



**CITY OF SHERMAN, TEXAS**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**YEAR ENDED SEPTEMBER 30, 2011**

**Prepared by:**

**Department of Finance**

**Robby Hefton, Assistant City Manager, CFO  
Mary Lawrence, Controller**



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**CITY OF SHERMAN, TEXAS**

**TABLE OF CONTENTS**

**SEPTEMBER 30, 2011**

	<b><u>Page Number</u></b>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	i – v
Current City Officials as of September 30, 2010.....	vi
Organizational Chart.....	vii – viii
Texas Map.....	ix
GFOA Certificate of Achievement .....	x
<b>FINANCIAL SECTION</b>	
Independent Auditors’ Report.....	1 – 2
Management’s Discussion and Analysis .....	3 – 15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets .....	16 – 17
Statement of Activities.....	18 – 19
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	21

**(continued)**

**CITY OF SHERMAN, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2011**

	<b><u>Page Number</u></b>
<b>FINANCIAL SECTION (Continued)</b>	
Fund Financial Statements (Continued)	
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Fund Net Assets – Proprietary Funds .....	24 – 25
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	26
Statement of Cash Flows – Proprietary Funds.....	27 – 28
Notes to Financial Statements.....	29 – 64
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund .....	65 – 66
Combining and Individual Fund Information and Other Supplementary Information	
General Fund	
Budgetary Comparison Schedule – General Fund Revenues and Other Financing Sources .....	67 – 68
Budgetary Comparison Schedule – General Fund Expenditures and Other Financing Uses .....	69 – 74

**(continued)**

**CITY OF SHERMAN, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2011**

**Page  
Number**

**FINANCIAL SECTION (Continued)**

Combining and Individual Fund Information  
and Other Supplementary Information (Continued)

General Improvement Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Improvement Fund .....	75
--	----

Nonmajor Governmental Funds

Combining Balance Sheet.....	76 – 79
------------------------------	---------

Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	80 – 83
---	---------

Schedules of Revenue, Expenditure and Changes in Fund

Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
Hotel-Motel Fund.....	84
Community Development Fund.....	85
PRIDE Program .....	86
Drug Enforcement Program.....	87
Municipal Airport Fund .....	88
Emergency 9-1-1 Fund .....	89
Streets Sales Tax Fund.....	90
TIF #2 Construction Fund.....	91
TIF #3 Construction Fund.....	92
Auditorium Bonds Sinking Fund.....	93
Certificate Fund .....	94
TIF #2 Debt Service Fund.....	95
TIF #3 Debt Service Fund.....	96
2008 Certificate of Obligation Debt Service Fund .....	97
2009 Tax Notes Debt Service Fund .....	98

**(continued)**

**CITY OF SHERMAN, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2011**

	<u><b>Table</b></u>	<u><b>Page Number</b></u>
<b>FINANCIAL SECTION (Continued)</b>		
Schedules of Revenue, Expenditure and Changes in Fund		
Balance – Budget and Actual (Non-GAAP Budgetary Basis): (Continued)		
2009 CO Bond Debt Service Fund .....		99
2009A CO Bond Debt Service Fund .....		100
Cemetery Fund.....		101
Combining and Individual Fund Information and Other Supplementary Information (Continued)		
Internal Service Funds		
Combining Balance Sheet.....		102
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....		103
Combining Statement of Cash Flows .....		104
<b>STATISTICAL SECTION</b>		
Net Assets by Component.....	1	105
Changes in Net Assets .....	2	106 – 109
Fund Balances – Governmental Funds .....	3	110
Changes in Fund Balances – Governmental Funds .....	4	111 – 112
Assessed Value and Estimated Actual Value of Taxable Property .....	5	113
Direct and Overlapping Property Tax Rates .....	6	114
Principal Property Taxpayers.....	7	115
Property Tax Levies and Collections.....	8	116

**(continued)**



**CITY OF SHERMAN, TEXAS**

**TABLE OF CONTENTS  
(Continued)  
SEPTEMBER 30, 2011**

	<b><u>Table</u></b>	<b><u>Page Number</u></b>
<b>STATISTICAL SECTION (Continued)</b>		
Water Sold by Type of Customer .....	9	117
Water and Sewer Rates .....	10	118
Top Ten Water Customers .....	11	119
Ratios of Outstanding Debt by Type .....	12	120
Ratios of Net General Bonded Debt Outstanding.....	13	121
Direct and Overlapping Governmental Activities Debt.....	14	122
Legal Debt Margin Information.....	15	123
Pledged Revenue Coverage .....	16	124
Demographic and Economic Statistics .....	17	125
Principal Employers.....	18	126
Fulltime Equivalent City Government Employees by Function/Program .....	19	127-128
Operating Indicators by Function/Program .....	20	129
Capital Asset Statistics by Function/Program.....	21	130

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# **INTRODUCTORY SECTION**

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March 2, 2012

The Honorable Bill Magers, Mayor  
Members of the City Council, and  
Citizens of the City of Sherman, Texas

The Comprehensive Annual Financial Report of the City of Sherman for the fiscal year ended September 30, 2011, is hereby submitted as mandated by the City Charter. This report consists of management's representation concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups, and component units of Sherman, Texas.

The City Charter requires an independent auditor to be appointed by the City Council not less than 90 days prior to the end of the fiscal year. The City's financial statements have been audited by Pattillo, Brown and Hill, L.L.P., a firm of licensed certified public accountants. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT**

The City of Sherman was founded in 1846 and is located in North Central Texas, 65 miles north of the Dallas/Fort Worth Metroplex. Sherman was named in honor of General Sidney Sherman, a Texas revolutionist, famous for creating the Texas Independence Slogan, “Remember the Alamo.” The City’s geographic corporate boundaries encompass 43.8 square miles. The additional municipal extraterritorial jurisdiction included for the purpose of planning and control, covers approximately 66.2 square miles. Sherman is the County Seat of Grayson County. The 2010 Census was 38,521 persons, a 10% increase over 2000. The City of Sherman is included within the Sherman/Denison Standard Metropolitan Statistical Area and is defined as a regional trade zone by the Bureau of Economic Analysis.

A major hospital is located in Sherman, Texas Health Presbyterian Hospital-WNJ. THPH-WNJ is part of Texas Health Resources and in partnership with LHP Hospital Group, Inc. which allows the hospital to stay current with medical technology and meet the growing health care needs of the community. With 241-beds, over 900 employees and 200 doctors on staff, the hospital has been serving the region for over 75 years. It has medical affiliations with Sherman and Denison schools, Austin College and Grayson County College for the training and advancement of medical and nursing students. Their specialty services include the Center for Women and Children, Cardiology, Imaging, Senior Passport, Sleep Center, Cardiac Rehabilitation, Stroke Care, Emergency Care, Hyperbaric Wound Care and Therapy Services.

The City’s major thoroughfares, U. S. Highway 75 and 82 intersect in the City and allow access to major metropolitan areas in the Southwest. Sherman is located approximately 65 miles north of the Dallas/Fort Worth Metroplex and approximately 180 miles south of Oklahoma City, Oklahoma. Major freight terminals and Greyhound Line, Inc. both operate in the area. The BNSF industrial rail spur serves the industrial parks. Private air service is available at the North Texas Regional Airport with its 9,000 foot runway, and at the Sherman Municipal Airport. Due to Sherman’s convenient location and excellent transportation options, more than 30 manufacturers have selected Sherman as the site for one of their plants.

Sherman is incorporated in a Council/Manager form of government and all policy making decisions are vested in the City Council. The City Council is composed of five Council members, a Deputy Mayor, and Mayor. The Mayor and two Council seats have no geographic restriction other than the candidates must reside in the City. The four remaining Council seats represent specific districts and candidates must reside in those districts. However, voting for all Council seats is at-large. All City officials are elected for three-year terms of office, and are eligible to serve for only two consecutive terms in the same office. Presiding over all meetings of the City Council, the Mayor is recognized as the head of the City government.

The City provides a full range of services. These include police and fire protection; ambulance service; sanitation service; environmental health; community development; building inspections; traffic control; parks and libraries, construction and operation of water, sewer, drainage, streets and infrastructure; operation of a municipal airport; recreational activities; tourism services and programs for youth and senior citizens.

The Sherman Economic Development Corporation (SEDCO) was formed as a nonprofit, industrial development corporation to administer a special 3/8-cent sales tax for economic development. The City appoints all SEDCO board members, can remove board members at will, and must approve SEDCO's budget and plan of work. Because of this, City management has included SEDCO in its financial reports as a discretely presented component unit.

The City of Sherman maintains a system of budgetary controls, the objective of which is to ensure compliance with the legal provisions of the annual appropriated budget approved by the City Council. The annual budget governs all expenditures within a certain fiscal year, which runs from October 1 to September 30. The City Charter mandates that a proposed budget be presented to the City Council 50 days prior to the end of the fiscal year. Furthermore, the Charter requires that the budgeted expenditures for governmental funds not exceed estimated resources and requires that public hearings be held prior to the adoption of the budget. A complete summary of significant accounting policies and budgetary principles is presented in the notes to the financial statements.

## **ECONOMIC CONDITION AND OUTLOOK**

The long-term economic outlook for the Sherman area is positive. Advantages for economic growth include:

- Close proximity to the fast-growing Dallas/Fort Worth Metroplex;
- Availability of choice industrial sites and infrastructure throughout the City;
- Retail development along U. S. 75;
- Industrial plants of several Fortune 500 companies already in Sherman;
- Good transportation systems serving the area;
- Abundant supply of water and natural gas;
- Recreational drawing power of Lake Texoma which is located nearby; and
- City's general obligation bond rating issued by Standard & Poor's is "AA."

The City has been successful in attracting new employers to the area, and our efforts continue. Sherman Economic Development Corporation (SEDCO), with annual funding of approximately \$3 million continues to maintain a high level of dedication to the economic development of this community. In 2011 alone, SEDCO brought two new industries to Sherman, resulting in new jobs and \$9.52 million in capital investments. Our impressive industrial base includes manufacturing facilities of major national firms that produce electronic components, food products, railroad components, insulation materials, precision valves, and many other products.

Sherman has several new areas of economic growth. A gas-fueled, 500 megawatt electric generation plant is expected to begin construction in the near future. An existing semiconductor manufacturer is expanding and Austin College broke ground on a \$38 million IDEA Center. SEDCO is prepared for additional development opportunities with the purchase of prime industrial property and the funding of road improvements from Highway 75 to the industrial park.

## **MAJOR INITIATIVES**

The City Council and staff have identified several programs in addition to the efforts of SEDCO to address significant issues in our community. These programs are briefly described below:

The City continues to strive to make Sherman an attractive living environment. Major street improvements nearing completion include \$3 million for Washington Street West. Lamberth Road West underwent a major improvement and Travis Street in the downtown area was re-surfaced.

Other initiatives include:

- Development of a watershed management plan to improve stormwater control and drainage systems;
- GIS mapping to aid in planning and managing the future growth of the City;
- Downtown streetscape improvements; and
- Re-construct Loy Lake Road from Hwy 82 to Pecan Grove with concrete.

## **RELEVANT FINANCIAL POLICIES**

The City's financial policy authorizes only the City Council, by resolution, to increase appropriations. One amendment was approved by the City Council that increased original budgeted appropriations by a total of \$1.38 million. The amendment provided additional funding in the General Fund to cover personnel costs, grant expenditures and increased fuel costs, in the Insurance Fund to cover health claims for the year and in the TIF #3 Construction Fund, the Computer Services Fund and the Fleet Services Fund.

## **FINANCIAL INFORMATION**

The General Fund ended the year with total fund balance of \$8.3 million. The unassigned portion of fund balance, \$8.3 million, is approximately equal to 108 days of operating expenditures. This balance provides adequate protection against unforeseen occurrences and significantly reduces the likelihood of the City entering the short-term debt market to pay for current operating expenditures.

The Water and Sewer Utility Fund ended the year with Available Net Assets of \$7.7 million. Available Net Assets are calculated as current assets excluding unbilled accounts receivable and inventories, less current liabilities. Available net assets are approximately equal to 146 days of operating expenses, which is considered to be financially prudent for current operations.



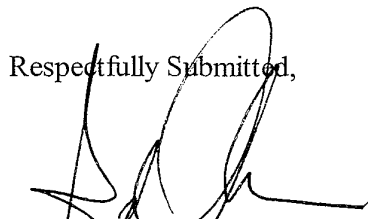
## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sherman for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2010. This was the 24<sup>th</sup> consecutive year that the City of Sherman earned this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

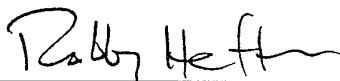
The preparation of the Comprehensive Annual Financial Report on a timely basis requires a great deal of cooperation. In recognition of that, the Finance Department gratefully acknowledges the leadership and support of the City Council and City Manager. Furthermore, for their cooperation, the other departments within the City of Sherman have the Finance Department's appreciation. Also, the efforts of our external audit firm are invaluable.

Respectfully Submitted,



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George Olson, City Manager



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Robby Hefton, Assistant City Manager/Chief Financial Officer

CITY OF SHERMAN, TEXAS

**CURRENT CITY OFFICIALS AS OF SEPTEMBER 30, 2011:**

**Elected Officials**

Mayor	Bill Magers
Deputy Mayor	Willie Steele
Councilmember	Joe N. Smith
Councilmember	Chip Adami
Councilmember	Cary Wacker
Councilmember	Robert G. Softly
Councilmember	Pamela L. Howeth

**Appointed Officials**

City Manager	George Olson
City Attorney	Brandon Shelby

**Department Directors**

Assistant City Manager/ Chief Financial Officer	Robby Hefton
City Clerk	Linda Ashby
Police Chief	Tom Watt
Fire Chief	Jeffrey Jones
Director of Public Works	Don Keene
Director of Engineering & Utilities	Mark Gibson
Director of Development Services	Scott Shadden

## **CITY OF SHERMAN ORGANIZATIONAL CHART**

The following page contains the organizational chart for the City of Sherman. Department directors are as follows:

**Administrative Services** – The Assistant City Manager/Chief Financial Officer coordinates the day-to-day operations of the City and supports the City Manager in the performance of his duties to the Mayor, Council, and citizens. Financial Services, City Clerk, Human Resources, and Utility Billing are also under administrative services department.

**Legal Services** – Is the City's legal division, encompassing municipal court and judicial services. This department is also responsible for minutes of meetings of the governing body of the City, and its Board and Commissions through the Public Records center.

**Law Enforcement** – Is responsible for police protection, crime prevention and civil defense.

**Fire Services** – Is responsible for fire inspection, suppression, prevention and education as well as ambulance services.

**Engineering and Public Works** – Is responsible for services relating to water and sewer operations and infrastructure planning and development for all City services.

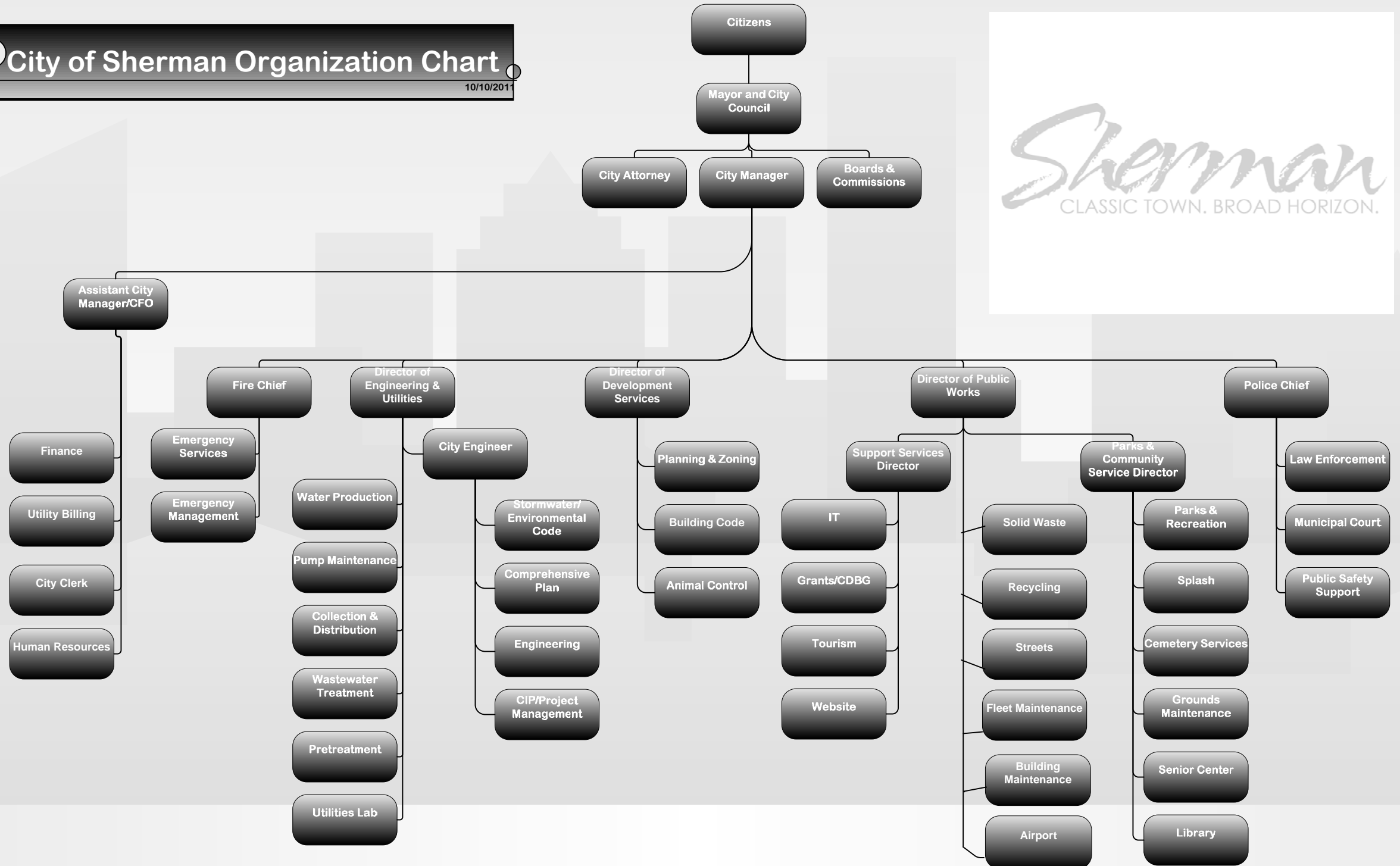
**Parks and Community Services** – This department is responsible for parks and recreation, grounds maintenance, cemetery services, senior citizens center, and library.

**Development Services** – Is responsible for overseeing those activities which ensure appropriate enforcement of the City's building and environmental codes, and animal control.

**Public Works** – Is responsible for providing services for sanitation and recycling, the municipal airport, maintenance of public buildings and maintenance of streets, alleys, right-of-way and the City's Information Technology, Community Development Block Grant and tourism departments.

# City of Sherman Organization Chart

10/10/2011





# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sherman  
Texas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danson*

President

*Jeffrey R. Egan*

Executive Director

# **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of City Council  
City of Sherman, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sherman, Texas, 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 of Sherman, Texas' 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. 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 the 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sherman, Texas, 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 March 2, 2012, on our consideration of the City of Sherman, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3 through 15 and 65 through 75, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the financial statements 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sherman, Texas' financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Pattillo, Brown & Hill, L.L.P.*

March 2, 2012

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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## **Management's Discussion and Analysis**

As Management of the City of Sherman, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011.

### **FINANCIAL HIGHLIGHTS**

- The assets of the City of Sherman exceeded its liabilities at the close of the most recent fiscal year by \$109.6 million (net assets). Of this amount, \$18.5 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. Net assets decreased \$3.2 million, or 2.8% from last fiscal year's net assets.
- The assets of the City's component unit exceeded its liabilities at the close of the most recent fiscal year by \$14.5 million (net assets). Of this amount, \$0.9 million (unrestricted net assets) may be used to meet the component unit's ongoing obligations to citizens and creditors. Net assets decreased \$1.8 million, or 10.9% from last fiscal year's net assets.
- As of the close of the current fiscal year, the City's governmental funds Balance Sheet reported a combined ending fund balance of \$13.6 million. Approximately 61.0% of this total amount, \$8.3 million, is unassigned fund balance.
- As of the close of the current fiscal year, the City's proprietary funds, excluding Internal Service Funds, reported combined ending net assets of \$49.1 million. Approximately 25.2% of this total amount, \$12.4 million, is in unrestricted net assets.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

#### **Government-wide Financial Statements**

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

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 Activities presents information showing how the City's net assets changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities). The governmental activities of the City include services provided to the citizens for the basic health, safety, welfare, and administration of the City. Examples would include police and fire protection, animal control, streets, and parks and recreation. The business-type activities of the City include the services provided to the citizens, the cost of which is recouped by user fees charged for the services. This includes water, wastewater, and solid waste services to all residents and businesses.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate management district for which the City is financially accountable, the Sherman Economic Development Corporation. The government-wide financial statements begin on page 16 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 three categories: governmental funds, proprietary funds, and discretely presented component units.

- **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 resources that can be spent, as well as on balances of resources that can be spent and are available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

The City maintains 2 major and 18 nonmajor governmental funds. Information for the major funds is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the General Improvement Fund which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

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

The City's governmental fund financial statements begin on page 20 of this report.

- **Proprietary funds** – The City maintains two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements and account for its water and wastewater, and solid waste operations. Internal Service Funds are used to accumulate and allocate costs internally among the City's various functions. The City uses Internal Service Funds to account for its equipment services, computer services, self-funded health insurance, and fleet replacement.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater operations and for solid waste operations. Internal Service Funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the Internal Service Funds are provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements begin on page 24 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

## **Other Information**

The City's progress in funding its obligations to provide pension benefits to its employees can be found at the end of the notes to the financial statements beginning on page 59.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the result of activities comparing the budget versus actual.

