.	413.
Supplies	200.	200.	365.	(165)
Services	13,635.	13,635.	862.	12,773.
	14,335.	14,335.	1,314.	13,021.
Administration:				
Personnel	236,327.	236,785.	233,460.	3,325.
Supplies	9,910.	9,910.	10,171.	(261)
Services	130,408.	151,353.	154,305.	(2,952)
Capital expenditures	77,630.	64,115.	18,244.	45,871.
Maintenance	12,900.	12,900.	11,913.	987.
	467,175.	475,063.	428,093.	46,970.
Municipal Court:				
Personnel	37,946.	38,060.	32,596.	5,464.
Supplies	3,450.	5,290.	5,429.	(139)
Services	13,870.	13,870.	12,773.	1,097.
Capital expenditures	18,750.	45,780.	44,499.	1,281.
Maintenance	3,300.	3,300.	279.	3,021.
	77,316.	106,300.	95,576.	10,724.
Police Department:				
Personnel	636,926.	638,414.	597,808.	40,606.
Supplies	10,200.	10,200.	9,105.	1,095.
Services	34,095.	35,095.	30,387.	4,708.
Capital expenditures	84,550.	87,800.	86,968.	832.
Maintenance	54,550.	51,300.	41,758.	9,542.
	820,321.	822,809.	766,026.	56,783.

CITY OF SHAVANO PARK, TEXAS Statement of Revenue and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis), continued Year Ended September 30, 2007

	Budgeted Amounts					
	Original	Final	Actual	Variations to		
Fire Department:	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>		
Personnel	621,004.	622,377.	569,852.	52,525.		
Supplies	9,650.	15,850.	15,259.	591.		
Services	39,650.	40,650.	36,403.	4,247.		
Capital expenditures	377,806.	385,594.	252,353.	133,241.		
Maintenance	70,461.	73,679.	67,593.	6,086.		
	1,118,571.	1,138,150.	941,460.	196,690.		
Public Works:						
Personnel	165,059.	166,116.	80,190.	85,926.		
Supplies	4,450.	4,450.	3,103.	1,347.		
Services	4,020.	4,560.	3,334.	1,226.		
Capital expenditures	11,200.	7,200.	-	7,200.		
Maintenance	147,380.	148,080.	143,530.	4,550.		
	332,109.	330,406.	230,157.	100,249.		
Total Expenditures	2,829,827.	2,887,063.	2,462,626.	424,437.		
Surplus (Deficit)	<u>\$ (252,528)</u>	<u>\$ (279,558)</u>	<u>\$ 330,879.</u>	<u>\$ 610,437.</u>		
Debt Fund: Revenues:						
Taxes – Ad valorem	\$ 316,062.	\$ 316,062.	\$ 309,221.	\$ (6,841)		
Interest		300.	375.	75.		
Total Revenue	316,362.	316,362.	309,596.	(6,766)		
Expenditures:						
Bond principle	130,477.	130,477.	130,477.	-		
Bond interest	176,879.	176,879.	176,879.	-		
Bond agent fees	1,795.	1,795.	2,000.	(205)		
Total Expenditures	309,151.	309,151.	309,356.	(205)		
Surplus (Deficit)	<u>\$ 7,211.</u>	<u>\$ 7,211.</u>	<u>\$ 240.</u>	<u>\$ (6,971)</u>		

CITY OF SHAVANO PARK, TEXAS Statement of Revenue and Expenditures – Budget and Actual (Non-GAAP Budgetary Basis), continued Year Ended September 30, 2007

	Budgeted Amounts							
	<u>(</u>	<u>Driginal</u>	<u>Final</u>		<u>Actual</u>		Variations to <u>Final Budget</u>	
Crime Control District Fund: Revenues:								
Taxes – Sales	\$	45,000.	\$	45,000.	\$	56,078.	\$	11,078.
Expenditures:								
Personnel		32,000.		32,000.		32,000.		
Surplus	<u>\$</u>	13,000.	<u>\$</u>	13,000.	<u>\$</u>	24,078.	<u>\$</u>	11,078.
Water Fund:								
Revenues:								
Water Service	\$	734,600.	\$	734,600.	\$	532,286.	\$	(202,314)
Debt Service		56,187.		56,187.		55,198.		(989)
Interest and Other		36,000.		36,000.		71,715.		35,715.
Total Revenue		826,787.		826,787.		659,199.		(167,588)
Expenditures:								
Personnel		162,361.		166,090.		163,023.		3,067.
Supplies		13,100.		12,900.		12,494.		406.
Services		101,300.		100,500.		66,889.		33,611.
Capital Expenditures		198,000.		517,000.		291,531.		225,469.
Water Lease		75,000.		75,000.		51,754.		23,246.
Maintenance		133,550.		133,550.		83,544.		50,006.
Interest		36,664.		36,664.		36,664.		-
Transfers to General Fund		51,783.		51,783.		51,783.		
Total Expenditures	. <u> </u>	771,758.		1,093,487.		757,682.		335,805.
Surplus (Deficit)	<u>\$</u>	55,029.	<u>\$</u>	(266,700)	\$	(98,483)	\$	168,217.