Required supplementary information begins on page 65 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Nonmajor governmental funds combining and individual fund statements and schedules begin on page 76 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 \$109.6 million at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (80.9%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments 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.

### CITY OF SHERMAN'S NET ASSETS (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	In Millions		In Millions		In Millions	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 16.9	\$ 20.4	\$ 14.5	\$ 12.6	\$ 31.4	\$ 33.0
Capital Assets	69.1	70.8	40.8	42.8	109.9	113.6
Total assets	<u>86.0</u>	<u>91.2</u>	<u>55.3</u>	<u>55.4</u>	<u>141.3</u>	<u>146.6</u>
Long-term liabilities	20.4	22.1	4.0	4.4	24.4	26.5
Other liabilities	5.1	5.3	2.2	2.0	7.3	7.3
Total liabilities	<u>25.5</u>	<u>27.4</u>	<u>6.2</u>	<u>6.4</u>	<u>31.7</u>	<u>33.8</u>
Net assets:						
Invested in capital assets, net of related debt	52.0	55.8	36.7	38.3	88.7	94.1
Restricted	2.4	2.4	-	-	2.4	2.4
Unrestricted	6.1	5.6	12.4	10.7	18.5	16.3
	<u>\$ 60.5</u>	<u>\$ 63.8</u>	<u>\$ 49.1</u>	<u>\$ 49.0</u>	<u>\$ 109.6</u>	<u>\$ 112.8</u>

A portion of the City's net assets, \$2.4 million, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$18.5 million or 16.9%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, 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. The same situation held true for the prior fiscal year.

The net assets of the City's governmental activities decreased by \$3.3 million, or 5.2% from last fiscal year's total net assets, during the current fiscal year. This was largely due to debt service payments and street expenses. The net assets of the City's business-type activities increased by \$0.1 million, or a change of 0.2% from last fiscal year's total net assets which is considered essentially unchanged.



The City's condensed changes in net assets, along with last fiscal year's numbers, are presented for comparison in the table below.

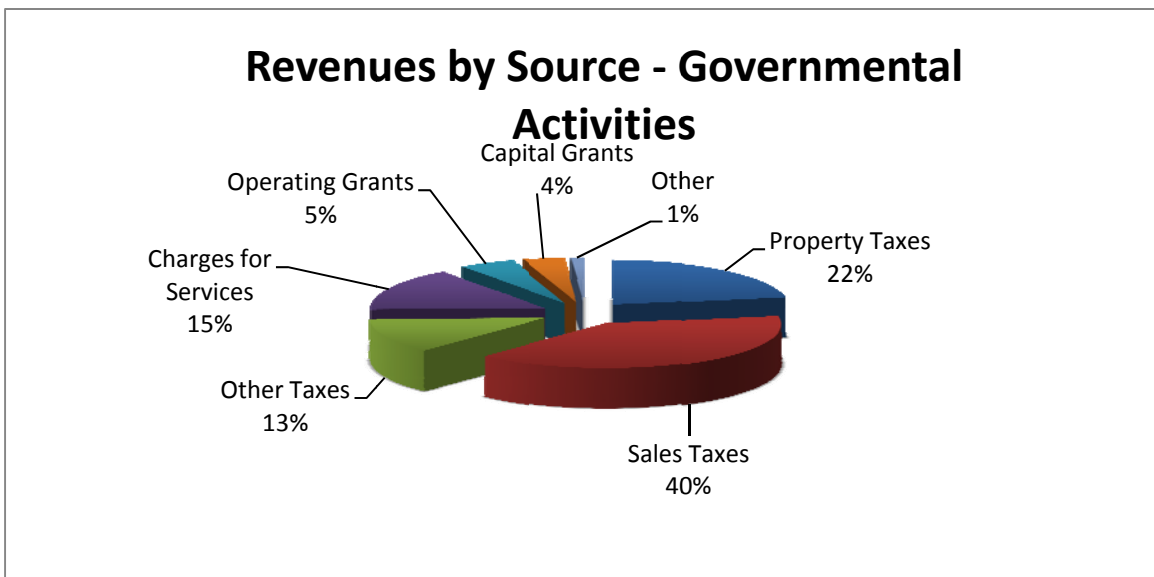
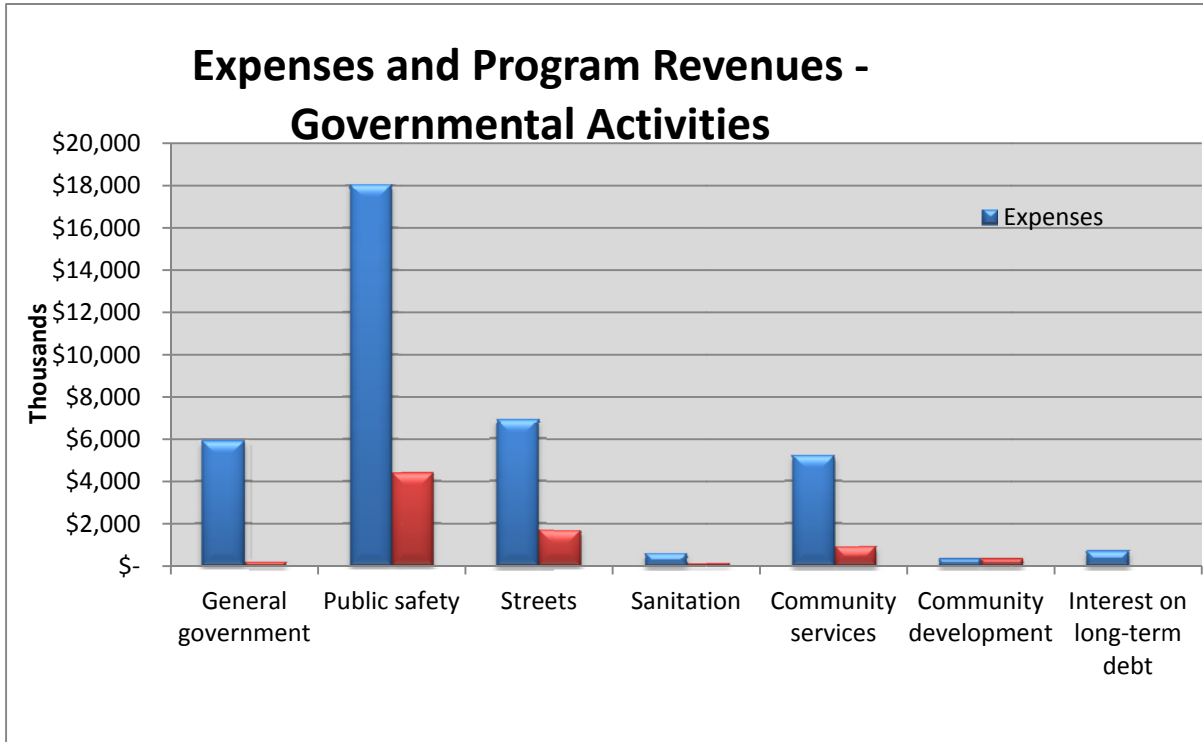
**CITY OF SHERMAN'S CHANGES IN NET ASSETS**  
(in Millions)

	Governmental Activities		Business-type Activities		Totals	
	In Millions		In Millions		In Millions	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 4.9	\$ 4.1	\$ 26.2	\$ 24.3	\$ 31.1	\$ 28.4
Operating grants and contributions	1.7	0.3	-	-	1.7	0.3
Capital grants and contributions	1.2	0.5	-	-	1.2	0.5
General revenues:						
Property taxes	7.1	7.0	-	-	7.1	7.0
Sales taxes	12.9	12.3	-	-	12.9	12.3
Other taxes	4.0	3.9	-	-	4.0	3.9
Other	0.2	0.7	0.1	0.1	0.3	0.8
Total revenues	<u>32.0</u>	<u>28.8</u>	<u>26.3</u>	<u>24.4</u>	<u>58.3</u>	<u>53.2</u>
Expenses:						
General government	5.9	6.3	-	-	5.9	6.3
Public safety	18.1	18.0	-	-	18.1	18.0
Streets	6.9	4.9	-	-	6.9	4.9
Sanitation	0.6	0.6	-	-	0.6	0.6
Community services	5.2	4.9	-	-	5.2	4.9
Community development	0.4	0.3	-	-	0.4	0.3
Interest on long-term debt	0.7	0.8	-	-	0.7	0.8
Water and sewer service	-	-	19.4	18.4	19.4	18.4
Solid waste service	-	-	4.3	4.3	4.3	4.3
Total expenses	<u>37.8</u>	<u>35.8</u>	<u>23.7</u>	<u>22.7</u>	<u>61.5</u>	<u>58.5</u>
Change in net assets before transfers	(5.8)	(7.0)	2.6	1.7	(3.2)	(5.3)
Transfers	<u>2.5</u>	<u>3.2</u>	<u>(2.5)</u>	<u>(3.2)</u>	<u>-</u>	<u>-</u>
Change in net assets	(3.3)	(3.8)	0.1	(1.5)	(3.2)	(5.3)
Net assets, beginning	<u>63.8</u>	<u>67.6</u>	<u>49.0</u>	<u>50.5</u>	<u>112.8</u>	<u>118.1</u>
Net assets, ending	<u>\$ 60.5</u>	<u>\$ 63.8</u>	<u>\$ 49.1</u>	<u>\$ 49.0</u>	<u>\$ 109.6</u>	<u>\$ 112.8</u>

## Governmental Activities

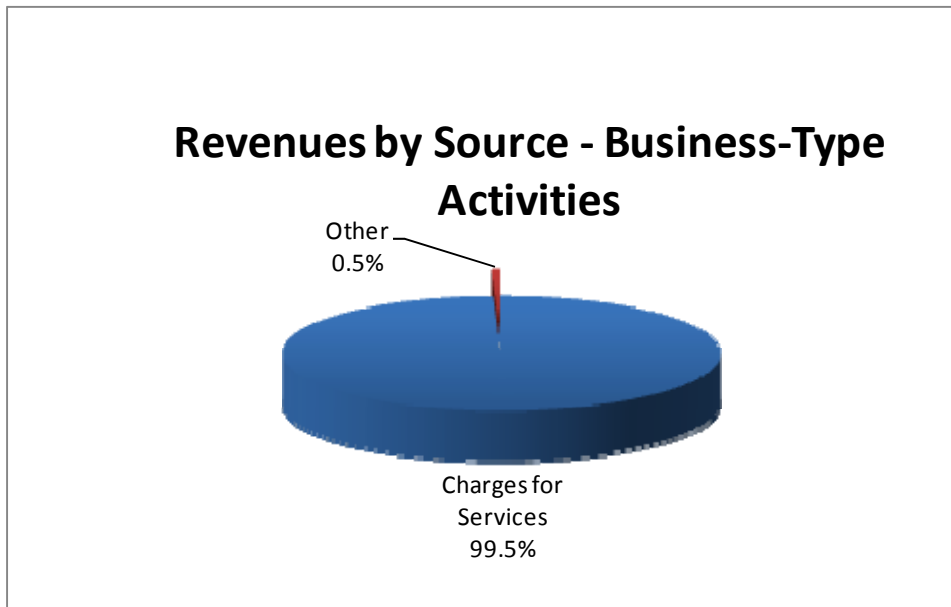
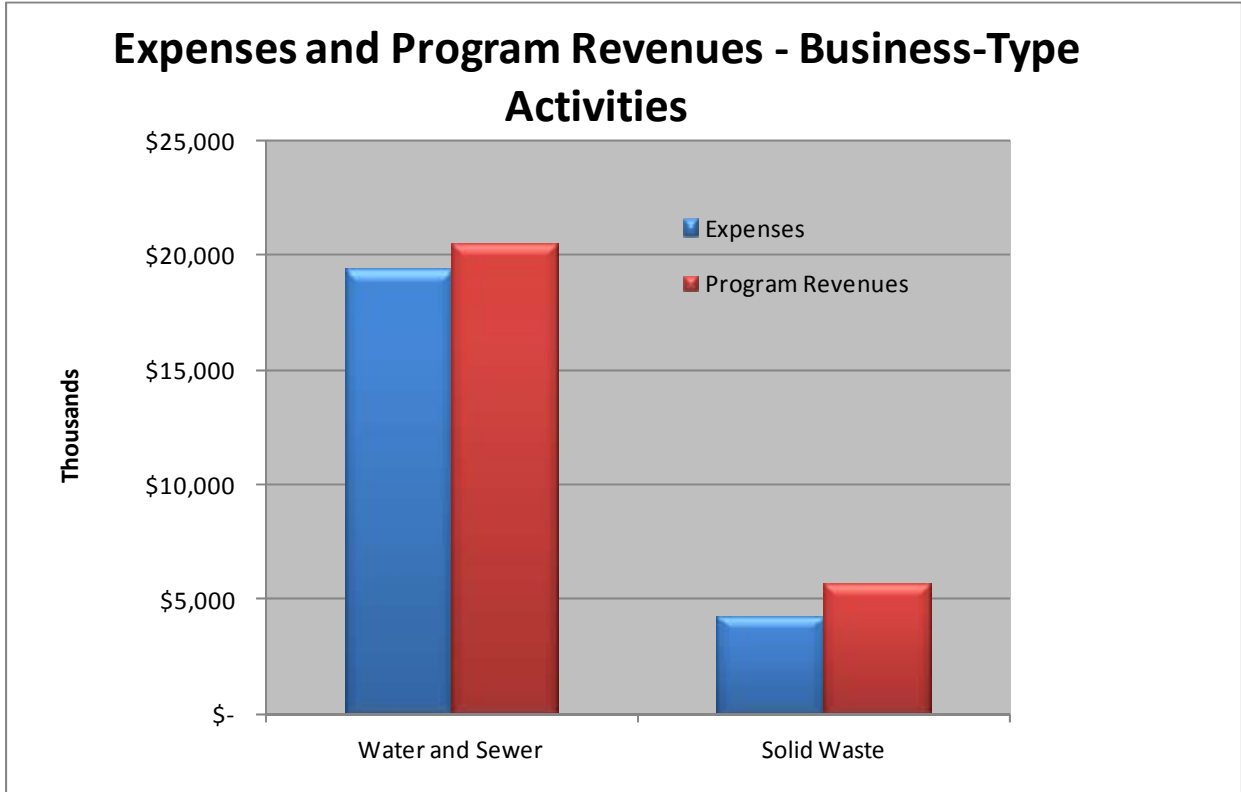
Governmental activities decreased the City’s net assets by \$3.3 million due to \$2.1 million in debt payments; costs for street materials and fuel of about \$1.4 million, an increase of \$200 thousand or 18.3% over last year; and depreciation expense of about \$2.0 million more than capital assets added during the year.

The City’s governmental activities expenses and program revenues are presented below.



## Business-type Activities

Business-type activities decreased the City's net assets by \$0.1 million, or 0.2%, which is considered essentially unchanged.



## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Sherman 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 and balances of resources that may be spent. 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.

The following schedule presents a summary of General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds revenues for the years ended September 30, 2011 and 2010.

### Revenues – General, Special Revenues, Debt Service and Capital Projects Funds (Dollar Amounts in Millions)

Dollars in millions

	2011	Percent of Total	2010	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
Property tax	\$ 7.1	22.9%	\$ 7.0	24.6%	\$ 0.1	1.4%
Sales tax	12.7	41.0%	12.1	42.5%	0.6	5.0%
Other taxes	4.0	12.9%	3.9	13.7%	0.1	2.6%
Charges for services	3.0	9.7%	2.9	10.2%	0.1	3.4%
Fines and forfeitures	1.2	3.9%	0.8	2.8%	0.4	50.0%
Intergovernmental	2.3	7.4%	0.7	2.5%	1.6	228.6%
Licenses and Permits	0.4	1.3%	0.3	1.1%	0.1	33.3%
Investment income	0.1	0.3%	0.2	0.7%	(0.1)	-50.0%
Miscellaneous	0.2	0.6%	0.6	2.1%	(0.4)	-66.7%
	<u>\$ 31.0</u>	<u>100.0%</u>	<u>\$ 28.5</u>	<u>100.0%</u>	<u>\$ 2.5</u>	

Governmental revenues increased primarily due to intergovernmental payments from federal grants and from the city's component unit, Sherman Economic Development Corporation (SEDCO) for street construction; and from sales tax and court fines.

The following schedule presents a summary of General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund expenditures for the years ended September 30, 2011 and 2010.

**Expenditures – General, Special Revenues,  
Debt Service and Capital Projects Funds**  
(Dollar Amounts in Millions)

Dollars in millions

	2011	Percent of Total	2010	Percent of Total	Increase (Decrease)	Percent Increase (Decrease)
General government	\$ 4.6	12.8%	\$ 4.6	12.9%	-	0.0%
Public safety	17.3	48.2%	16.9	47.5%	0.4	2.4%
Streets	3.7	10.3%	2.2	6.2%	1.5	68.2%
Sanitation	0.6	1.7%	0.6	1.7%	-	0.0%
Community services and development	4.5	12.5%	4.4	12.4%	0.1	2.3%
Capital Outlay	3.0	8.4%	4.5	12.6%	(1.5)	-33.3%
Debt Services	2.2	6.1%	2.4	6.7%	(0.2)	-8.3%
	<u>\$ 35.9</u>	<u>100.0%</u>	<u>\$ 35.6</u>	<u>100.0%</u>	<u>\$ 0.3</u>	

Governmental funds reported an increase of \$0.3 million of expenditures, or approximately 0.8%. Key elements of this increase are as follows:

- An increase of \$0.4 million or 2.3% in public safety expenditures due to one-time grant expenditures.
- An increase of \$1.5 million or 68.2% in streets for a payment to the State for a major improvement to Highway 75.
- An increase of \$0.1 million or 2.3% in community services and development for tourism-related expenditures.

**Governmental Fund Balance**

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned and total fund balance of the General Fund were both about \$8.3 million. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29.5% of total General Fund expenditures, about the same percentage as total fund balance.

The fund balance in the governmental funds decreased approximately \$2.7 million or 16.7%. The fund balance of the City’s General Fund increased by \$1.3 million or 19.1% during the fiscal year. This was due primarily to transfers from other funds and an increase in revenues greater than the increase in expenditures. The fund balance of the City’s General Improvement Fund decreased by \$3.6 million, or 77.9%, during the fiscal year due to \$4.1 million in park and street improvements, partially offset by a \$1.4 million contribution from the city’s component unit; and \$1.2 million of transfers out to the General Fund and debt service funds.

## **Proprietary Funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The City has two proprietary funds, the Water and Sewer Fund, and the Solid Waste Fund.

The Water and Sewer Fund operating revenues increased by \$1.8 million, which is an increase of about 9.9% due to a rate increase and increased industrial usage. The Water and Sewer Fund operating expenses increased by \$1.2 million or 6.6% due primarily to increased costs for biosolid disposal. Net assets of the Water and Sewer Fund decreased slightly by \$0.2 million or 0.5% and ended the year with unrestricted net assets of \$10.6 million.

The Solid Waste Fund operating revenues increased by \$0.1 million or 2.2% due to an increased demand for commercial services. The Solid Waste Fund's operating expenses increased slightly by \$65 thousand or 1.5% ending the year with unrestricted net assets of \$1.8 million.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Sales tax revenues came in \$0.3 million over budget, and \$0.3 million over last year's actual result. Property taxes were \$0.1 million less than the budgeted amount. Franchise Taxes were \$0.2 million over budget and about \$0.1 million more than last year's actual amount due to a franchise tax refund to the City in the 2011 fiscal year. Intergovernmental revenue was \$0.3 million more than budgeted due to grants awarded during the year.

## CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2011, amounts to \$109.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total City's investments in net capital assets decreased in the current fiscal year by \$3.7 million or approximately 3.3% due to depreciation expense and limited capital asset additions.

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

- Construction in progress increase of approximately \$1.2 million dollars due to a major street project.
- The City recorded \$5.2 million in depreciation for governmental activities and \$2.8 million in depreciation for business-type activities.

### CITY OF SHERMAN'S CAPITAL ASSETS AT YEAR-END (Net of depreciation) (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	In Millions		In Millions		In Millions	
	2011	2010	2011	2010	2011	2010
Land	2.9	2.9	0.3	0.3	\$ 3.2	\$ 3.2
Building and system improvements	2.9	3.1	1.8	1.8	4.7	4.9
Other improvements	54.6	56.9	29.3	31.0	83.9	87.9
Machinery and equipment	5.1	5.5	2.8	3.0	7.9	8.5
Other assets	0.4	0.5	6.4	6.4	6.8	6.9
Construction in progress	3.1	1.8	0.2	0.3	3.3	2.1
	<u>\$ 69.0</u>	<u>\$ 70.7</u>	<u>\$ 40.8</u>	<u>\$ 42.8</u>	<u>\$ 109.8</u>	<u>\$ 113.5</u>

Additional information on the City's capital assets can be found in the notes on pages 42 through 45 of this report.

## DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total contractually obligated long-term debt of \$22.5 million. The governmental bonds payable are to be repaid from the revenues received from Hotel/Motel taxes. \$11.3 million of the governmental certificates of obligation is to fund capital projects in the City and is to be repaid from general tax revenues of the General Fund. The remainders of the certificates of obligation are to be repaid from the increased property tax associated with commercial and retail development in the Tax Increment Financing Zones. Property taxes and a limited pledge of the net revenues of the water and sewer system secure the certificates of obligation even though repayment is expected to be made solely from general tax revenues. The Tax Notes are secured by the revenues from a dedicated sales tax. The capital leases are secured by the assets purchased through that funding.

### CITY OF SHERMAN'S OUTSTANDING DEBT AT YEAR-END (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	In Millions		In Millions		In Millions	
	2011	2010	2011	2010	2011	2010
Bonds	\$ 1.5	\$ 1.6	\$ -	\$ -	\$ 1.5	\$ 1.6
Capital leases	1.3	1.6	0.9	1.2	2.2	2.8
Certificates of obligation	14.8	15.4	-	-	14.8	15.4
Tax notes	0.8	1.5	-	-	0.8	1.5
Other long-term payables	-	-	3.2	3.8	3.2	3.8
	<u>\$ 18.4</u>	<u>\$ 20.1</u>	<u>\$ 4.1</u>	<u>\$ 5.0</u>	<u>\$ 22.5</u>	<u>\$ 25.1</u>

Long-term debt for the City decreased by \$2.6 million, or 10.4%. This decrease was due to payments on outstanding debt.

Additional information on the City's long-term debt can be found in the notes on pages 45 through 50 of this report.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Following are factors that existed as of the report date, and which may have a notable impact on the financial operations of the City in the near term.

- Sales tax revenues are budgeted to increase slightly through the fiscal year 2012 while property tax revenues are expected to remain flat overall. Franchise tax revenues are also expected to remain flat. The one-eighth of a percent street sales tax has been extended for another four years beginning with the June 2012 allocation.
- Water and Sewer rates were increased by about 4% primarily to help offset revenue losses due to industry closings and conservation improvements in another industry's operations.



## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Sherman, Finance Department, P. O. Box 1106, Sherman, Texas 75091-1106.

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**BASIC  
FINANCIAL STATEMENTS**

**CITY OF SHERMAN, TEXAS**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 7,657,868	\$ 4,903,105	\$ 12,560,973	\$ 4,835,894
Pooled and temporary investments	5,058,810	5,872,608	10,931,418	3,226,666
Receivables, net	4,012,283	3,462,075	7,474,358	1,173,287
Inventories, at cost	89,361	314,440	403,801	-
Prepays	<u>-</u>	<u>27,076</u>	<u>27,076</u>	<u>-</u>
Total current assets	<u>16,818,322</u>	<u>14,579,304</u>	<u>31,397,626</u>	<u>9,235,847</u>
Noncurrent assets:				
Deferred charges	102,843	-	102,843	-
Capital assets:				
Non-depreciable assets	6,015,019	6,976,459	12,991,478	5,259,190
Other capital assets, net	<u>63,024,656</u>	<u>33,801,485</u>	<u>96,826,141</u>	<u>7,695</u>
Total noncurrent assets	<u>69,142,518</u>	<u>40,777,944</u>	<u>109,920,462</u>	<u>5,266,885</u>
 Total assets	 <u>85,960,840</u>	 <u>55,357,248</u>	 <u>141,318,088</u>	 <u>14,502,732</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	850,866	941,323	1,792,189	-
Accrued expenses payable	757,288	89,176	846,464	-
Landfill closure costs	-	39,468	39,468	-
Customers' deposits payable	443,235	471,354	914,589	-
Current portion of bonds, capital leases, certificates of obligation and other long-term payables	<u>3,041,929</u>	<u>654,920</u>	<u>3,696,849</u>	<u>-</u>
Total current liabilities	<u>5,093,318</u>	<u>2,196,241</u>	<u>7,289,559</u>	<u>-</u>

(continued)

**CITY OF SHERMAN, TEXAS**

**STATEMENT OF NET ASSETS  
(Continued)  
SEPTEMBER 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>LIABILITIES (Continued)</b>				
Long-term liabilities:				
Accrued compensated absences	\$ 1,604,845	\$ -	\$ 1,604,845	\$ -
Capital lease obligations payable	1,028,897	521,606	1,550,503	-
General obligation bonds	1,445,000	-	1,445,000	-
Certificates of obligation	14,135,000	-	14,135,000	-
Net pension obligation	811,169	220,225	1,031,394	-
Net OPEB obligation	751,534	201,214	952,748	-
Other long-term payables	<u>636,771</u>	<u>3,099,125</u>	<u>3,735,896</u>	<u>-</u>
Total long-term liabilities	<u>20,413,216</u>	<u>4,042,170</u>	<u>24,455,386</u>	<u>-</u>
 Total liabilities	 <u>25,506,534</u>	 <u>6,238,411</u>	 <u>31,744,945</u>	 <u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	51,953,843	36,727,277	88,681,120	5,266,885
Restricted for:				
General obligation debt service	509,324	-	509,324	-
Cemetery maintenance (nonexpendable)	1,188,167	-	1,188,167	-
Café plan	1,956	-	1,956	-
Public safety	217,166	-	217,166	-
Community services	406,331	-	406,331	-
Community development	69,234	-	69,234	-
Economic development	-	-	-	8,377,129
Unrestricted	<u>6,108,285</u>	<u>12,391,560</u>	<u>18,499,845</u>	<u>858,718</u>
 Total net assets	 <u>\$ 60,454,306</u>	 <u>\$ 49,118,837</u>	 <u>\$ 109,573,143</u>	 <u>\$ 14,502,732</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF SHERMAN, TEXAS**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 5,932,443	\$ 205,013	\$ -	\$ -
Public safety	18,072,250	3,556,127	105,996	759,484
Streets	6,916,133	102,803	1,430,000	196,811
Sanitation	630,705	126,603	-	-
Community services	5,228,117	944,231	21,769	-
Community development	347,756	-	103,548	245,843
Interest on long-term debt	720,204	-	-	-
Total governmental activities	37,847,608	4,934,777	1,661,313	1,202,138
Business-type activities:				
Water and sewer service	19,363,652	20,493,937	-	-
Solid waste service	4,330,618	5,697,131	-	-
Total business-type activities	23,694,270	26,191,068	-	-
Total primary government	\$ 61,541,878	\$ 31,125,845	\$ 1,661,313	\$ 1,202,138
Component unit:				
Economic development	\$ 3,755,215	\$ -	\$ -	\$ -
Administration	1,001,191	-	-	-
Total component unit	\$ 4,756,406	\$ -	\$ -	\$ -
General revenues:				
Taxes				
General property				
City sales				
Franchise and nonproperty				
Investment income				
Miscellaneous				
Transfers - internal activity				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

**The accompanying notes are an integral part of these financial statements.**

Net (Expense Revenue and Change in Net Assets)

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Unit
\$( 5,727,430)	\$ -	\$( 5,727,430)	\$ -
( 13,650,643)	-	( 13,650,643)	-
( 5,186,519)	-	( 5,186,519)	-
( 504,102)	-	( 504,102)	-
( 4,262,117)	-	( 4,262,117)	-
1,635	-	1,635	-
( 720,204)	-	( 720,204)	-
<u>( 30,049,380)</u>	<u>-</u>	<u>( 30,049,380)</u>	<u>-</u>
-	1,130,285	1,130,285	-
-	<u>1,366,513</u>	<u>1,366,513</u>	-
-	<u>2,496,798</u>	<u>2,496,798</u>	-
<u>( 30,049,380)</u>	<u>2,496,798</u>	<u>( 27,552,582)</u>	<u>-</u>
-	-	-	( 3,755,215)
-	-	-	<u>( 1,001,191)</u>
-	-	-	<u>( 4,756,406)</u>
7,109,711	-	7,109,711	-
12,867,502	-	12,867,502	2,924,210
4,021,362	-	4,021,362	-
73,039	50,333	123,372	59,809
148,136	81,972	230,108	2,995
<u>2,535,105</u>	<u>( 2,535,105)</u>	<u>-</u>	<u>-</u>
<u>26,754,855</u>	<u>( 2,402,800)</u>	<u>24,352,055</u>	<u>2,987,014</u>
( 3,294,525)	93,998	( 3,200,527)	( 1,769,392)
<u>63,748,831</u>	<u>49,024,839</u>	<u>112,773,670</u>	<u>16,272,124</u>
<u>\$ 60,454,306</u>	<u>\$ 49,118,837</u>	<u>\$ 109,573,143</u>	<u>\$ 14,502,732</u>

**CITY OF SHERMAN, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2011**

	<u>General</u>	<u>General Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
<b>ASSETS</b>				
Cash	\$ 3,755,384	\$ 567,445	\$ 2,466,413	\$ 6,789,242
Pooled and temporary investments	2,473,228	646,484	1,908,447	5,028,159
Receivables (net of allowances for uncollectibles):				
Interest	12,256	-	-	12,256
Intergovernmental	10,187	-	24,455	34,642
Accounts	1,283,972	-	135,743	1,419,715
Taxes	<u>2,305,653</u>	<u>-</u>	<u>175,488</u>	<u>2,481,141</u>
Total assets	<u>\$ 9,840,680</u>	<u>\$ 1,213,929</u>	<u>\$ 4,710,546</u>	<u>\$ 15,765,155</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 465,134	\$ 177,536	\$ 61,437	\$ 704,107
Accrued wages payable	117,547	-	2,079	119,626
Deferred revenue	934,807	-	1,992	936,799
Customer deposits	<u>-</u>	<u>-</u>	<u>443,235</u>	<u>443,235</u>
Total liabilities	<u>1,517,488</u>	<u>177,536</u>	<u>508,743</u>	<u>2,203,767</u>
Fund balances:				
Committed to:				
Public safety	-	-	22,603	22,603
Streets	-	-	448,872	448,872
Community services	-	-	11,399	11,399
Restricted for:				
Café plan	1,956	-	-	1,956
Public safety	11,045	-	206,121	217,166
Streets	28,225	-	1,263,977	1,292,202
Community services	10,960	-	395,371	406,331
Community development	-	-	69,234	69,234
Debt service	-	-	596,059	596,059
Endowment	-	-	1,188,167	1,188,167
Assigned for:				
Streets and park improvements	-	1,036,393	-	1,036,393
Unassigned	<u>8,271,006</u>	<u>-</u>	<u>-</u>	<u>8,271,006</u>
Total fund balance	<u>8,323,192</u>	<u>1,036,393</u>	<u>4,201,803</u>	<u>13,561,388</u>
Total liabilities and fund balance	<u>\$ 9,840,680</u>	<u>\$ 1,213,929</u>	<u>\$ 4,710,546</u>	<u>\$ 15,765,155</u>

**The accompanying notes are an integral part of these financial statements.**



## CITY OF SHERMAN, TEXAS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

Total fund balances - governmental funds	\$ 13,561,388
Amounts reported for governmental activities in the statement of net assets are different because:	
The City uses Internal Service Funds to charge the costs of certain activities such as fleet maintenance, computer services and insurance to individual funds. Assets and liabilities of the Internal Service Funds are included in governmental activities.	1,127,820
Capital assets used in governmental activities are not reported in the funds.	66,965,317
Certain receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and are, therefore, deferred in the funds.	936,799
Bond interest is not payable within 60 days and is therefore not accrued at the fund level.	( 88,727)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of:	
Bonds payable	( 1,500,000)
Certificates of obligation	( 14,795,000)
Tax notes	( 760,000)
Capital leases	( 130,386)
Other long-term debt	( 832,695)
Compensated balances	( 2,641,784)
Net pension obligation	( 773,678)
Net OPEB obligation	( 717,593)
Deferred charges recognized on Statement of Net Assets, not recognized in governmental balance sheet: Deferred bond issue costs	<u>102,845</u>
Net assets of governmental activities	<u>\$ 60,454,306</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF SHERMAN, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE**

**GOVERNMENTAL FUNDS**

**YEAR ENDED SEPTEMBER 30, 2011**

	<u>General</u>	<u>General Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
<b>REVENUES</b>				
Taxes:				
General property	\$ 6,658,517	\$ -	\$ 448,179	\$ 7,106,696
City sales	11,696,842	-	974,736	12,671,578
Franchise and nonproperty	3,522,570	-	498,792	4,021,362
Licenses and permits	222,539	-	-	222,539
Intergovernmental	543,373	1,430,000	349,391	2,322,764
Charges for services	2,376,631	-	743,066	3,119,697
Fines and forfeitures	1,068,692	-	111,630	1,180,322
Investment income (loss)	76,376	3,627	( 17,536)	62,467
Donations	38,294	-	22,892	61,186
Miscellaneous	136,107	-	32,379	168,486
Total revenues	<u>26,339,941</u>	<u>1,433,627</u>	<u>3,163,529</u>	<u>30,937,097</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,588,036	-	-	4,588,036
Public safety	16,950,730	-	302,023	17,252,753
Streets	2,318,525	1,430,000	1,424	3,749,949
Sanitation	599,835	-	-	599,835
Community services	3,184,397	-	1,039,759	4,224,156
Community development	-	-	347,756	347,756
Capital outlay	316,581	2,661,604	56,396	3,034,581
Debt service:				
Principal	61,075	-	1,440,000	1,501,075
Interest and fees	8,187	-	670,229	678,416
Total expenditures	<u>28,027,366</u>	<u>4,091,604</u>	<u>3,857,587</u>	<u>35,976,557</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 1,687,425)</u>	<u>( 2,657,977)</u>	<u>( 694,058)</u>	<u>( 5,039,460)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,138,066	210,439	1,445,579	4,794,084
Transfers out	<u>( 115,111)</u>	<u>( 1,200,000)</u>	<u>( 1,158,979)</u>	<u>( 2,474,090)</u>
Total other financing sources (uses)	<u>3,022,955</u>	<u>( 989,561)</u>	<u>286,600</u>	<u>2,319,994</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,335,530	( 3,647,538)	( 407,458)	( 2,719,466)
<b>FUND BALANCE, BEGINNING</b>	<u>6,987,662</u>	<u>4,683,931</u>	<u>4,609,261</u>	<u>16,280,854</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 8,323,192</u>	<u>\$ 1,036,393</u>	<u>\$ 4,201,803</u>	<u>\$ 13,561,388</u>

**The accompanying notes are an integral part of these financial statements.**

## CITY OF SHERMAN, TEXAS

### RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

**YEAR ENDED SEPTEMBER 30, 2011**

Total net change in fund balance - governmental funds	\$( 2,719,466)
Amounts reported for governmental activities in the statement of activities are different because:	
The City uses Internal Service Funds to charge the costs of certain activities such as fleet maintenance, computer services and insurance to individual funds. The net income of the Internal Service Funds is reported with governmental activities.	( 997,803)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation. This is the amount of capital assets recorded in the current period.	3,078,892
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds.	( 4,840,068)
The effect of a donation by the State, provided in the form of an emergency vehicle for the Hospital Preparedness Program. The vehicle is capitalized and the donation is a capital grant.	433,440
The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Repayment of principal of long-term debt	1,696,999
Amortization of bond issuance cost	( 14,615)
Net pension obligation	( 226,633)
Net OPEB obligation	( 73,018)
Interest accrued at the government-wide financial statements but not at the fund level. This represents the change in the accrual during the period.	4,938
Current year changes in long-term liability do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	
Compensated balances liability	( 19,825)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>382,634</u>
Change in net assets of governmental activities	<u>\$( 3,294,525)</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF SHERMAN, TEXAS**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Internal Service</u>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 3,521,690	\$ 1,381,415	\$ 4,903,105	\$ 868,626
Pooled and temporary investments	5,659,404	213,204	5,872,608	30,651
Receivables (net of allowances for uncollectibles)				
Interest	4,697	271	4,968	-
Intergovernmental	-	-	-	14,000
Accounts	277,597	46,548	324,145	50,529
Unbilled accounts	2,530,134	602,828	3,132,962	-
Inventories, at cost	314,440	-	314,440	89,361
Prepaid items	27,076	-	27,076	-
Total current assets	<u>12,335,038</u>	<u>2,244,266</u>	<u>14,579,304</u>	<u>1,053,167</u>
Noncurrent assets:				
Capital assets				
Non-depreciable assets	6,973,459	3,000	6,976,459	55,250
Other capital assets, net	<u>31,515,498</u>	<u>2,285,987</u>	<u>33,801,485</u>	<u>2,019,108</u>
Total noncurrent assets	<u>38,488,957</u>	<u>2,288,987</u>	<u>40,777,944</u>	<u>2,074,358</u>
Total assets	<u>\$ 50,823,995</u>	<u>\$ 4,533,253</u>	<u>\$ 55,357,248</u>	<u>\$ 3,127,525</u>

(continued)

**CITY OF SHERMAN, TEXAS**

**STATEMENT OF FUND NET ASSETS**

**PROPRIETARY FUNDS**

**(Continued)**

**SEPTEMBER 30, 2011**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Total	Internal Service
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 779,667	\$ 161,656	\$ 941,323	\$ 146,761
Accrued expenses payable				
Accrued wages payable	67,683	21,493	89,176	13,266
Landfill closure and postclosure care costs	-	39,468	39,468	-
Claims payable	-	-	-	535,669
Current portion of long-term liabilities				
Capital lease obligations	295,603	54,285	349,888	230,451
Accrued compensated absences	170,756	54,228	224,984	39,929
Other long-term payables	80,048	-	80,048	-
Payable from restricted assets				
Customers' deposits payable	<u>424,930</u>	<u>46,424</u>	<u>471,354</u>	<u>-</u>
Total current liabilities	<u>1,818,687</u>	<u>377,554</u>	<u>2,196,241</u>	<u>966,076</u>
Long-term liabilities (net of current portion):				
Capital lease obligations payable	485,719	35,887	521,606	962,197
Net pension obligation	166,498	53,727	220,225	37,491
Net OPEB obligation	151,822	49,392	201,214	33,941
Other long-term payables	<u>3,099,125</u>	<u>-</u>	<u>3,099,125</u>	<u>-</u>
Total long-term liabilities	<u>3,903,164</u>	<u>139,006</u>	<u>4,042,170</u>	<u>1,033,629</u>
 Total liabilities	 <u>5,721,851</u>	 <u>516,560</u>	 <u>6,238,411</u>	 <u>1,999,705</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	34,528,462	2,198,815	36,727,277	881,710
Unrestricted	<u>10,573,682</u>	<u>1,817,878</u>	<u>12,391,560</u>	<u>246,110</u>
 Total net assets	 <u>\$ 45,102,144</u>	 <u>\$ 4,016,693</u>	 <u>\$ 49,118,837</u>	 <u>\$ 1,127,820</u>

**The accompanying notes are an integral part of these financial statements.**

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**CITY OF SHERMAN, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer	Solid Waste	Total	Internal Service
<b>OPERATING REVENUES</b>				
Water sales	\$ 12,193,932	\$ -	\$ 12,193,932	\$ -
Sewer sales	7,247,880	-	7,247,880	-
Solid waste service	-	5,697,131	5,697,131	-
Laboratory fees	112,339	-	112,339	-
Service connections and penalties	535,280	-	535,280	-
Utility tap fees	28,010	-	28,010	-
Charges for services	160,554	-	160,554	7,082,077
Miscellaneous	65,247	16,725	81,972	690
Total operating revenues	<u>20,343,242</u>	<u>5,713,856</u>	<u>26,057,098</u>	<u>7,082,767</u>
<b>OPERATING EXPENSES</b>				
Personnel services	4,545,007	1,511,017	6,056,024	1,019,461
Contractual services	9,800,986	1,478,343	11,279,329	5,145,601
Supplies	1,089,008	56,575	1,145,583	945,354
Maintenance and repair	1,058,606	35,670	1,094,276	822,276
Vehicle usage	237,929	890,955	1,128,884	-
Depreciation	2,469,244	356,495	2,825,739	340,835
Total operating expenses	<u>19,200,780</u>	<u>4,329,055</u>	<u>23,529,835</u>	<u>8,273,527</u>
<b>OPERATING INCOME</b>	<u>1,142,462</u>	<u>1,384,801</u>	<u>2,527,263</u>	<u>( 1,190,760)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	45,695	4,638	50,333	10,572
Interest expense	( 162,872)	( 1,563)	( 164,435)	( 46,726)
Intergovernmental	215,942	-	215,942	-
Total nonoperating revenues (expenses)	<u>98,765</u>	<u>3,075</u>	<u>101,840</u>	<u>( 36,154)</u>
<b>INCOME BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<u>1,241,227</u>	<u>1,387,876</u>	<u>2,629,103</u>	<u>( 1,226,914)</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions	-	-	-	14,000
Transfers in	121,500	-	121,500	215,111
Transfers out	( 1,604,266)	( 1,052,339)	( 2,656,605)	-
Total transfers	<u>( 1,482,766)</u>	<u>( 1,052,339)</u>	<u>( 2,535,105)</u>	<u>229,111</u>
<b>CHANGE IN NET ASSETS</b>	( 241,539)	335,537	93,998	( 997,803)
<b>NET ASSETS, BEGINNING</b>	<u>45,343,683</u>	<u>3,681,156</u>	<u>49,024,839</u>	<u>2,125,623</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 45,102,144</u>	<u>\$ 4,016,693</u>	<u>\$ 49,118,837</u>	<u>\$ 1,127,820</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SHERMAN, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**YEAR ENDED SEPTEMBER 30, 2011**

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Solid Waste	Total	Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 19,968,013	\$ 5,707,951	\$ 25,675,964	\$ -
Cash received for interfund services	-	-	-	7,046,298
Cash paid for supplies and materials	( 11,909,282)	( 2,442,268)	( 14,351,550)	( 2,025,593)
Cash paid for premiums, claims and administrative	-	-	-	( 4,644,994)
Cash paid for personnel services	( 4,576,073)	( 1,535,969)	( 6,112,042)	( 1,035,229)
Net cash provided by operating activities	<u>3,482,658</u>	<u>1,729,714</u>	<u>5,212,372</u>	<u>( 659,518)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Cash received from other governments	215,942	-	215,942	-
Cash received from other funds	121,500	-	121,500	215,111
Cash paid to other funds	( 1,604,266)	( 1,052,339)	( 2,656,605)	-
Net cash provided (used) by noncapital financing activities	<u>( 1,266,824)</u>	<u>( 1,052,339)</u>	<u>( 2,319,163)</u>	<u>215,111</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	( 539,933)	( 236,121)	( 776,054)	( 48,050)
Principal retirement of long-term debt	( 373,225)	( 56,935)	( 430,160)	( 268,734)
Interest paid on long-term debt	( 162,872)	( 1,563)	( 164,435)	( 46,726)
Capital contributions	-	-	-	14,000
Net cash used by capital and related financing activities	<u>( 1,076,030)</u>	<u>( 294,619)</u>	<u>( 1,370,649)</u>	<u>( 349,510)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and investment income received	50,868	4,597	55,465	10,572
Proceeds from sale of investments	<u>937,982</u>	<u>273,689</u>	<u>1,211,671</u>	<u>-</u>
Net cash provided by investing activities	<u>988,850</u>	<u>278,286</u>	<u>1,267,136</u>	<u>49,921</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	2,128,654	661,042	2,789,696	( 743,996)
<b>CASH, BEGINNING</b>	<u>1,393,036</u>	<u>720,372</u>	<u>2,113,408</u>	<u>1,612,622</u>
<b>CASH, ENDING</b>	<u>\$ 3,521,690</u>	<u>\$ 1,381,414</u>	<u>\$ 4,903,104</u>	<u>\$ 868,626</u>

(continued)



**CITY OF SHERMAN, TEXAS**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**(Continued)**

**YEAR ENDED SEPTEMBER 30, 2011**

	Business-type Activities - Enterprise Funds			Governmental
	Water	Solid Waste	Total	Internal
	and Sewer			Service
<b>RECONCILIATION OF OPERATING INCOME</b>				
<b>TO NET CASH PROVIDED (USED) BY</b>				
<b>OPERATING ACTIVITIES</b>				
Operating income	\$ 1,142,462	\$ 1,384,801	\$ 2,527,263	\$( 1,190,760)
Depreciation and amortization	2,469,244	356,495	2,825,739	340,835
(Increase) decrease in operating assets:				
Accounts receivable (net)	( 20,878)	9,547	( 11,331)	( 50,354)
Unbilled receivables	( 407,704)	( 23,948)	( 431,652)	-
Other assets	28	-	28	-
Inventories	15,479	-	15,479	( 6,018)
Increase (decrease) in operating liabilities:				
Accounts payable	261,740	19,275	281,015	50,322
Accrued wages payable	( 110,037)	( 42,922)	( 152,959)	( 24,542)
Estimated liability for claims	-	-	-	212,225
Accrued compensated absences	10,694	1,968	12,662	( 3,395)
Net pension obligation	50,822	13,671	64,493	10,228
Net OPEB obligation	17,455	2,331	19,786	1,941
Customer deposits	<u>53,353</u>	<u>8,496</u>	<u>61,849</u>	<u>-</u>
 Net cash provided by operating activities	 <u>\$ 3,482,658</u>	 <u>\$ 1,729,714</u>	 <u>\$ 5,212,372</u>	 <u>\$( 659,518)</u>

**The accompanying notes are an integral part of these financial statements.**

# CITY OF SHERMAN, TEXAS

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. General Statement

The City of Sherman, Texas (the City) was founded by an act of the First Texas Legislature in 1846 and was incorporated as a general law City on December 7, 1858. In 1915, the City was reorganized as a home rule City with the adoption of a new City Charter. The new charter established a Council-member form of government. The general governmental functions include law enforcement, fire and other public safety activities, streets, sanitation, public improvements, public charities, parks and recreation, library services, zoning and general administrative services. Enterprise Funds are used to account for the operations of its water, sewer and solid waste systems.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for the local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled, "Audits of State and Local Governmental Units," and by the Financial Accounting Standards Board (FASB), when applicable.

#### B. Financial Reporting Entity

The City's financial reporting entity comprises the following:

Primary Government:	City of Sherman
Discrete Component Unit:	Sherman Economic Development Corporation (SEDCO)

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as discretely presented component units with the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name);
- The City holds the corporate powers of the organization;
- The City appoints a voting majority of the organization's board;
- The City is able to impose its will on the organization;
- The organization has the potential to impose a financial benefit/burden on the City; and
- There is fiscal dependency by the organization on the City.

These factors make the organization meet the criteria for being presented as a discretely presented component unit.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Financial Reporting Entity (Continued)

#### **Discretely Presented Component Units**

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

The component unit that is discretely presented into the reporting activity type of the City's report is presented below:

*Sherman Economic Development Corporation* – (SEDCO) is a nonprofit industrial development corporation organized for the purpose of promoting, assisting and enhancing economic development activities for the City as provided by the Development Corporation Act of 1979. SEDCO is managed by a board of directors composed entirely of persons appointed by and serving at the pleasure of the Sherman City Council. The City is also financially accountable for SEDCO because the City Council approves SEDCO's budget, levies sales taxes (SEDCO's primary source of revenue), and approves any debt issuances. Sales taxes are collected under Section 4A of the Development Corporation Act of 1979 for these purposes. SEDCO began its operations on April 1, 1996. A copy of SEDCO's audit report can be obtained by contacting their offices at 307 West Washington, Sherman, Texas 75090.

#### **Blended Component Units**

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation. Currently, the City presents no blended component units.

#### **Related Organizations**

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations. Related organizations are described as follows:

*Housing Authority of the City of Sherman (Authority)* – Administers federal programs to provide low-rent housing to qualified City residents. The five-member board of the Authority is appointed by the Mayor. The City Council has no significant influence over the management, budget or policies of the Authority. The Authority reports independently.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Financial Reporting Entity (Continued)

#### Related Organizations (Continued)

Greater Texoma Utility Authority (GTUA) – Assists local governments in the development of water, sewer and solid waste facilities. The City appoints 3 members to GTUA’s 9-member Board of Directors. The City financed certain water and sewer facilities through debt issued by GTUA and the City is contractually obligated to make sufficient payments to GTUA for annual debt service requirements of that debt. The City has no significant influence over the operations of GTUA, as its scope benefits other entities beside the City. GTUA reports independently.

Texoma Area Solid Waste Authority (TASWA) – Developed and operates a municipal solid waste landfill for the benefit of the City and other local governments in Grayson and Cooke Counties. The Mayor serves as one of five members of TASWA’s Board of Directors. The City has an ongoing financial responsibility to TASWA and has pledged to pay fees established by TASWA in order for TASWA to pay its operating and debt service obligations. However, the City has no significant influence over TASWA’s administration or operation. TASWA reports independently.

### C. Government-wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information on all the nonfiduciary activities of the primary government and its component unit. Individual funds are not displayed but the statements distinguish governmental activities (generally supported by taxes and general revenue) from business-type activities (generally financed in whole or in part with fees charged to external customers). Likewise, the primary government is reported separately from the component unit for which the City is financially accountable. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements.

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

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

(continued)

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant GASB pronouncements and applicable FASB pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are franchise fees and administrative charges between the City's Enterprise Funds and the General Fund and charges of the Internal Service Funds to the City's other operating funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include charges to customers for services, and operating and capital grants and contributions. General revenues include all taxes and internally generated resources.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if 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, sales taxes, franchise taxes 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.

(continued)

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

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 needed.

**E. Fund Types and Major Funds**

**Governmental Funds**

The City reports the following major governmental funds:

**General Fund** – reports the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

**General Improvement Fund** – accounts for projects planned as part of the City's five-year capital improvement program.

**Proprietary Funds**

The City reports the following major Enterprise Funds:

**Water and Sewer Fund** – accounts for the provision of water and sewer services to the residents of the City.

**Solid Waste Fund** – accounts for the solid waste collection function of the City.

Additionally, the City reports the following fund type:

**Internal Service Funds** – used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis. These services include fleet management, computer services, self-funded health and dental insurance, and fleet replacement. These are proprietary funds that are reported with governmental activities in the government-wide financial statements.

(continued)



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Assets, Liabilities, and Net Assets or Equity (Continued)**

**Inventories**

The inventories in the proprietary funds consist of supplies and are recorded at the lower of cost or market on a first-in, first-out basis.

**Interfund Receivables and Payables**

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

**Transactions Between Funds**

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both governmental and proprietary funds.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

During fiscal year 2007, the City completed its inventory of general infrastructure assets (i.e., streets and storm water drains), beginning with assets put in use in 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each year, including infrastructure assets, they are capitalized and reported at historical cost.

Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Water and sewer system	30-50
Machinery and equipment	5-10
Improvements	20
Other assets	10

**(continued)**



## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### F. Assets, Liabilities, and Net Assets or Equity (Continued)

#### **Compensated Absences**

The City's policy allows employees to accumulate unused sick leave on an unlimited basis and vacation leave up to 20 days per year. Civil Service employees are entitled to be paid up to 90 days of accumulated sick leave upon termination from the City. Non-civil Service employees are not entitled to payment of any accrued sick leave upon termination. Employees cannot carryover more than one year accrual of vacation. Therefore, all of this vacation is considered a current liability since it must be used within a year or paid at termination, whichever is earlier.

#### **Long-term Obligations**

In the government-wide, proprietary and component unit financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, long-term liabilities are not recorded in the governmental funds, as the payment of the obligations will not be made by current financial resources. The governmental fund financial statements recognize the proceeds of debt as other financing resources.

#### **Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance.* This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance.* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

(continued)

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **F. Assets, Liabilities, and Net Assets or Equity (Continued)**

#### **Fund Balances (Continued)**

*Assigned fund balance.* This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance.* This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The City's Fund Balance policy is to spend the funds with the most constraints first. The policy also sets 60 days of expenditures as the minimum amount of fund balance for the General, Utility and Solid Waste Funds. Furthermore, when fund balance falls below 60 days, the City will implement a replenishment plan. The policy also allows the City Council to use unassigned fund balance for capital needs, to offset difficult economic times, to stabilize fluctuations in cash flow requirements, and to provide for emergencies.

#### **Net Assets**

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

#### **Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates. Actual amounts could differ from those estimates.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

#### **Budget Policy and Practice**

The City follows the procedures outlined below in establishing budgetary data reflected in the financial statements:

Annual budgets are legally adopted for all funds of the City. Fifty (50) days prior to the end of the fiscal year, the City Manager is required to submit to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes the proposed expenditures/expenses and the proposed method to finance them.

#### **Budget Policy and Practice**

Dates for public hearings, the purpose of which are to obtain taxpayers' comments, are set by the City Council at the time the budget is submitted to that body. The City Council may add to, subtract from or change appropriations, but may not change the form of the proposed budget. Any changes must be within the revenue and reserves estimated as available by the City Manager. Prior to September 25 of each year, the budget is legally enacted through the passage of an ordinance.

At any time during the fiscal year, the City Manager may move part or all of any unencumbered appropriation balance among the various departments or programs within each fund. In the case where additional appropriations are required within a fund, the City Manager must seek approval of the City Council, who may, by resolution, increase that fund's appropriation.

#### **Budget Basis of Accounting**

The City prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the General Fund are that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP) and unrealized investment gain (loss) is recognized for GAAP basis only.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

##### Investments

The following schedule summarizes the City's investments as of September 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
<b>Primary government</b>		
U. S. Government Agency Securities	\$ 6,446,293	568
TexStar	1,756,678	40
TexPool	1,554,821	44
Common trust funds (corporate)	1,173,626	1,529
<b>Component unit</b>		
TexPool	<u>3,226,666</u>	44
Total investments	<u>\$ 14,158,084</u>	

The City has investments with the following public funds investment pools as of September 30, 2011:

**Texas Local Government Investment Pool (TexPool)** – The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designations of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool operates in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940.

**Texas Short-term Asset Reserve Program (TexStar)** – TexStar is an investment pool created by the initial participants for the joint investment of the participant's public funds and funds under their control. TexStar was created under the authority of applicable Texas law, including the Cooperating Act and the Investment Act. A governing board manages the business and affairs of TexStar. The governing board has appointed an advisory board consisting of representatives of participants and other persons who do not have a business relationship with TexStar and are qualified to advise the Board.

Both pools state all investments at amortized cost, which generally approximates the fair value of the securities. Both pools submit their information to Standard & Poor's for ratings review. Deposits in this fund are not subject to custodial credit risk.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### A. Deposits and Investments (Continued)

##### **Investments** (Continued)

In 1956, the City established a trust fund with the purpose to hold investments to provide income for the perpetual upkeep of the City's cemetery. The investments of the trust fund are administered by the trust company affiliated with a non-depository bank. The City's investments in the trust fund at September 30, 2011, are comprised of money market funds, exchange-traded funds and corporate equity and bond mutual funds. The investments are insured and held by the trustee in the City's name. The City has not imposed any restrictions on the investments selected by the trustee. These investments are carried at fair value as determined by market quotes.

**Credit Risk** is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the City's investment policy adopted by the City Council complying with state law and the City charter. City funds may be invested in: 1) fully insured time deposits; 2) obligations of the United States Treasury; 3) obligations of Agencies of Instrumentalities of the United States; 4) investment pools with a continuous rating no lower than AAA; and 5) repurchase agreements. Under the City policy, the City may not invest in collateralized mortgage obligations, mutual funds, commercial paper and investment pools rated lower than AAA or who invest in prohibited investments under the City policy. As of September 30, 2011, the City's investment in TexPool and TexStar was rated AAAM by Standard & Poor's.

**Custodial Credit Risk** for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be 100% secured by collateral valued at market less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance.

**Custodial Credit Risk** for investments 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 possession of an outside party. For direct investments, the City policy provides that investments and investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name.

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities. However, the City's policy provides that investments to be purchased must have final maturities of five years or less.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### A. Deposits and Investments (Continued)

##### Investments (Continued)

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investments in a single issuer. The City's policy does not place a limit on the amount that may be invested in any one issuer. This risk does not apply to U. S. Government Securities or investments in an external investment pool.

**Foreign Currency Risk** is the risk that an investment denominated in the currency of a foreign country could reduce its U. S. dollar value as a result of changes in foreign currency exchange fees. At September 30, 2011, the City was not exposed to foreign currency risk.

##### Deposits

**Custodial Credit Risk** is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2011, the City's deposit balance of \$12,999,054 and the Sherman Economic Development Corporation, a discretely presented component unit, balance of \$4,608,623 were both collateralized by FDIC insurance and with letters of credit issued by the Federal Home Loan Bank in the name of the respective entity.

#### B. Receivables

Amounts recorded as receivable as of September 30, 2011, for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	Solid Waste	Internal Service	Nonmajor	Total	Component Unit
Receivables:							
Interest	\$ 12,256	\$ 4,697	\$ 271	\$ -	\$ -	\$ 17,224	\$ 706
Intergovernmental	10,187	-	-	14,000	24,455	48,642	-
Accounts	4,658,502	2,892,731	684,367	50,529	135,743	8,421,872	648,667
Taxes	<u>2,538,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,267</u>	<u>2,717,070</u>	<u>523,914</u>
Gross receivables	7,219,748	2,897,428	684,638	64,529	338,465	11,204,808	1,173,287
Less: allowance for uncollectibles	<u>( 3,607,680)</u>	<u>( 85,000)</u>	<u>( 35,000)</u>	<u>-</u>	<u>( 2,779)</u>	<u>( 3,730,459)</u>	<u>-</u>
Net total receivables	<u>\$ 3,612,068</u>	<u>\$ 2,812,428</u>	<u>\$ 649,638</u>	<u>\$ 64,529</u>	<u>\$ 335,686</u>	<u>\$ 7,474,349</u>	<u>\$ 1,173,287</u>

The Water and Sewer Fund and the Solid Waste Fund accounts receivable include unbilled charges for services rendered at September 30, 2011.

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### B. Receivables (Continued)

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

	<u>Unavailable</u>
Delinquent property taxes receivable	\$ 207,150
Court fines	331,461
Ambulance fees	<u>398,188</u>
Total governmental funds	<u>\$ 936,799</u>

#### C. Capital Assets

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>Reclassifications/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities, excluding internal service funds:</b>					
Capital assets, not being depreciated:					
Land	\$ 2,861,296	\$ -	\$ -	\$ -	\$ 2,861,296
Construction in progress	<u>1,842,273</u>	<u>2,770,621</u>	<u>( 1,514,421)</u>	<u>-</u>	<u>3,098,473</u>
Total assets not being depreciated	<u>4,703,569</u>	<u>2,770,621</u>	<u>( 1,514,421)</u>	<u>-</u>	<u>5,959,769</u>
Capital assets, being depreciated:					
Buildings	6,948,107	-	-	-	6,948,107
Improvements other than buildings	76,580,030	1,608,625	-	-	78,188,655
Machinery and equipment	10,058,830	647,490	( 10,476)	-	10,695,844
Other assets	<u>469,634</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>469,651</u>
Total capital assets being depreciated	<u>94,056,601</u>	<u>2,256,132</u>	<u>( 10,476)</u>	<u>-</u>	<u>96,302,257</u>
Less accumulated depreciation:					
Buildings	3,856,940	153,990	-	-	4,010,930
Improvements other than buildings	19,640,849	3,944,881	-	-	23,585,730
Machinery and equipment	6,897,269	694,230	( 10,476)	-	7,581,023
Other assets	<u>72,060</u>	<u>46,966</u>	<u>-</u>	<u>-</u>	<u>119,026</u>
Total accumulated depreciation	<u>30,467,118</u>	<u>4,840,067</u>	<u>( 10,476)</u>	<u>-</u>	<u>35,296,709</u>
Total capital assets being depreciated, net	<u>63,589,483</u>	<u>( 2,583,935)</u>	<u>-</u>	<u>-</u>	<u>61,005,548</u>
Governmental activities, excluding internal service funds, capital assets, net	<u>\$ 68,293,052</u>	<u>\$ 186,686</u>	<u>\$( 1,514,421)</u>	<u>\$ -</u>	<u>\$ 66,965,317</u>

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Reclassifications/ Transfers	Ending Balance
<b>Internal Service Funds:</b>					
Capital assets, not being depreciated:					
Land	\$ 55,250	\$ -	\$ -	\$ -	\$ 55,250
Total assets not being depreciated	<u>55,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,250</u>
Capital assets, being depreciated:					
Buildings	124,974	-	-	-	124,974
Improvements other than buildings	970	-	-	-	970
Machinery and equipment	<u>3,104,208</u>	<u>48,052</u>	<u>-</u>	<u>-</u>	<u>3,152,260</u>
Total capital assets being depreciated	<u>3,230,152</u>	<u>48,052</u>	<u>-</u>	<u>-</u>	<u>3,278,204</u>
Less accumulated depreciation:					
Buildings	111,769	704	-	-	112,473
Improvements other than buildings	840	25	-	-	865
Machinery and equipment	<u>805,651</u>	<u>340,107</u>	<u>-</u>	<u>-</u>	<u>1,145,758</u>
Total accumulated depreciation	<u>918,260</u>	<u>340,836</u>	<u>-</u>	<u>-</u>	<u>1,259,096</u>
Total capital assets being depreciated, net	<u>2,311,892</u>	<u>( 292,784)</u>	<u>-</u>	<u>-</u>	<u>2,019,108</u>
Internal service funds capital assets, net	<u>\$ 2,367,142</u>	<u>\$ ( 292,784)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,074,358</u>
Governmental activities capital assets, net	<u>\$ 70,660,194</u>	<u>\$ ( 106,098)</u>	<u>\$ ( 1,514,421)</u>	<u>\$ -</u>	<u>\$ 69,039,675</u>

(continued)



### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Reclassifications/ Transfers	Ending Balance
<b>Business-type activities</b>					
Capital assets, not being depreciated:					
Land	\$ 348,142	\$ -	\$ -	\$ -	\$ 348,142
Intangible assets (Lake Texoma)	6,400,892	-	-	-	6,400,892
Construction in progress	298,085	117,014	( 187,674)	-	227,425
Total assets not being depreciated	<u>7,047,119</u>	<u>117,014</u>	<u>( 187,674)</u>	<u>-</u>	<u>6,976,459</u>
Capital assets, being depreciated:					
Buildings	3,680,970	-	-	-	3,680,970
Improvements other than buildings	51,047,294	483,730	-	-	51,531,024
Machinery and equipment	9,001,140	362,982	-	-	9,364,122
Total capital assets being depreciated	<u>63,729,404</u>	<u>846,712</u>	<u>-</u>	<u>-</u>	<u>64,576,116</u>
Less accumulated depreciation:					
Buildings	1,869,953	81,760	-	-	1,951,713
Improvements other than buildings	20,074,559	2,198,020	-	-	22,272,579
Machinery and equipment	6,004,381	545,958	-	-	6,550,339
Total accumulated depreciation	<u>27,948,893</u>	<u>2,825,738</u>	<u>-</u>	<u>-</u>	<u>30,774,631</u>
Total capital assets being depreciated, net	<u>35,780,511</u>	<u>( 1,979,026)</u>	<u>-</u>	<u>-</u>	<u>33,801,485</u>
Business-type activities capital assets, net	<u>\$ 42,827,630</u>	<u>\$( 1,862,012)</u>	<u>\$( 187,674)</u>	<u>\$ -</u>	<u>\$ 40,777,944</u>
Total primary government	<u>\$ 113,487,824</u>	<u>\$( 1,968,110)</u>	<u>\$( 1,702,095)</u>	<u>\$ -</u>	<u>\$ 109,817,619</u>
<b>Component unit</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 5,040,124	\$ 1,075,066	\$ 856,000	\$ -	\$ 5,259,190
Total assets not being depreciated	<u>5,040,124</u>	<u>1,075,066</u>	<u>856,000</u>	<u>-</u>	<u>5,259,190</u>
Capital assets, being depreciated:					
Equipment	22,171	3,378	( 2,530)	-	23,019
Accumulated depreciation	( 13,190)	( 3,483)	1,349	-	( 15,324)
Total capital assets being depreciated	<u>8,981</u>	<u>( 105)</u>	<u>( 1,181)</u>	<u>-</u>	<u>7,695</u>
Total component unit	<u>\$ 5,049,105</u>	<u>\$ 1,074,961</u>	<u>\$ 854,819</u>	<u>\$ -</u>	<u>\$ 5,266,885</u>

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 117,810
Public safety	579,536
Streets	3,144,511
Sanitation	24,285
Community services	973,925
Internal service funds	<u>340,836</u>
Total depreciation expense - governmental activities	<u>\$ 5,180,903</u>
Business-type activities:	
Water and sewer	\$ 2,469,244
Solid waste	<u>356,494</u>
Total depreciation expense - business-type activities	<u>\$ 2,825,738</u>

#### D. Long-term Debt

The following schedule summarizes the changes in long-term debt during the year ended September 30, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable	\$ 1,555,000	\$ -	\$ 55,000	\$ 1,500,000	\$ 55,000
Capital leases payable	1,652,843	-	329,809	1,323,034	294,137
Certificates of obligation	15,435,000	-	640,000	14,795,000	660,000
Tax notes	1,505,000	-	745,000	760,000	760,000
Sales tax repayment	1,028,619	-	195,924	832,695	195,924
Compensated absences	2,665,284	1,418,515	1,402,086	2,681,713	1,076,868
Net pension obligation	574,308	236,861	-	811,169	-
Net OPEB obligation	<u>676,576</u>	<u>74,958</u>	<u>-</u>	<u>751,534</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 25,092,630</u>	<u>\$ 1,730,334</u>	<u>\$ 3,367,819</u>	<u>\$ 23,455,145</u>	<u>\$ 3,041,929</u>
<b>Business-type activities</b>					
Capital leases payable	\$ 1,224,780	\$ -	\$ 353,286	\$ 871,494	\$ 349,888
Other long-term debt	3,256,050	-	76,877	3,179,173	80,048
Compensated absences	212,321	228,373	215,710	224,984	224,984
Net pension obligation	155,732	64,493	-	220,225	-
Net OPEB obligation	<u>181,428</u>	<u>19,786</u>	<u>-</u>	<u>201,214</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 5,030,311</u>	<u>\$ 312,652</u>	<u>\$ 645,873</u>	<u>\$ 4,697,090</u>	<u>\$ 654,920</u>

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-term Debt (Continued)

Bonds payable at September 30, 2011, is comprised of the following issues:

##### Governmental Activities

\$1,605,000 General Obligation Refunding Bonds, Series 2006, due in annual installments of \$10,000 to \$115,000 through 2030; interest at 3.5% \$ 1,500,000

Debt service requirements of bonds payable through maturity, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Totals
2012	\$ 55,000	\$ 59,450	\$ 114,450
2013	60,000	57,438	117,438
2014	55,000	55,425	110,425
2015	60,000	53,338	113,338
2016	60,000	51,088	111,088
2017-2021	360,000	216,556	576,556
2022-2026	430,000	137,263	567,263
2027-2030	<u>420,000</u>	<u>37,781</u>	<u>457,781</u>
Total	<u>\$ 1,500,000</u>	<u>\$ 668,339</u>	<u>\$ 2,168,339</u>

#### Certificates of Obligation

##### Governmental activities

\$2,840,000 Combination Tax and Tax Increment Revenue Certificates of Obligation, Series 2004, due in annual installments of \$75,000 to \$240,000 through 2023, interest at 4.44%, to pay contractual obligations incurred for public works projects in the Sherman Tax Increment Financing Reinvestment Zone Number One. \$ 2,225,000

\$5,000,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2008, due in annual installments of \$175,000 to \$375,000 through 2028, interest at 3.62%, to pay contractual obligations for public works projects. 4,640,000

\$5,000,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2009, due in annual installments of \$135,000 to \$370,000 through 2029, interest at 3.0% to 4.3%, to pay contractual obligations for general purpose public works projects and other public works projects in the Sherman Tax Increment Reinvestment Zones Number One and Number Two. 4,660,000

\$3,500,000 Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2009A, due in annual installments of \$115,000 to \$260,000 through 2029, interest at 3.0% to 4.25%, to pay contractual obligations for public works projects. 3,270,000

Total governmental activities \$ 14,795,000

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Long-term Debt (Continued)**

**Certificates of Obligation (Continued)**

Debt service requirements for the certificates of obligation through maturity are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 660,000	\$ 563,531	\$ 1,223,531
2013	690,000	540,356	1,230,356
2014	715,000	516,075	1,231,075
2015	735,000	491,001	1,226,001
2016	770,000	465,133	1,235,133
2017-2021	4,345,000	1,866,339	6,211,339
2022-2026	4,640,000	959,751	5,599,751
2027-2030	<u>2,240,000</u>	<u>164,317</u>	<u>2,404,317</u>
Total	<u>\$ 14,795,000</u>	<u>\$ 5,566,503</u>	<u>\$ 20,361,503</u>

**Tax Notes**

On April 30, 2009, the City issued \$3,000,000 of Limited Tax Notes to finance street improvements, due in annual installments of \$735,000 to \$760,000 through 2012, interest at 1.7% to 2.0%. These notes will be repaid with proceeds from a dedicated one-eighth of a cent sales tax.

\$ 760,000

Debt service requirements for the tax notes through maturity are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	<u>\$ 760,000</u>	<u>\$ 12,920</u>	<u>\$ 772,920</u>
Total	<u>\$ 760,000</u>	<u>\$ 12,920</u>	<u>\$ 772,920</u>

(continued)

### III. DETAILED NOTES ON ALL FUNDS (Continued)

#### D. Long-term Debt (Continued)

##### Capital Leases Payable

Capital leases payable at September 30, 2011, is comprised of the following issues:

##### Governmental activities

\$1,372,140 Capital Lease for the purchase of an aerial ladder fire truck, a street sweeper and to refinance a balloon on an existing lease related to a fire truck, due in quarterly installments of \$55,057 through 2017, interest at 3.351%.	\$ 1,145,710
\$65,957 Capital Lease Obligation (allocated from Solid Waste Fund) attributed to the General Fund for the purchase of police cars.	13,323
\$356,097 capital lease for the purchase of a fire truck due in yearly principal and interest payments of \$62,176 through August 19, 2013, at 4.18%.	117,063
\$430,000 capital lease obligation for purchase of a new software system in quarterly principal and interest payments of \$23,807.93 through March 15, 2012, at 3.84%.	<u>46,938</u>
Total governmental activities	<u>\$ 1,323,034</u>

Capital leases payable at September 30, 2011, is comprised of the following issues:

##### Business-type activities

\$2,800,000 Capital Lease Obligation for the purchase of automated meter reading system, due in monthly principal and interest payments of \$27,076 through April 16, 2014 at 3.0%.	\$ 781,322
\$285,000 Capital Lease Obligation for the purchase of two solid waste vehicles, due in monthly principal and interest payments of \$3,881 through March 30, 2013 at 3.89%.	67,759
\$176,922 Capital Lease Obligation for purchase of solid waste equipment, due in semi-annual principal and interest payments of \$21,486 through July 18, 2009, then semi-annual principal and interest payments of \$9,504 through July 18, 2013, at 5.04%; a portion of this obligation is allocated to the General Fund.	<u>22,413</u>
Total business-type activities	<u>\$ 871,494</u>
Total capital lease obligations	<u>\$ 2,194,528</u>

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Long-term Debt (Continued)**

**Capital Leases Payable (Continued)**

The future minimum lease obligations and the net present value of those minimum lease payments as of September 30, 2011, were as follows:

Year Ending September 30,	Governmental Activities	Business-type Activities	Totals
2012	\$ 337,107	\$ 383,409	\$ 720,516
2013	289,490	363,627	653,117
2014	220,229	162,455	382,684
2015	220,228	-	220,228
2016	220,228	-	220,228
2017	<u>165,174</u>	<u>-</u>	<u>165,174</u>
Total minimum leases payable	1,452,456	909,491	2,361,947
Less: amounts representing interest	<u>129,422</u>	<u>37,997</u>	<u>167,419</u>
Present value of minimum lease payments	<u>\$ 1,323,034</u>	<u>\$ 871,494</u>	<u>\$ 2,194,528</u>

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 2,309,405	\$ 2,747,430
Less: accumulated depreciation	<u>840,968</u>	<u>873,577</u>
Total	<u>\$ 1,468,437</u>	<u>\$ 1,873,853</u>

**Other Long-term Payable**

During the year ended September 30, 2006, the City contracted with the U. S. Army Corp of Engineers for the remaining 11,600 acre-feet of water supply storage allocated to the City of Sherman in Lake Texoma. Annual payments of \$233,927 are due with interest rates being adjusted at five-year intervals. The balance outstanding at September 30, 2011, is \$3,179,172.

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Long-term Debt (Continued)**

**Other Long-term Payable (Continued)**

Debt service requirements at September 30, 2011, for the long-term payable through maturity are as follows:

Year Ending September 30,	Business-type Activities Texoma Water Rights Series 2007		
	Principal	Interest	Totals
2012	\$ 80,048	\$ 131,141	\$ 211,189
2013	83,350	127,839	211,189
2014	86,788	124,401	211,189
2015	90,368	120,821	211,189
2016	94,096	117,093	211,189
2017-2021	532,004	523,941	1,055,945
2022-2026	651,163	404,782	1,055,945
2027-2031	797,012	258,933	1,055,945
2032-2035	764,344	80,416	844,760
Total	\$ 3,179,173	\$ 1,889,367	\$ 5,068,540

**Sales Tax Repayment**

In 2006, the Texas Comptroller of Public Accounts notified the City of local tax paid in error to the City of Sherman over the prior 10 years. The City is required to pay the amount in error back to the State of Texas. Due to the size of the amount to be repaid, the state agreed to monthly payments of \$16,327 that began on January 2007. The total amount due at September 30, 2011, is \$832,695.

**Accrued Compensated Absences**

Accrued compensated absences (vested sick and vacation leave) are payable from the fund responsible for the employee's compensation. Of the liability attributed to governmental activities at September 30, 2011, significantly all is payable from the General Fund.

**Net Pension Obligation and Net Other Post Employment Benefit (OPEB) Obligation**

The liabilities for net pension obligation and net OPEB obligation were recorded for the first time in the year ending September 30, 2009. None of the liability has been liquidated to date. When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

(continued)

**III. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Interfund Transfers and Balances (Continued)**

**Interfund Transfers**

Transfers out	Transfers in					Totals
	General	General Improvements	Nonmajor Governmental	Water and Sewer	Internal Service	
General fund	\$ -	\$ -	\$ -	\$ -	\$ 115,111	\$ 115,111
General improvement	500,000	-	700,000	-	-	1,200,000
Nonmajor governmental	413,400	-	745,579	-	-	1,158,979
Water and sewer	1,604,266	-	-	-	-	1,604,266
Solid waste	620,400	210,439	-	121,500	100,000	1,052,339
Total	<u>\$ 3,138,066</u>	<u>\$ 210,439</u>	<u>\$ 1,445,579</u>	<u>\$ 121,500</u>	<u>\$ 215,111</u>	<u>\$ 5,130,695</u>

Transfers were used to 1) move hotel/motel taxes to the Auditorium Debt Service Fund for bond payments; 2) allocate funds from the Water and Sewer Fund, the Solid Waste Fund and the Hotel Tax Fund for general, administrative and franchise costs, where applicable; 3) transfers excess reserves from the General Improvement Fund, Airport Fund, and Solid Waste Fund to the General Fund for operations and to the Debt Service Funds to meet debt service obligations, and the Fleet Replacement Fund for capital purchases; 4) transfers funds from the General Fund to the Fleet Replacement Fund for payments on capital leases purchases by the Fleet Replacement Fund for payments on capital leases used to purchase General Fund Fleet.

**F. Net Assets**

The net assets of the Perpetual Care Cemetery and Mausoleum Fund (a permanent fund) are restricted for the upkeep of the City’s cemetery and cannot be used for other purposes.

**Reservations and Designations**

Reservations of fund equities in the governmental fund types are the result of actions of the City management or external requirements. Reservations of fund balances in Capital Projects Funds are due to known future projects. Reservations are also made for unavailable resources in governmental funds (encumbrances and noncurrent receivables). Amounts reserved in the Debt Service Fund are related to external reservations by contractual agreements and are not available for other functions.



## **IV. OTHER INFORMATION**

### **A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. Except for health insurance, the City carries commercial insurance for all risks of loss. The City has not made any significant reductions in insurance coverage from the prior year and there have been no settlements which exceeded insurance coverage during any of the past three fiscal years.

#### **Workers' Compensation, Liability and Property Insurance**

The City participates in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for workers' compensation claims, liability (general, automobile, law enforcement, and errors/omissions), and property insurance. The TMLIRP is a public entity risk pool currently operating as a common risk management and insurance program. The risk pool is self-sustaining through member contributions and reinsures through commercial companies for claims in excess of \$1,000,000 for workers' compensation, \$250,000 for property and \$1,000,000 for liability damage. Each department receives an allocation in order to pay workers' compensation contribution to the pool. This cost is based on the pool's claims cost, which is adjusted to reflect the City's individual claims experience. All insured claims are paid by TMLIRP at replacement cost.

The City has a workers' compensation deductible of \$5,000 per occurrence, with an annual aggregate retention of \$375,000. During 2011, the City contributed \$143,035 to the General Fund for workers' compensation.

The City has a deductible of \$5,000 per occurrence for property and liability except for machinery and mobile equipment which have a deductible of \$2,500 and \$500, respectively. During the year, the City contributed \$122,960 to the General Fund for property and general liability.

### **B. Health Insurance**

The City contracts with an insurance carrier to administer a self-insured health and dental insurance plan. This plan is funded by charges to other funds and charges to employees for extended benefits at their option. For the year ended September 30, 2011, total City and employee contributions to the plan were \$4,073,010. Benefit payments, insurance premiums and administrative fees aggregated \$4,898,491. The cumulative fund deficit was \$(26,449) at September 30, 2011.

(continued)

#### IV. OTHER INFORMATION (Continued)

##### B. Health Insurance (Continued)

The transactions of the self-insurance plan are reported in the Insurance Internal Service Fund. The City pays a specified monthly amount for each employee and a portion of an employee's dependent coverage which averages approximately \$625. The largest portion of this amount is dedicated to the direct payment of claims. The remaining part of the monthly amount is dedicated to the payment of administrative fees and commercial insurance for excess claims. The commercial insurance coverage becomes effective when the claims exceed the maximum amount per employee.

The liability for insurance claims is based on Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Accordingly, the insurance claims liability includes an estimate for incurred but not reported claims. All claims are expected to be settled within one year and have not been discounted due to their short-term nature and the immaterial effect of discounting the liability.

The following presentation shows the changes in claims liabilities for the years ended September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Amount of claims liability - October 1	\$ 323,444	\$ 247,049
Incurred claims	4,513,872	3,078,116
Payments on claims	( 4,301,647)	( 3,001,721)
Amount of claims liability - September 30 (due within one year)	<u>\$ 535,669</u>	<u>\$ 323,444</u>

##### C. Landfill Closure and Postclosure Care Costs

The Cities of Sherman and Denison contracted with the Greater Texoma Utility Authority (GTUA) for use of the Dripping Springs landfill. The City owns the permitted area but GTUA is responsible for the operation and maintenance. This landfill was considered full at September 30, 1993, for financial reporting purposes and a liability was recognized by GTUA based on the future landfill closure and postclosure care cost estimates. The City is financially obligated for a portion of these costs related to gas and ground water monitoring. The actual postclosure care costs to date have amounted to \$1,547,095 in total. To date, the City has paid \$973,169. These costs are expected to significantly decline in the near future and long-term costs cannot be reasonably estimated.

(continued)

#### IV. OTHER INFORMATION (Continued)

##### D. Commitments

###### Greater Texoma Utility Authority

The City has entered into various contracts with the Greater Texoma Utility Authority (Authority), whereby the Authority provides water and sewer services to the City. As part of the contractual agreements, the Authority issues debt for the benefit of the City, the proceeds of which are used to finance construction of water and sewer facilities and infrastructure within the City. Although this debt is not that of the City, the City is contractually obligated for the repayment of principal and interest on the debt through a pledging of water and sewer revenues.

During the year ended September 30, 2011, the City paid \$5,427,023 to the Authority in accordance with these contracts. Future payments under these contracts average approximately \$2,551,524 per year for the next 20 years.

A summary of the remaining debt service as of September 30, 2011, is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2012	\$ 4,001,445	\$ 1,222,786	\$ 5,224,231
2013	2,510,765	1,121,702	3,632,467
2014	2,585,264	1,051,606	3,636,870
2015	2,675,663	974,810	3,650,473
2016	2,250,882	892,074	3,142,956
2017-2021	11,497,155	3,078,652	14,575,807
2022-2026	6,413,470	1,376,852	7,790,322
2027-2031	<u>3,580,621</u>	<u>304,035</u>	<u>3,884,656</u>
Total	<u>\$ 35,515,265</u>	<u>\$ 10,022,517</u>	<u>\$ 45,537,782</u>

Following is an excerpt from the audited financial statements of the Authority, reflecting the balances as of and for the year ended September 30, 2011. These assets, liabilities, and net assets are not that of the City of Sherman but do reflect an allocation of the respective amounts among the Authority's members. The deficit of net assets reflects a quicker rate of depreciation of capital assets than the rate of repayment on the related long-term debt used to finance those assets. Also presented is a comparative statement of revenues and expenses for the sum of the contractual arrangements between the City and Authority.

(continued)

**IV. OTHER INFORMATION (Continued)**

**D. Commitments (Continued)**

**Greater Texoma Utility Authority (Continued)**

**SCHEDULE OF NET ASSETS**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,358,132	\$ 1,319,922
Temporary investments	285,385	585,550
Other current assets	<u>357,333</u>	<u>23,452</u>
Total current assets	<u>2,000,850</u>	<u>1,928,924</u>
Restricted assets:		
Cash and cash equivalents	9,391,972	11,574,712
Temporary investments	1,313,128	2,496,484
Other restricted assets	<u>6,817</u>	<u>218,601</u>
Total restricted assets	<u>10,711,917</u>	<u>14,289,797</u>
Bond issuance costs (net)	912,646	972,556
Capital assets (net)	<u>20,917,749</u>	<u>16,553,182</u>
Total assets	<u>34,543,162</u>	<u>33,744,459</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	590,030	472,144
Retainage payable	107,343	206,612
Accrued interest payable	683,596	689,190
Revenue bonds payable	<u>3,935,000</u>	<u>3,690,000</u>
Total current liabilities	<u>5,315,969</u>	<u>5,057,946</u>
Long-term liabilities:		
Revenue bonds payable	31,105,000	32,910,000
Premium on bond issuance	838,245	975,944
Less: deferred loss on early retirement of debt	<u>( 662,249)</u>	<u>( 722,317)</u>
Total long-term liabilities	<u>31,280,996</u>	<u>33,163,627</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	( 11,069,487)	( 13,662,461)
Restricted - debt service	6,291,388	6,316,405
Unrestricted	<u>2,724,296</u>	<u>2,868,942</u>
Total net assets	<u>\$( 2,053,803)</u>	<u>\$( 4,477,114)</u>

(continued)

#### IV. OTHER INFORMATION (Continued)

##### D. Commitments (Continued)

##### Greater Texoma Utility Authority (Continued)

##### COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES

	<u>2011</u>	<u>2010</u>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 5,191,314	\$ 4,992,970
Total operating revenues	<u>5,191,314</u>	<u>4,992,970</u>
<b>OPERATING EXPENSES</b>		
General and administrative	240,422	354,009
Depreciation	<u>1,511,215</u>	<u>1,449,728</u>
Total operating expenses	<u>1,751,637</u>	<u>1,803,737</u>
<b>OPERATING INCOME (LOSS)</b>	3,439,677	3,189,233
<b>NONOPERATING REVENUE (EXPENSES)</b>	<u>( 1,016,366)</u>	<u>( 1,028,433)</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 2,423,311</u>	<u>\$ 2,160,800</u>

##### Grant Programs

The City participates in several federal and state assisted grant programs. Under the terms of these grants, the City is subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. If future program compliance audits result in questioned or disallowed costs, reimbursements would be made to the grantor agencies. The amounts of expenditures which might be disallowed by the grantor agencies cannot be determined at this time; however, management believes such amounts, if any, would be immaterial.

##### Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

##### Encumbrances

The City employs encumbrance accounting under which obligations in the form of purchase orders, contracts and other commitments for the expenditure of funds are reported as committed fund balances since they do not constitute expenditures or liabilities. Appropriations with outstanding commitments or encumbrances are carried into the following year.

(continued)

#### IV. OTHER INFORMATION (Continued)

##### D. Commitments (Continued)

##### **Encumbrances** (Continued)

The City had the following encumbrances at September 30, 2011:

	<u>General</u>	<u>General Improvements</u>	<u>Nonmajor</u>
Public safety	\$ 11,045	\$ -	\$ 1,400
Streets	28,225	-	-
Community services	10,960	-	-
Streets and parks improvements	<u>-</u>	<u>47,000</u>	<u>-</u>
	<u>\$ 50,230</u>	<u>\$ 47,000</u>	<u>\$ 1,400</u>

##### **Land Sale Agreement**

On April 9, 2011, the City's component unit, Sherman Economic Development Corporation (SEDCO) entered into an Option Agreement and Contract for Purchase and Sale for SEDCO-owned property to a Company planning to locate in Sherman. The Agreement includes three yearly payments to SEDCO from the Company of \$85,333 beginning April 9, 2011. In return, SEDCO grants the exclusive right to acquire all of the property on the terms and conditions set forth in the contract during the option period. If the Company exercises the option, all option payments will be credited against the purchase price as set forth in the contract. SEDCO considers likelihood of the purchase of the property by the Company as probable.

##### **Component Unit**

The City's component unit (SEDCO) entered into incentive agreements dated from March 2003 with various companies in Sherman to promote economic development. Under these agreements, SEDCO has agreed to pay amounts ranging from \$8,000 to \$4,000,000 to each of the individual companies if the companies meet certain requirements by a specified date. Total payments for the fiscal year 2011 under these agreements were \$3,587,723. Potential payments for these agreements in 2012 and 2013 are estimated at \$6,783,000 and \$1,794,000, respectively. The total of the estimated potential liability for years 2012 through 2014 is \$9,627,400.

During the year ended September 30, 2009, SEDCO contracted with the City of Sherman to fund the City's debt service on the construction of water and sewer lines along the west and east sides of Highway 75. During the year ended September 30, 2011, SEDCO paid \$215,942 to the City of Sherman in accordance with this contract. Future payments under this contract average \$257,712 over the next 16 years.

(continued)

#### IV. OTHER INFORMATION (Continued)

##### D. Commitments (Continued)

###### Component Unit (Continued)

A summary of the remaining debt service as of September 30, 2011, is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 341,027	\$ 112,420	\$ 453,447
2013	348,176	101,503	449,679
2014	362,753	90,339	453,092
2015	369,622	77,825	447,447
2016	124,212	65,052	189,264
2017-2021	689,754	265,286	955,040
2022-2026	844,479	134,750	979,229
2027	<u>188,793</u>	<u>7,399</u>	<u>196,192</u>
	<u>\$ 3,268,816</u>	<u>\$ 854,574</u>	<u>\$ 4,123,390</u>

##### E. Joint Venture

The City has entered an agreement with the Cities of Denison and Gainesville and the Counties of Grayson and Cooke to form the Texoma Area Solid Waste Authority (TASWA). TASWA was organized in July 2000 for the purpose of aiding, assisting and acting on behalf of the participating entities in the financing, construction, ownership and operation of a Type I Municipal Solid Waste Landfill Facility.

TASWA began operation of the landfill during fiscal year 2006. Under the terms of the agreement, TASWA established fees for the member Cities (Sherman, Denison and Gainesville), who have pledged to deliver a guaranteed annual tonnage to the landfill facility. The fees may be recalculated to include changes in debt service requirements or estimated operational and postclosure expenses. According to its operational plan, there will be no significant accumulation of equity in TASWA by the participating governments.

A copy of TASWA's audited financial statements may be obtained directly from TASWA:

Texoma Area Solid Waste Authority, Inc.  
20590 State Highway 56  
Whitesboro, Texas 76273-4993  
Phone: 903-564-4749

(continued)

#### IV. OTHER INFORMATION (Continued)

##### F. 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 fulltime employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are the property of the beneficiary.

##### G. Pension Plan

###### Plan Description

The City provides pension benefits for all of its eligible employees through a non-traditional, 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 the System. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

	<u>Plan Year 2009</u>	<u>Plan Year 2010</u>	<u>Plan Year 2011</u>
Employee deposit rate	7.0%	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20	60/5, 0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	30% of CPI repeating	30% of CPI repeating	30% of CPI repeating

(continued)



#### IV. OTHER INFORMATION (Continued)

##### G. Pension 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:

	<u>09/30/09</u>	<u>09/30/10</u>	<u>09/30/11</u>
Annual Required Contribution (ARC)	\$ 3,288,138	\$ 3,626,021	\$ 3,755,687
Interest on Net Pension Obligation	-	22,008	54,753
Adjustment to the ARC	-	( 17,917)	( 45,384)
Annual Pension Cost	3,288,138	3,630,112	3,765,056
Contributions Made	( 2,994,707)	( 3,193,503)	( 3,463,703)
Increase in Net Pension Obligation	293,431	436,609	301,353
Net Pension Obligation/(Asset), beginning of year	-	293,431	730,040
Net Pension Obligation/(Asset), ending of year	<u>\$ 293,431</u>	<u>\$ 730,040</u>	<u>\$ 1,031,393</u>
Contributions as a percent of the ARC	100%	91.10%	88.00%

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 Date	12/31/08	12/31/09	Prior to Restructuring 12/31/10	Restructured 12/31/10
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
Remaining amortization period	29 years - closed	28 years - closed	27 years - closed	27 years - closed
Asset valuation method	Amortized cost	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:				
Investment rate of return	7.5%	7.5%	7.5%	7.0%
Projected salary increases	varies by age and service	varies by age and service	varies by age and service	varies by age and service
Inflation	3.0%	3.0%	3.0%	3.0%
Cost-of-living adjustments	.9%	.9%	.9%	.9%

(continued)

#### IV. OTHER INFORMATION (Continued)

##### G. Pension 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).

###### Schedule of Funding Information

The funded status as of December 31, 2010, the most recent actuarial valuation date, is as follows:

Actual Valuation Date	12/31/10 <sup>(2)</sup>	12/31/10 <sup>(1)</sup>	12/31/09	12/31/08
Actuarial value of assets	\$ 84,940,639	\$ 45,825,745	\$ 42,232,451	\$ 40,161,915
Actuarial accrued liability	101,761,833	72,081,812	68,069,485	65,892,717
Percent funded	83.5%	63.6%	62.0%	61.0%
Unfunded (overfunded) actuarial accrued liability (UAAL)	16,821,194	26,256,067	25,837,034	25,730,802
Annual covered payroll	19,171,828	19,171,828	18,710,295	18,574,460
UAAL as a percentage of covered payroll	87.7%	137.0%	138.1%	138.5%

<sup>(1)</sup> Actuarial valuation performed under the original fund structure.

<sup>(2)</sup> Actuarial valuation performed under the new fund structure.

##### H. Other Postemployment Benefits

###### Plan Description

The City, through its substantive commitment to provide other post-employment benefits (OPEB) provides retiree medical coverage to eligible employees. To be eligible, a City employee retiring at age 62 or over must have at least 5 years of service with the City. City employees retiring before age 62 must have at least 20 years of service with the City. Retirees are required to pay the premium cost for both single and dependent coverage. The City also subsidizes certain retirees and dependents as a result of prior commitments. The plan qualifies as a single-employer defined benefit plan and is accounted for in the City's Insurance Fund and in the fund where the retiree last worked. A separate financial statement is not issued for the plan.

(continued)

**IV. OTHER INFORMATION (Continued)**

**G. Pension Plan (Continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost for the current year and the related information is listed below:

	<u>09/30/09</u>	<u>09/30/10</u>	<u>09/30/11</u>
Annual Required Contribution (ARC)	\$ 786,156	\$ 786,156	\$ 533,312
Interest on Net OPEB Obligation	-	15,258	34,320
Adjustment to the ARC	-	-	( 49,624)
Annual OPEB Cost	<u>786,156</u>	<u>801,414</u>	<u>518,008</u>
Employer Contributions with Interest	<u>( 447,097)</u>	<u>( 282,469)</u>	<u>( 423,264)</u>
Increase (Decrease) in Net OPEB Obligation	339,059	518,945	94,744
Net OPEB Obligation/(Asset), beginning of year	<u>-</u>	<u>339,059</u>	<u>858,004</u>
Net OPEB Obligation/(Asset), ending of year	<u>\$ 339,059</u>	<u>\$ 858,004</u>	<u>\$ 952,748</u>
Contributions as a percent of the ARC	35.9%	35.9%	79.4%

In addition to the employer contribution, the retirees paid \$179,403 in the form of premiums which funded current medical claims.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior three years (4.0% discount rate, and level percent of pay amortization), are as follows.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
09/30/09	\$ 786,156	\$ 447,097	56.9%	\$ 339,059
09/30/10	801,414	282,469	35.2%	858,004
09/30/11	518,008	423,264	81.7%	952,748

**Funding Status and Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (AAL) (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/09	\$ -	\$ 10,542,895	\$ 10,542,895	-	\$ 18,669,289	56.5%
01/01/10	-	10,542,895	10,542,895	-	18,986,374	55.5%
01/01/11	-	8,301,891	8,301,891	-	19,513,399	42.5%

(continued)

#### IV. OTHER INFORMATION (Continued)

##### H. Other Postemployment Benefits (Continued)

###### **Annual OPEB Cost and Net OPEB Obligation** (Continued)

The projection of future payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

###### **Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The 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, consistent with the long-term perspective of the calculations.

Actuarial Valuation Date	01/01/2011	01/01/2010
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level dollar, open	Level dollar, open
Remaining Amortization Period	30 years	30 years
Asset Valuation Method	Market Value	Market Value
Actuarial Assumptions:		
Investment Rate of Return	4.5%	4.5%
Projected Salary Increases	0.0%	0.0%
Post-retirement benefit increase	0.0%	0.0%
Health Care Inflation Rate	10% initial 5% ultimate	10% initial 5% ultimate

The inflation rate is included in the health care cost trend date.

##### I. Supplemental Death Benefits Fund

###### **Plan Description**

The City also participates in the cost sharing multiple-employer defined benefit group term life insurance plan operated by the Texas Municipal Retirement System (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 1 of any year to be effective the following January 1.

(continued)

#### IV. OTHER INFORMATION (Continued)

##### I. Supplemental Death Benefits Fund (Continued)

###### Benefits

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.

###### Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

<u>Accounting Year Ending</u>	<u>Annual Required Contribution (Rate)</u>	<u>Actual Contribution Made (Rate)</u>	<u>Percentage of ARC Contributed</u>
09/30/09	.09%	.09%	100%
09/30/10	.07%	.07%	100%
09/30/11	.07%	.07%	100%

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF SHERMAN, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis
	Original	Final		
<b>REVENUES</b>				
Taxes				
General property	\$ 6,733,500	\$ 6,733,500	\$ 6,658,517	\$ -
City sales	11,260,000	11,260,000	11,696,842	( 129,237)
Franchise and nonproperty	3,328,000	3,328,000	3,522,570	-
Licenses and permits	155,045	155,045	222,539	-
Intergovernmental	264,710	264,710	543,373	-
Charges for services	2,393,210	2,393,210	2,376,631	-
Fines and forfeitures	892,700	892,700	1,068,692	-
Investment income	65,420	65,420	76,376	-
Donations	26,600	26,600	38,294	-
Miscellaneous	58,000	58,000	136,107	-
Total revenues	<u>25,177,185</u>	<u>25,177,185</u>	<u>26,339,941</u>	<u>( 129,237)</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,691,803	4,741,803	4,588,036	-
Public safety	16,772,646	17,243,646	16,950,730	( 2,037)
Streets	2,389,963	2,426,103	2,318,525	10,535
Sanitation	625,911	625,911	599,835	-
Community services	3,560,001	3,575,001	3,184,397	2,628
Capital outlay	33,000	283,000	316,581	-
Debt service				
Principal	61,168	61,168	61,075	-
Interest and fees	8,094	8,094	8,187	-
Total expenditures	<u>28,142,586</u>	<u>28,964,726</u>	<u>28,027,366</u>	<u>11,126</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 2,965,401)</u>	<u>( 3,787,541)</u>	<u>( 1,687,425)</u>	<u>( 140,363)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,138,066	3,138,066	3,138,066	-
Transfers out	( 15,111)	( 115,111)	( 115,111)	-
Total other financing sources (uses)	<u>3,122,955</u>	<u>3,022,955</u>	<u>3,022,955</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	157,554	( 764,586)	1,335,530	( 140,363)
<b>FUND BALANCE, BEGINNING</b>	<u>6,987,662</u>	<u>6,987,662</u>	<u>6,987,662</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 7,145,216</u>	<u>\$ 6,223,076</u>	<u>\$ 8,323,192</u>	<u>\$ ( 140,363)</u>

The major differences between the budget basis and GAAP basis are that encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance (GAAP basis). The City also records sales tax and franchise tax on the cash basis for budget purposes. The adjustments necessary to convert from the GAAP basis to the budget basis are as follows:

Reverse accrual for sales tax for budget basis	\$ 129,237
Encumbrances from prior year not recognized for budget basis	( 39,104)
Encumbrances from this year recognized for budget basis	<u>50,230</u>
Total adjustments between GAAP and budget basis	<u>\$ 140,363</u>



Actual Budget Basis	Final Budget Variance
\$ 6,658,517	\$( 74,983)
11,567,605	307,605
3,522,570	194,570
222,539	67,494
543,373	278,663
2,376,631	( 16,579)
1,068,692	175,992
76,376	10,956
38,294	11,694
<u>136,107</u>	<u>78,107</u>
<u>26,210,704</u>	<u>1,033,519</u>
4,588,036	153,767
16,948,693	294,953
2,329,060	97,043
599,835	26,076
3,187,025	387,976
316,581	( 33,581)
61,075	93
<u>8,187</u>	<u>( 93)</u>
<u>28,038,492</u>	<u>926,234</u>
<u>( 1,827,788)</u>	<u>1,959,753</u>
3,138,066	-
<u>( 115,111)</u>	<u>-</u>
<u>3,022,955</u>	<u>-</u>
1,195,167	1,959,753
<u>6,987,662</u>	<u>-</u>
<u>\$ 8,182,829</u>	<u>\$ 1,959,753</u>

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES AND  
OTHER SUPPLEMENTARY INFORMATION**

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## **GENERAL FUND**

The *General Fund* is used to account for all financial resources except those required to be reported in another fund.

**CITY OF SHERMAN, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND REVENUES AND OTHER FINANCING SOURCES**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>REVENUES</b>						
Taxes:						
General property taxes:						
Current and delinquent						
taxes revenue	\$ 6,645,500	\$ 6,645,500	\$ 6,575,299	\$ -	\$ 6,575,299	\$( 70,201)
Penalty and interest	87,500	87,500	82,688	-	82,688	( 4,812)
Abatement	500	500	530	-	530	30
Total general property taxes	<u>6,733,500</u>	<u>6,733,500</u>	<u>6,658,517</u>	<u>-</u>	<u>6,658,517</u>	<u>( 74,983)</u>
City sales tax	<u>11,260,000</u>	<u>11,260,000</u>	<u>11,696,842</u>	<u>( 129,237)</u>	<u>11,567,605</u>	<u>307,605</u>
Franchise and nonproperty taxes:						
Electric	1,930,000	1,930,000	2,214,802	-	2,214,802	284,802
Telephone	168,000	168,000	158,011	-	158,011	( 9,989)
Gas franchise	543,000	543,000	594,544	-	594,544	51,544
Cable television	550,000	550,000	429,538	-	429,538	( 120,462)
Other	137,000	137,000	125,675	-	125,675	( 11,325)
Total franchise and nonproperty taxes	<u>3,328,000</u>	<u>3,328,000</u>	<u>3,522,570</u>	<u>-</u>	<u>3,522,570</u>	<u>194,570</u>
Total taxes	<u>21,321,500</u>	<u>21,321,500</u>	<u>21,877,929</u>	<u>( 129,237)</u>	<u>21,748,692</u>	<u>427,192</u>
Licenses and permits:						
Building permit fees	48,900	48,900	85,897	-	85,897	36,997
Electrical, heating and air permits	27,035	27,035	35,209	-	35,209	8,174
Plumbing permits	34,500	34,500	53,319	-	53,319	18,819
Residential and sanitation permits	39,010	39,010	42,149	-	42,149	3,139
Garage and other permits	5,600	5,600	5,965	-	5,965	365
Total licenses and permits	<u>155,045</u>	<u>155,045</u>	<u>222,539</u>	<u>-</u>	<u>222,539</u>	<u>67,494</u>
Intergovernmental:						
Miscellaneous	264,710	264,710	543,373	-	543,373	278,663
Total intergovernmental	<u>264,710</u>	<u>264,710</u>	<u>543,373</u>	<u>-</u>	<u>543,373</u>	<u>278,663</u>
Charges for services:						
Current services and charges:						
Utility paving cuts	99,000	99,000	102,803	-	102,803	3,803
Ambulance service	1,300,000	1,300,000	1,310,937	-	1,310,937	10,937
County fire fighting service	100,440	100,440	102,720	-	102,720	2,280
County ambulance service	104,420	104,420	107,971	-	107,971	3,551
Pound fees and dog licenses	145,000	145,000	126,603	-	126,603	( 18,397)
Other	35,000	35,000	64,636	-	64,636	29,636
Total current services and charges	<u>1,783,860</u>	<u>1,783,860</u>	<u>1,815,670</u>	<u>-</u>	<u>1,815,670</u>	<u>31,810</u>

(continued)

**CITY OF SHERMAN, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND REVENUES AND OTHER FINANCING SOURCES**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>REVENUES</b>						
Charges for services: (Continued)						
Recreation:						
Recreation	\$ 5,500	\$ 5,500	\$ 6,360	\$ -	\$ 6,360	\$ 860
Swimming pools	172,000	172,000	173,574	-	173,574	1,574
Pool concession sales	32,000	32,000	28,395	-	28,395	( 3,605)
Special programs	87,900	87,900	78,098	-	78,098	( 9,802)
Total recreation	<u>297,400</u>	<u>297,400</u>	<u>286,427</u>	<u>-</u>	<u>286,427</u>	<u>( 10,973)</u>
Property use:						
Vending machine lease	3,300	3,300	4,284	-	4,284	984
Rentals	67,650	67,650	142,745	-	142,745	75,095
Total property tax	<u>70,950</u>	<u>70,950</u>	<u>147,029</u>	<u>-</u>	<u>147,029</u>	<u>76,079</u>
Cemetery sales and services:						
Lot sales	80,000	80,000	32,904	-	32,904	( 47,096)
Interments	94,000	94,000	64,193	-	64,193	( 29,807)
Other services	67,000	67,000	30,408	-	30,408	( 36,592)
Total cemetery sales and services	<u>241,000</u>	<u>241,000</u>	<u>127,505</u>	<u>-</u>	<u>127,505</u>	<u>( 113,495)</u>
Total charges for services	<u>2,393,210</u>	<u>2,393,210</u>	<u>2,376,631</u>	<u>-</u>	<u>2,376,631</u>	<u>( 16,579)</u>
Fines and forfeitures:						
Corporation court fines	800,000	800,000	943,907	-	943,907	143,907
Parking fees	10,000	10,000	10,633	-	10,633	633
Library fees	12,500	12,500	11,036	-	11,036	( 1,464)
Fees for collection of state fines	28,000	28,000	32,142	-	32,142	4,142
Abandoned vehicles	5,500	5,500	4,350	-	4,350	( 1,150)
Other	36,700	36,700	66,624	-	66,624	29,924
Total fines and forfeitures	<u>892,700</u>	<u>892,700</u>	<u>1,068,692</u>	<u>-</u>	<u>1,068,692</u>	<u>175,992</u>
Interest and miscellaneous:						
Investment income	65,420	65,420	76,376	-	76,376	10,956
Donations	26,600	26,600	38,294	-	38,294	11,694
Miscellaneous	58,000	58,000	136,107	-	136,107	78,107
Total interest and miscellaneous	<u>150,020</u>	<u>150,020</u>	<u>250,777</u>	<u>-</u>	<u>250,777</u>	<u>100,757</u>
Other financing sources:						
Transfers in	3,138,066	3,138,066	3,138,066	-	3,138,066	-
Total other financing sources	<u>3,138,066</u>	<u>3,138,066</u>	<u>3,138,066</u>	<u>-</u>	<u>3,138,066</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 28,315,251</u>	<u>\$ 28,315,251</u>	<u>\$ 29,478,007</u>	<u>\$ ( 129,237)</u>	<u>\$ 29,348,770</u>	<u>\$ 1,033,519</u>

**CITY OF SHERMAN, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>EXPENDITURES</b>						
General government:						
Mayor and City Council:						
Personnel services	\$ 12,750	\$ 12,750	\$ 9,525	\$ -	\$ 9,525	\$ 3,225
Supplies	10,750	10,750	7,522	-	7,522	3,228
Other services and charges	<u>72,000</u>	<u>72,000</u>	<u>59,188</u>	<u>-</u>	<u>59,188</u>	<u>12,812</u>
Total Mayor and City Council	<u>95,500</u>	<u>95,500</u>	<u>76,235</u>	<u>-</u>	<u>76,235</u>	<u>19,265</u>
Management services:						
Personnel services	426,502	426,502	432,813	-	432,813	( 6,311)
Supplies	8,395	8,395	5,422	-	5,422	2,973
Other services and charges	<u>65,620</u>	<u>65,620</u>	<u>57,300</u>	<u>-</u>	<u>57,300</u>	<u>8,320</u>
Total management services	<u>500,517</u>	<u>500,517</u>	<u>495,535</u>	<u>-</u>	<u>495,535</u>	<u>4,982</u>
Public records:						
Personnel services	127,241	127,241	127,880	-	127,880	( 639)
Supplies	17,976	17,976	12,873	-	12,873	5,103
Other services and charges	<u>74,210</u>	<u>74,210</u>	<u>38,426</u>	<u>-</u>	<u>38,426</u>	<u>35,784</u>
Total public records	<u>219,427</u>	<u>219,427</u>	<u>179,179</u>	<u>-</u>	<u>179,179</u>	<u>40,248</u>
Legal services:						
Personnel services	193,430	193,430	187,448	-	187,448	5,982
Supplies	8,075	8,075	4,878	-	4,878	3,197
Other services and charges	<u>77,595</u>	<u>77,595</u>	<u>37,905</u>	<u>-</u>	<u>37,905</u>	<u>39,690</u>
Total legal services	<u>279,100</u>	<u>279,100</u>	<u>230,231</u>	<u>-</u>	<u>230,231</u>	<u>48,869</u>
Financial services						
Personnel services	448,999	448,999	442,850	-	442,850	6,149
Supplies	13,166	13,166	11,749	-	11,749	1,417
Other services and charges	<u>57,381</u>	<u>57,381</u>	<u>66,789</u>	<u>-</u>	<u>66,789</u>	<u>( 9,408)</u>
Total financial services	<u>519,546</u>	<u>519,546</u>	<u>521,388</u>	<u>-</u>	<u>521,388</u>	<u>( 1,842)</u>
Human resources						
Personnel services	221,392	221,392	218,918	-	218,918	2,474
Supplies	10,750	10,750	9,969	-	9,969	781
Other services and charges	<u>115,025</u>	<u>115,025</u>	<u>113,449</u>	<u>-</u>	<u>113,449</u>	<u>1,576</u>
Total human resources	<u>347,167</u>	<u>347,167</u>	<u>342,336</u>	<u>-</u>	<u>342,336</u>	<u>4,831</u>
Administrative services						
Personnel services	-	-	5,351	-	5,351	( 5,351)
Total administrative services	<u>-</u>	<u>-</u>	<u>5,351</u>	<u>-</u>	<u>5,351</u>	<u>( 5,351)</u>

(continued)



**CITY OF SHERMAN, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>EXPENDITURES (Continued)</b>						
General government: (Continued)						
Engineering services:						
Personnel services	\$ 559,042	\$ 559,042	\$ 558,364	\$ -	\$ 558,364	\$ 678
Supplies	6,851	6,851	5,544	-	5,544	1,307
Other services and charges	80,287	80,287	72,130	-	72,130	8,157
Total engineering services	646,180	646,180	636,038	-	636,038	10,142
Public buildings maintenance:						
Personnel services	441,952	441,952	402,800	-	402,800	39,152
Supplies	22,254	22,254	16,996	-	16,996	5,258
Other services and charges	132,211	132,211	112,057	-	112,057	20,154
Total public buildings maintenance	596,417	596,417	531,853	-	531,853	64,564
Nondepartmental:						
Personnel services	368,329	368,329	382,581	-	382,581	( 14,252)
Supplies	12,000	12,000	12,707	-	12,707	( 707)
Other services and charges	1,107,620	1,157,620	1,174,602	-	1,174,602	( 16,982)
Total nondepartmental	1,487,949	1,537,949	1,569,890	-	1,569,890	( 31,941)
Total general government	4,691,803	4,741,803	4,588,036	-	4,588,036	153,767
Public safety:						
Law enforcement services:						
Personnel services	5,534,812	5,534,812	5,629,855	-	5,629,855	( 95,043)
Supplies	111,192	118,692	113,341	6,886	120,227	( 1,535)
Other services and charges	734,270	808,770	819,234	4,159	823,393	( 14,623)
Total law enforcement services	6,380,274	6,462,274	6,562,430	11,045	6,573,475	( 111,201)
Fire and ambulance services:						
Personnel services	6,352,721	6,652,721	6,581,140	-	6,581,140	71,581
Supplies	483,072	483,072	431,548	( 9,930)	421,618	61,454
Other services and charges	997,910	1,052,910	949,225	-	949,225	103,685
Capital outlay	-	29,000	76,398	-	76,398	( 47,398)
Total fire and ambulance services	7,833,703	8,217,703	8,038,311	( 9,930)	8,028,381	189,322

(continued)

**CITY OF SHERMAN, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>EXPENDITURES (Continued)</b>						
Public safety: (Continued)						
Fire administrative support:						
Personnel services	\$ 51,879	\$ 51,879	\$ 56,073	\$ -	\$ 56,073	\$( 4,194)
Total fire administrative support	51,879	51,879	56,073	-	56,073	( 4,194)
Public safety support:						
Personnel services	1,236,941	1,236,941	1,190,799	-	1,190,799	46,142
Supplies	86,760	86,760	79,938	( 3,152)	76,786	9,974
Other services and charges	343,229	347,229	297,293	-	297,293	49,936
Capital outlay	10,000	10,000	5,332	-	5,332	4,668
Total public safety support	1,676,930	1,680,930	1,573,362	( 3,152)	1,570,210	110,720
Building and zoning:						
Personnel services	484,140	484,140	487,907	-	487,907	( 3,767)
Supplies	17,850	17,850	8,503	-	8,503	9,347
Other services and charges	59,240	59,240	45,721	-	45,721	13,519
Total building and zoning	561,230	561,230	542,131	-	542,131	19,099
Emergency management:						
Supplies	213,850	243,850	220,649	-	220,649	23,201
Other services and charges	64,780	64,780	39,504	-	39,504	25,276
Capital outlay	-	151,000	141,755	-	141,755	9,245
Total emergency management	278,630	459,630	401,908	-	401,908	57,722
Total public safety	16,782,646	17,433,646	17,174,215	( 2,037)	17,172,178	261,468
Streets:						
Streets maintenance:						
Personnel services	1,227,258	1,227,258	1,194,385	-	1,194,385	32,873
Supplies	27,047	30,047	29,944	10,535	40,479	( 10,432)
Other services and charges	917,515	950,655	892,254	-	892,254	58,401
Total streets maintenance	2,171,820	2,207,960	2,116,583	10,535	2,127,118	80,842

(continued)

**CITY OF SHERMAN, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>EXPENDITURES (Continued)</b>						
Streets: (Continued)						
Environmental Code services:						
Personnel services	\$ 126,293	\$ 126,293	\$ 127,802	\$ -	\$ 127,802	\$( 1,509)
Supplies	13,910	13,910	12,463	-	12,463	1,447
Other services and charges	<u>77,940</u>	<u>77,940</u>	<u>61,677</u>	<u>-</u>	<u>61,677</u>	<u>16,263</u>
Total environmental code services	<u>218,143</u>	<u>218,143</u>	<u>201,942</u>	<u>-</u>	<u>201,942</u>	<u>16,201</u>
Total streets	<u>2,389,963</u>	<u>2,426,103</u>	<u>2,318,525</u>	<u>10,535</u>	<u>2,329,060</u>	<u>97,043</u>
Sanitation:						
Animal control:						
Personnel services	418,888	418,888	437,703	-	437,703	( 18,815)
Supplies	49,399	49,399	37,656	-	37,656	11,743
Other services and charges	<u>157,624</u>	<u>157,624</u>	<u>124,476</u>	<u>-</u>	<u>124,476</u>	<u>33,148</u>
Total animal control	<u>625,911</u>	<u>625,911</u>	<u>599,835</u>	<u>-</u>	<u>599,835</u>	<u>26,076</u>
Total sanitation	<u>625,911</u>	<u>625,911</u>	<u>599,835</u>	<u>-</u>	<u>599,835</u>	<u>26,076</u>
Community services:						
Cemetery services:						
Personnel services	259,902	259,902	323,601	-	323,601	( 63,699)
Supplies	16,205	16,205	11,618	-	11,618	4,587
Other services and charges	<u>74,850</u>	<u>74,850</u>	<u>57,862</u>	<u>-</u>	<u>57,862</u>	<u>16,988</u>
Total cemetery services	<u>350,957</u>	<u>350,957</u>	<u>393,081</u>	<u>-</u>	<u>393,081</u>	<u>( 42,124)</u>
Parks and recreation:						
Personnel services	340,392	340,392	340,222	-	340,222	170
Supplies	34,135	34,135	29,450	-	29,450	4,685
Other services and charges	108,166	108,166	96,686	( 1,651)	95,035	13,131
Capital outlay	<u>6,000</u>	<u>76,000</u>	<u>73,006</u>	<u>-</u>	<u>73,006</u>	<u>2,994</u>
Total parks and recreation	<u>488,693</u>	<u>558,693</u>	<u>539,364</u>	<u>( 1,651)</u>	<u>537,713</u>	<u>20,980</u>

(continued)

**CITY OF SHERMAN, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>EXPENDITURES (Continued)</b>						
Community services: (Continued)						
Parks maintenance:						
Personnel services	\$ 785,115	\$ 785,115	\$ 588,364	\$ -	\$ 588,364	\$ 196,751
Supplies	70,564	67,524	61,058	-	61,058	6,466
Other services and charges	400,020	418,060	333,803	-	333,803	84,257
Capital outlay	17,000	17,000	20,090	-	20,090	( 3,090)
Total parks maintenance	1,272,699	1,287,699	1,003,315	-	1,003,315	284,384
Glennie O. Hamm Center:						
Personnel services	98,452	98,452	101,250	-	101,250	( 2,798)
Supplies	9,964	9,964	4,327	-	4,327	5,637
Other services and charges	19,769	19,769	15,883	-	15,883	3,886
Total Glennie O. Hamm Center	128,185	128,185	121,460	-	121,460	6,725
Swimming pools:						
Personnel services	232,902	232,902	196,104	-	196,104	36,798
Supplies	95,750	95,750	57,900	2,425	60,325	35,425
Other services and charges	60,435	60,435	44,909	1,854	46,763	13,672
Total swimming pools	389,087	389,087	298,913	4,279	303,192	85,895
Library services:						
Personnel services	571,435	571,435	575,659	-	575,659	( 4,224)
Supplies	84,705	84,705	85,485	-	85,485	( 780)
Other services and charges	160,651	160,651	148,271	-	148,271	12,380
Total library services	816,791	816,791	809,415	-	809,415	7,376
Neighborhood services:						
Personnel services	1,949	1,949	1,949	-	1,949	-
Supplies	1,600	1,600	1,995	-	1,995	( 395)
Other services and charges	14,361	14,361	11,363	-	11,363	2,998
Total neighborhood services	17,910	17,910	15,307	-	15,307	2,603
Senior Citizens Center:						
Personnel services	54,870	54,870	52,918	-	52,918	1,952
Supplies	10,819	10,819	7,551	-	7,551	3,268
Other services and charges	52,990	52,990	36,169	-	36,169	16,821
Total Senior Citizens Center	118,679	118,679	96,638	-	96,638	22,041

(continued)

**CITY OF SHERMAN, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES AND OTHER FINANCING USES**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>EXPENDITURES (Continued)</b>						
Community services: (Continued)						
Total community services	\$ 3,583,001	\$ 3,668,001	\$ 3,277,493	\$ 2,628	\$ 3,280,121	\$ 387,880
Debt service:						
Principal	61,168	61,168	61,075	-	61,075	93
Interest	8,094	8,094	8,187	-	8,187	( 93)
Total debt service	69,262	69,262	69,262	-	69,262	-
Total expenditures	28,142,586	28,964,726	28,027,366	11,126	28,038,492	926,234
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	15,111	115,111	115,111	-	115,111	-
Total other financing sources (uses)	15,111	115,111	115,111	-	115,111	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>						
	\$ 28,157,697	\$ 29,079,837	\$ 28,142,477	\$ 11,126	\$ 28,153,603	\$ 926,234

## **GENERAL IMPROVEMENT FUND**

The *General Improvement Fund* (a Capital Projects Fund) is used to account for projects planned as part of the City's five-year capital improvement program.

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**GENERAL IMPROVEMENT FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Final Budget Variance</u>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Investment income	\$ 20,000	\$ 20,000	\$ 3,627	\$ -	\$ 3,627	\$( 16,373)
Intergovernmental	-	1,430,000	1,430,000	-	1,430,000	-
Total revenues	<u>20,000</u>	<u>1,450,000</u>	<u>1,433,627</u>	<u>-</u>	<u>1,433,627</u>	<u>( 16,373)</u>
<b>EXPENDITURES</b>						
Streets	-	1,430,000	1,430,000	-	1,430,000	-
Capital outlay:						
Streets and park improvements	<u>590,000</u>	<u>3,131,498</u>	<u>2,661,604</u>	<u>47,000</u>	<u>2,708,604</u>	<u>422,894</u>
Total expenditures	<u>590,000</u>	<u>4,561,498</u>	<u>4,091,604</u>	<u>47,000</u>	<u>4,138,604</u>	<u>422,894</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 570,000)</u>	<u>( 3,111,498)</u>	<u>( 2,657,977)</u>	<u>( 47,000)</u>	<u>( 2,704,977)</u>	<u>406,521</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	435,439	435,439	210,439	-	210,439	( 225,000)
Transfers out	<u>( 1,200,000)</u>	<u>( 1,200,000)</u>	<u>( 1,200,000)</u>	<u>-</u>	<u>( 1,200,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>( 764,561)</u>	<u>( 764,561)</u>	<u>( 989,561)</u>	<u>-</u>	<u>( 989,561)</u>	<u>225,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 1,334,561)</u>	<u>( 3,876,059)</u>	<u>( 3,647,538)</u>	<u>( 47,000)</u>	<u>( 3,694,538)</u>	<u>( 181,521)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>4,683,931</u>	<u>4,683,931</u>	<u>4,683,931</u>	<u>-</u>	<u>4,683,931</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 3,349,370</u>	<u>\$ 807,872</u>	<u>\$ 1,036,393</u>	<u>\$( 47,000)</u>	<u>\$ 989,393</u>	<u>\$( 181,521)</u>

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

*Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

***Motel-Hotel Fund*** – This fund accounts for revenue from a seven percent tax levied upon the cost of a hotel or motel room in the City, and for the operations of the Municipal Ballroom and Kidd-Key Auditorium which are supported by the tax. According to state civil statutes, this tax revenue can be used to promote tourism, maintain and repair convention facilities, promote the arts and humanities, or any other purpose directly related to these activities. Additionally, in accordance with bond covenants, two percent of the seven percent is to be used to pay debt service on bonds issued for auditorium improvements. These funds are accounted for in a separate Debt Service Fund.

***Community Development Fund*** – This fund accounts for revenues received from the Community Development Block Grant and the expenditures allowed by grant terms.

***PRIDE Program*** – This fund accounts for public donations made to the Parks and Recreation Improvement/Drug Enforcement Program. Additionally, this fund accounts for donations made by the general public for Christmas decorations made by the general public for Christmas decorations for City grounds.

***Drug Enforcement Program*** – This fund accounts for forfeitures awarded to the City by the courts and drug enforcement expenditures.

***Municipal Airport Fund*** – This fund accounts for the operations of the City's municipal airport and for grant monies received to make capital improvements at the airport.

***Emergency 9-1-1 Fund*** – This fund accounts for three different public safety programs. The first program uses the charges to telephone lines for enhanced 9-1-1 service for emergency dispatch services. The other programs use court security and technology fees charged by the municipal court for expenditures related to the court.

## **CAPITAL PROJECTS FUND**

The *Capital Projects Funds* are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

***TIF #1 Fund*** – This fund accounts for payments for infrastructure improvements within the zone that includes the northwest corner of the intersection of Highway 75 and Highway 82 and funded by bond proceeds that will be repaid from taxes generated by the zone.

***TIF #2 Fund*** – This fund accounts for payments for infrastructure improvements within the zone that includes downtown, both on a pay-as-you-go basis and through bond proceeds that will be repaid from taxes generated by the zone.

***TIF #3 Fund*** – This fund accounts for payments for infrastructure improvements within the zone that includes the northeast corner of the intersection of Highway 75 and Loy Lake Road on a pay-as-you-go basis.

***The Street Sales Tax Fund*** – This fund accounts for the revenues generated from the additional one-eighth cent sales tax and expenditures for street improvements funded through these revenues.

***Street Revolving Fund*** – This fund accounts for street assessments, escrow deposits for future street improvements and donations by citizens for specific street improvements.

## **DEBT SERVICE FUND**

The *Debt Service Funds* are used to account for the accumulation of resources and payment of general long-term debt of the City.

***Auditorium Bonds Sinking Fund*** – This fund accounts for the accumulation of resources for and the payment of Combination Tax and Hotel Occupancy Tax Revenue Bonds.

***Certificate Fund*** – This fund accumulates funds for payment of debt service associated with infrastructure improvements made in TIF Zone #1, generally located on the northwest corner of Highway 75 and Highway 82 intersections, using taxes generated by the zone.

***TIF #2 Debt Service Fund*** – This fund accumulates funds for payment of debt service associated with infrastructure improvements made in the Downtown area using taxes generated by the zone.

***TIF #3 Debt Service Fund*** – This fund accumulates funds for payment of debt service associated with infrastructure improvements made in TIF Zone #3, generally located on the northeast corner of Highway 75 and Loy Lake Road, using taxes generated by the zone.

***2008 Certificate of Obligation Debt Service Fund*** – This fund accumulates funds for the payment of the 2008 Certificates of Obligation, originally issued at \$5.0 million, for park and street improvements.

***2009 Tax Notes Debt Service Fund*** – This fund accumulates the proceeds from a dedicated one-eighth of a cent sales tax for the payment of 2009 Tax Notes, originally issued at \$3.0 million for street improvements.

***2009 CO Bond Debt Service Fund*** – This fund accumulates funds for the payment of the 2009 Certificates of Obligation, originally issued at \$5,000,000. Three million-six-hundred and fifty thousand of the proceeds were used for street and park improvements and the remainder of the proceeds were used for improvements in the Tax Reinvestments Zones #1 (Town Center).

***2009A CO Bond Debt Service Fund*** – This fund accumulates funds for the payment of the 2009A Certificates of Obligation, originally issued at \$3,500,000 to fund street and park improvements.

### **PERMANENT FUND**

The ***Permanent Funds*** are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purposes that support the City's program.

***Perpetual Care, Cemetery and Mausoleum Fund*** – This fund is used to account for principal trust amounts received and related interest income. The interest portion of this fund can be used to maintain the community cemetery.

**CITY OF SHERMAN, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2011**

	Special Revenue					
	Hotel/Motel	Community Development	Pride Program	Drug Enforcement	Municipal Airport	Emergency 9-1-1
<b>ASSETS</b>						
Cash	\$ 115,288	\$ 53,784	\$ 33,499	\$ 42,051	\$ 94,496	\$ 118,971
Pooled and temporary investments	100,894	-	-	-	-	50,555
Receivables (net of allowances for uncollectibles):						
Intergovernmental	-	24,455	-	-	-	-
Accounts	118,230	-	578	-	4,360	-
Taxes	-	-	-	-	-	-
 Total assets	 <u>\$ 334,412</u>	 <u>\$ 78,239</u>	 <u>\$ 34,077</u>	 <u>\$ 42,051</u>	 <u>\$ 98,856</u>	 <u>\$ 169,526</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 31,867	\$ 7,876	\$ 75	\$ 700	\$ 5,080	\$ 4,756
Accrued wages payable	950	1,129	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Customer deposits	-	-	-	-	-	-
Total liabilities	<u>32,817</u>	<u>9,005</u>	<u>75</u>	<u>700</u>	<u>5,080</u>	<u>4,756</u>
Fund balances:						
Committed to:						
Public safety	-	-	22,603	-	-	-
Streets	-	-	-	-	-	-
Community services	-	-	11,399	-	-	-
Restricted for:						
Public safety	-	-	-	41,351	-	164,770
Streets	-	-	-	-	-	-
Community services	301,595	-	-	-	93,776	-
Community development	-	69,234	-	-	-	-
Debt service	-	-	-	-	-	-
Endowment	-	-	-	-	-	-
Total fund balances	<u>301,595</u>	<u>69,234</u>	<u>34,002</u>	<u>41,351</u>	<u>93,776</u>	<u>164,770</u>
 Total liabilities and fund balances	 <u>\$ 334,412</u>	 <u>\$ 78,239</u>	 <u>\$ 34,077</u>	 <u>\$ 42,051</u>	 <u>\$ 98,856</u>	 <u>\$ 169,526</u>

Capital Projects				Debt Service	
Street Revolving	Streets Sales Tax	TIF #2 Construction	TIF #3 Construction	Auditorium Bonds Sinking	Certificate
\$ 308,735	\$ -	\$ 506,340	\$ 676,148	\$ 144,467	\$ 190,241
583,372	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	92,572	-	-	-	-
<u>\$ 892,107</u>	<u>\$ 92,572</u>	<u>\$ 506,340</u>	<u>\$ 676,148</u>	<u>\$ 144,467</u>	<u>\$ 190,241</u>
\$ -	\$ -	\$ 11,083	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
443,235	-	-	-	-	-
<u>443,235</u>	<u>-</u>	<u>11,083</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
448,872	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	92,572	495,257	676,148	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	144,467	190,241
-	-	-	-	-	-
<u>448,872</u>	<u>92,572</u>	<u>495,257</u>	<u>676,148</u>	<u>144,467</u>	<u>190,241</u>
<u>\$ 892,107</u>	<u>\$ 92,572</u>	<u>\$ 506,340</u>	<u>\$ 676,148</u>	<u>\$ 144,467</u>	<u>\$ 190,241</u>

(continued)

**CITY OF SHERMAN, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

(Continued)

**SEPTEMBER 30, 2011**

	Debt Service			
	TIF #2 Debt Service	TIF #3 Debt Service	2008 Certificate of Obligation	2009 Tax Notes
<b>ASSETS</b>				
Cash	\$ 15,330	\$ -	\$ 13,573	\$ 124,418
Pooled and temporary investments	-	-	-	-
Receivables (net of allowances for uncollectibles):				
Intergovernmental	-	-	-	-
Accounts	-	-	-	-
Taxes	-	-	1,025	80,137
	-	-	1,025	80,137
Total assets	<u>\$ 15,330</u>	<u>\$ -</u>	<u>\$ 14,598</u>	<u>\$ 204,555</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued wages payable	-	-	-	-
Deferred revenue	-	-	735	-
Customer deposits	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>735</u>	<u>-</u>
Fund balances:				
Committed to:				
Public safety	-	-	-	-
Streets	-	-	-	-
Community services	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Streets	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Debt service	15,330	-	13,863	204,555
Endowment	-	-	-	-
Total fund balances	<u>15,330</u>	<u>-</u>	<u>13,863</u>	<u>204,555</u>
Total liabilities and fund balances	<u>\$ 15,330</u>	<u>\$ -</u>	<u>\$ 14,598</u>	<u>\$ 204,555</u>

<u>Debt Service</u>		<u>Permanent</u>	<u>Total</u>
<u>2009</u>	<u>2009A</u>	<u>Perpetual</u>	<u>Nonmajor</u>
<u>CO Bond</u>	<u>CO Bond</u>	<u>Care</u>	<u>Governmental</u>
		<u>Cemetery and</u>	<u>Funds</u>
		<u>Mausoleum</u>	
\$ 14,478	\$ 12,628	\$ 1,966	\$ 2,466,413
-	-	1,173,626	1,908,447
-	-	-	24,455
-	-	12,575	135,743
<u>1,034</u>	<u>720</u>	<u>-</u>	<u>175,488</u>
<u>\$ 15,512</u>	<u>\$ 13,348</u>	<u>\$ 1,188,167</u>	<u>\$ 4,710,546</u>
\$ -	\$ -	\$ -	\$ 61,437
-	-	-	2,079
741	516	-	1,992
<u>-</u>	<u>-</u>	<u>-</u>	<u>443,235</u>
<u>741</u>	<u>516</u>	<u>-</u>	<u>508,743</u>
-	-	-	22,603
-	-	-	448,872
-	-	-	11,399
-	-	-	206,121
-	-	-	1,263,977
-	-	-	395,371
-	-	-	69,234
14,771	12,832	-	596,059
<u>-</u>	<u>-</u>	<u>1,188,167</u>	<u>1,188,167</u>
<u>14,771</u>	<u>12,832</u>	<u>1,188,167</u>	<u>4,201,803</u>
<u>\$ 15,512</u>	<u>\$ 13,348</u>	<u>\$ 1,188,167</u>	<u>\$ 4,710,546</u>

**CITY OF SHERMAN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**

**YEAR ENDED SEPTEMBER 30, 2011**

	Special Revenue					
	Hotel/Motel	Community Development	Pride Program	Drug Enforcement	Municipal Airport	Emergency 9-1-1
<b>REVENUES</b>						
General property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and nonproperty taxes	498,792	-	-	-	-	-
Intergovernmental	-	349,391	-	-	-	-
Charges for services	27,364	-	-	-	459,089	256,613
Fines and forfeitures	-	-	-	60,428	-	51,202
Investment income	529	-	128	69	192	276
Donations	-	-	22,892	-	-	-
Perpetual care contracts	-	-	-	-	-	-
Miscellaneous	24,979	-	-	-	-	-
Total revenues	<u>551,664</u>	<u>349,391</u>	<u>23,020</u>	<u>60,497</u>	<u>459,281</u>	<u>308,091</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	-	-	9,582	34,039	-	258,402
Streets	-	-	-	-	-	-
Community services	571,382	-	28,921	-	439,456	-
Community development	-	347,756	-	-	-	-
Capital outlay	6,900	-	-	5,020	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Bond issuance costs and agent fees	-	-	-	-	-	-
Total expenditures	<u>578,282</u>	<u>347,756</u>	<u>38,503</u>	<u>39,059</u>	<u>439,456</u>	<u>258,402</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
<b>OVER (UNDER) EXPENDITURES</b>	<u>( 26,618)</u>	<u>1,635</u>	<u>( 15,483)</u>	<u>21,438</u>	<u>19,825</u>	<u>49,689</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	-	-	-
Transfers out	<u>( 129,775)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 400,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>( 129,775)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 400,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 156,393)</u>	<u>1,635</u>	<u>( 15,483)</u>	<u>21,438</u>	<u>( 380,175)</u>	<u>49,689</u>
<b>FUND BALANCE, BEGINNING</b>	<u>457,988</u>	<u>67,599</u>	<u>49,485</u>	<u>19,913</u>	<u>473,951</u>	<u>115,081</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 301,595</u>	<u>\$ 69,234</u>	<u>\$ 34,002</u>	<u>\$ 41,351</u>	<u>\$ 93,776</u>	<u>\$ 164,770</u>



Capital Projects				Debt Service	
Street Revolving	Streets Sales Tax	TIF #2 Construction	TIF #3 Construction	Auditorium Bonds Sinking	Certificate
\$ -	\$ -	\$ -	\$ 58,220	\$ -	\$ 330,079
-	536,539	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,195	77	817	148	330	515
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,195</u>	<u>536,616</u>	<u>817</u>	<u>58,368</u>	<u>330</u>	<u>330,594</u>
-	-	-	-	-	-
-	-	-	1,424	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	675	43,801	-	-	-
-	-	-	-	55,000	178,333
-	-	-	-	61,375	132,114
-	-	-	-	600	200
<u>-</u>	<u>675</u>	<u>43,801</u>	<u>1,424</u>	<u>116,975</u>	<u>310,647</u>
<u>1,195</u>	<u>535,941</u>	<u>( 42,984)</u>	<u>56,944</u>	<u>( 116,645)</u>	<u>19,947</u>
-	-	10,000	619,204	116,375	-
-	( 444,285)	-	-	-	-
-	( 444,285)	10,000	619,204	116,375	-
1,195	91,656	( 32,984)	676,148	( 270)	19,947
<u>447,677</u>	<u>916</u>	<u>528,241</u>	<u>-</u>	<u>144,737</u>	<u>170,294</u>
<u>\$ 448,872</u>	<u>\$ 92,572</u>	<u>\$ 495,257</u>	<u>\$ 676,148</u>	<u>\$ 144,467</u>	<u>\$ 190,241</u>

(continued)

**CITY OF SHERMAN, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2011**

	Debt Service			
	TIF #2 Debt Service	TIF #3 Debt Service	2008 Certificate of Obligation	2009 Tax Notes
<b>REVENUES</b>				
General property taxes	\$ 59,880	\$ -	\$ -	\$ -
Franchise and nonproperty taxes	-	-	-	438,197
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	1,564
Donations	-	-	-	-
Perpetual care contracts	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>59,880</u>	<u>-</u>	<u>-</u>	<u>439,761</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	-	-	-	-
Streets	-	-	-	-
Community services	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	21,667	-	185,000	745,000
Interest	16,136	-	171,316	25,584
Bond issuance costs and agent fees	-	-	-	500
Total expenditures	<u>37,803</u>	<u>-</u>	<u>356,316</u>	<u>771,084</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>22,077</u>	<u>-</u>	<u>( 356,316)</u>	<u>( 331,323)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	175,000	-
Transfers out	<u>( 10,000)</u>	<u>( 174,919)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>( 10,000)</u>	<u>( 174,919)</u>	<u>175,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	12,077	( 174,919)	( 181,316)	( 331,323)
<b>FUND BALANCE, BEGINNING</b>	<u>3,253</u>	<u>174,919</u>	<u>195,179</u>	<u>535,878</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 15,330</u>	<u>\$ -</u>	<u>\$ 13,863</u>	<u>\$ 204,555</u>

<u>Debt Service</u>		<u>Permanent</u>	<u>Total</u>
<u>2009</u>	<u>2009A</u>	<u>Perpetual</u>	<u>Nonmajor</u>
<u>CO Bond</u>	<u>CO Bond</u>	<u>Cemetery and</u>	<u>Governmental</u>
		<u>Mausoleum</u>	<u>Funds</u>
\$ -	\$ -	\$ -	\$ 448,179
-	-	-	1,473,528
-	-	-	349,391
-	-	-	743,066
-	-	-	111,630
-	-	( 23,376)	( 17,536)
-	-	-	22,892
-	-	7,400	7,400
-	-	-	24,979
<u>-</u>	<u>-</u>	<u>( 15,976)</u>	<u>3,163,529</u>
-	-	-	302,023
-	-	-	1,424
-	-	-	1,039,759
-	-	-	347,756
-	-	-	56,396
140,000	115,000	-	1,440,000
136,941	124,463	-	667,929
500	500	-	2,300
<u>277,441</u>	<u>239,963</u>	<u>-</u>	<u>3,857,587</u>
( 277,441)	( 239,963)	( 15,976)	( 694,058)
285,000	240,000	-	1,445,579
-	-	-	( 1,158,979)
<u>285,000</u>	<u>240,000</u>	<u>-</u>	<u>286,600</u>
7,559	37	( 15,976)	( 407,458)
<u>7,212</u>	<u>12,795</u>	<u>1,204,143</u>	<u>4,609,261</u>
<u>\$ 14,771</u>	<u>\$ 12,832</u>	<u>\$ 1,188,167</u>	<u>\$ 4,201,803</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**HOTEL/MOTEL**

**YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budget</u>	<u>Budget</u>
			<u>Basis</u>	<u>Basis</u>	<u>Variance</u>
<b>REVENUES</b>					
Franchise and nonproperty taxes	\$ 530,000	\$ 530,000	\$ 498,792	\$ 498,792	\$( 31,208)
Charges for services	28,000	28,000	27,364	27,364	( 636)
Investment income	900	900	529	529	( 371)
Miscellaneous	<u>47,500</u>	<u>47,500</u>	<u>24,979</u>	<u>24,979</u>	<u>( 22,521)</u>
Total revenues	<u>606,400</u>	<u>606,400</u>	<u>551,664</u>	<u>551,664</u>	<u>( 54,736)</u>
<b>EXPENDITURES</b>					
Current:					
Community services					
Red River Historical Museum	82,500	82,500	82,500	82,500	-
Central Business District	25,000	25,000	-	-	25,000
Sherman Council of Arts	36,000	36,000	35,811	35,811	189
Tourism	476,850	484,350	366,359	366,359	117,991
Auditorium	21,921	21,921	26,297	26,297	( 4,376)
Ballroom	53,561	53,561	60,415	60,415	( 6,854)
Capital outlay	<u>-</u>	<u>-</u>	<u>6,900</u>	<u>6,900</u>	<u>( 6,900)</u>
Total expenditures	<u>695,832</u>	<u>703,332</u>	<u>578,282</u>	<u>578,282</u>	<u>125,050</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 89,432)</u>	<u>( 96,932)</u>	<u>( 26,618)</u>	<u>( 26,618)</u>	<u>70,314</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	<u>( 129,775)</u>	<u>( 129,775)</u>	<u>( 129,775)</u>	<u>( 129,775)</u>	<u>-</u>
Total other financing sources (uses)	<u>( 129,775)</u>	<u>( 129,775)</u>	<u>( 129,775)</u>	<u>( 129,775)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 219,207)</u>	<u>( 226,707)</u>	<u>( 156,393)</u>	<u>( 156,393)</u>	<u>70,314</u>
<b>FUND BALANCE, BEGINNING</b>	<u>457,988</u>	<u>457,988</u>	<u>457,988</u>	<u>457,988</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 238,781</u>	<u>\$ 231,281</u>	<u>\$ 301,595</u>	<u>\$ 301,595</u>	<u>\$ 70,314</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**COMMUNITY DEVELOPMENT FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Intergovernmental	\$ 312,189	\$ 321,189	\$ 349,391	\$ 349,391	\$ 28,202
Total revenues	<u>312,189</u>	<u>321,189</u>	<u>349,391</u>	<u>349,391</u>	<u>28,202</u>
<b>EXPENDITURES</b>					
Current:					
Community development					
Administration	62,983	62,983	64,030	64,030	( 1,047)
Home ownership	-	-	8,127	8,127	( 8,127)
Housing rehabilitation	250,241	250,241	239,339	239,339	10,902
Public service	<u>30,900</u>	<u>40,900</u>	<u>36,260</u>	<u>36,260</u>	<u>4,640</u>
Total expenditures	<u>344,124</u>	<u>354,124</u>	<u>347,756</u>	<u>347,756</u>	<u>6,368</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 31,935)	( 32,935)	1,635	1,635	34,570
<b>FUND BALANCE, BEGINNING</b>	<u>67,599</u>	<u>67,599</u>	<u>67,599</u>	<u>67,599</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 35,664</u>	<u>\$ 34,664</u>	<u>\$ 69,234</u>	<u>\$ 69,234</u>	<u>\$ 34,570</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**PRIDE PROGRAM**

**YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Adjustment Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Final Budget Variance</u>
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Investment income	\$ 180	\$ 180	\$ 128	\$ -	\$ 128	\$( 52)
Donations	<u>22,800</u>	<u>22,800</u>	<u>22,892</u>	<u>-</u>	<u>22,892</u>	<u>92</u>
Total revenues	<u>22,980</u>	<u>22,980</u>	<u>23,020</u>	<u>-</u>	<u>23,020</u>	<u>40</u>
<b>EXPENDITURES</b>						
Current:						
Public safety						
Drug enforcement	26,000	26,000	9,582	-	9,582	16,418
Community services						
Park maintenance	<u>22,400</u>	<u>22,400</u>	<u>28,921</u>	<u>( 5,967)</u>	<u>22,954</u>	<u>( 554)</u>
Total expenditures	<u>48,400</u>	<u>48,400</u>	<u>38,503</u>	<u>( 5,967)</u>	<u>32,536</u>	<u>15,864</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 25,420)</u>	<u>( 25,420)</u>	<u>( 15,483)</u>	<u>5,967</u>	<u>( 9,516)</u>	<u>15,904</u>
<b>FUND BALANCE, BEGINNING</b>	<u>49,485</u>	<u>49,485</u>	<u>49,485</u>	<u>-</u>	<u>49,485</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 24,065</u>	<u>\$ 24,065</u>	<u>\$ 34,002</u>	<u>\$ 5,967</u>	<u>\$ 39,969</u>	<u>\$ 15,904</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**DRUG ENFORCEMENT FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	<u>Original</u>	<u>Final</u>				
<b>REVENUES</b>						
Fines and forfeitures	\$ 35,000	\$ 35,000	\$ 60,428	\$ -	\$ 60,428	\$ 25,428
Investment income	<u>75</u>	<u>75</u>	<u>69</u>	<u>-</u>	<u>69</u>	<u>( 6)</u>
Total revenues	<u>35,075</u>	<u>35,075</u>	<u>60,497</u>	<u>-</u>	<u>60,497</u>	<u>25,422</u>
<b>EXPENDITURES</b>						
Current:						
Public safety						
Drug enforcement	49,200	49,200	34,039	( 258)	33,781	15,419
Capital outlay	<u>-</u>	<u>-</u>	<u>5,020</u>	<u>-</u>	<u>5,020</u>	<u>( 5,020)</u>
Total expenditures	<u>49,200</u>	<u>49,200</u>	<u>39,059</u>	<u>( 258)</u>	<u>38,801</u>	<u>10,399</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>						
	( 14,125)	( 14,125)	21,438	258	21,696	35,821
<b>FUND BALANCE, BEGINNING</b>						
	<u>19,913</u>	<u>19,913</u>	<u>19,913</u>	<u>-</u>	<u>19,913</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>						
	<u>\$ 5,788</u>	<u>\$ 5,788</u>	<u>\$ 41,351</u>	<u>\$ 258</u>	<u>\$ 41,609</u>	<u>\$ 35,821</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**MUNICIPAL AIRPORT FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>	<u>Final</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Budget</u>	<u>Budget</u>
			<u>Basis</u>	<u>Basis</u>	<u>Variance</u>
<b>REVENUES</b>					
Investment income	\$ 900	\$ 900	\$ 192	\$ 192	\$ ( 708)
Airport rentals	45,000	45,000	49,295	49,295	4,295
Fuel sales	380,025	380,025	409,794	409,794	29,769
Total revenues	<u>425,925</u>	<u>425,925</u>	<u>459,281</u>	<u>459,281</u>	<u>33,356</u>
<b>EXPENDITURES</b>					
Current:					
Community services					
Airport operation	466,657	466,657	439,456	439,456	27,201
Total expenditures	<u>466,657</u>	<u>466,657</u>	<u>439,456</u>	<u>439,456</u>	<u>27,201</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 40,732)</u>	<u>( 40,732)</u>	<u>19,825</u>	<u>19,825</u>	<u>60,557</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	( 400,000)	( 400,000)	( 400,000)	( 400,000)	-
Total other financing sources (uses)	<u>( 400,000)</u>	<u>( 400,000)</u>	<u>( 400,000)</u>	<u>( 400,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 440,732)</u>	<u>( 440,732)</u>	<u>( 380,175)</u>	<u>( 380,175)</u>	<u>60,557</u>
<b>FUND BALANCE, BEGINNING</b>	<u>473,951</u>	<u>473,951</u>	<u>473,951</u>	<u>473,951</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 33,219</u>	<u>\$ 33,219</u>	<u>\$ 93,776</u>	<u>\$ 93,776</u>	<u>\$ 60,557</u>



**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**EMERGENCY 9-1-1 FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Final Budget Variance
	Original	Final				
<b>REVENUES</b>						
Fines and forfeitures	\$ 57,600	\$ 57,600	\$ 51,202	\$ -	\$ 51,202	\$( 6,398)
Charges for services	245,000	245,000	256,613	-	256,613	11,613
Investment income	500	500	276	-	276	( 224)
Total revenues	<u>303,100</u>	<u>303,100</u>	<u>308,091</u>	<u>-</u>	<u>308,091</u>	<u>4,991</u>
<b>EXPENDITURES</b>						
Current:						
Public safety						
Technology	152,375	150,575	64,899	1,400	66,299	84,276
Emergency 9-1-1 services	<u>187,207</u>	<u>189,007</u>	<u>193,503</u>	<u>-</u>	<u>193,503</u>	<u>( 4,496)</u>
Total expenditures	<u>339,582</u>	<u>339,582</u>	<u>258,402</u>	<u>1,400</u>	<u>259,802</u>	<u>79,780</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 36,482)	( 36,482)	49,689	( 1,400)	48,289	84,771
<b>FUND BALANCE, BEGINNING</b>	<u>115,081</u>	<u>115,081</u>	<u>115,081</u>	<u>-</u>	<u>115,081</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 78,599</u>	<u>\$ 78,599</u>	<u>\$ 164,770</u>	<u>\$( 1,400)</u>	<u>\$ 163,370</u>	<u>\$ 84,771</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**STREETS SALES TAX FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Sales taxes	\$ 420,000	\$ 420,000	\$ 536,539	\$ 536,539	\$ 116,539
Investment income	500	500	77	77	( 423)
Total revenues	<u>420,500</u>	<u>420,500</u>	<u>536,616</u>	<u>536,616</u>	<u>116,116</u>
<b>EXPENDITURES</b>					
Current:					
Capital outlay	571,100	571,100	675	675	570,425
Total expenditures	<u>571,100</u>	<u>571,100</u>	<u>675</u>	<u>675</u>	<u>570,425</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	( 150,600)	( 150,600)	535,941	535,941	686,541
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	-	-	( 444,285)	( 444,285)	444,285
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>( 444,285)</u>	<u>( 444,285)</u>	<u>( 444,285)</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 150,600)	( 150,600)	91,656	91,656	242,256
<b>FUND BALANCE, BEGINNING</b>	<u>916</u>	<u>916</u>	<u>916</u>	<u>916</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$( 149,684)</u>	<u>\$( 149,684)</u>	<u>\$ 92,572</u>	<u>\$ 92,572</u>	<u>\$ 242,256</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**TIF #2 CONSTRUCTION FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Investment income	\$ 1,000	\$ 1,000	\$ 817	\$ 817	( 183)
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>817</u>	<u>817</u>	<u>( 183)</u>
<b>EXPENDITURES</b>					
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>43,801</u>	<u>43,801</u>	<u>456,199</u>
Total expenditures	<u>500,000</u>	<u>500,000</u>	<u>43,801</u>	<u>43,801</u>	<u>456,199</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 499,000)</u>	<u>( 499,000)</u>	<u>( 42,984)</u>	<u>( 42,984)</u>	<u>456,016</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total other financing sources (uses)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 489,000)</u>	<u>( 489,000)</u>	<u>( 32,984)</u>	<u>( 32,984)</u>	<u>456,016</u>
<b>FUND BALANCE, BEGINNING</b>	<u>528,241</u>	<u>528,241</u>	<u>528,241</u>	<u>528,241</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 39,241</u>	<u>\$ 39,241</u>	<u>\$ 495,257</u>	<u>\$ 495,257</u>	<u>\$ 456,016</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**TIF #3 CONSTRUCTION FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ -	\$ -	\$ 58,220	\$ 58,220	\$ 58,220
Investment income	-	-	148	148	148
Total revenues	-	-	58,368	58,368	58,368
<b>EXPENDITURES</b>					
General improvements	-	70,000	1,424	1,424	68,576
Total expenditures	-	70,000	1,424	1,424	68,576
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	( 70,000)	56,944	56,944	126,944
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	619,204	619,204	619,204
Total other financing sources (uses)	-	-	619,204	619,204	619,204
<b>NET CHANGE IN FUND BALANCE</b>	-	( 70,000)	676,148	676,148	746,148
<b>FUND BALANCE, BEGINNING</b>	-	-	-	-	-
<b>FUND BALANCE, ENDING</b>	\$ -	\$ ( 70,000)	\$ 676,148	\$ 676,148	\$ 746,148

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**AUDITORIUM BONDS SINKING FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Investment income	\$ 400	\$ 400	\$ 330	\$ 330	\$ ( 70)
Total revenues	<u>400</u>	<u>400</u>	<u>330</u>	<u>330</u>	<u>( 70)</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	55,000	55,000	55,000	55,000	-
Interest	61,375	61,375	61,375	61,375	-
Bond issuance costs and agent fees	<u>500</u>	<u>500</u>	<u>600</u>	<u>600</u>	<u>( 100)</u>
Total expenditures	<u>116,875</u>	<u>116,875</u>	<u>116,975</u>	<u>116,975</u>	<u>( 100)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<u>( 116,475)</u>	<u>( 116,475)</u>	<u>( 116,645)</u>	<u>( 116,645)</u>	<u>( 170)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>116,375</u>	<u>116,375</u>	<u>116,375</u>	<u>116,375</u>	<u>-</u>
Total other financing sources (uses)	<u>116,375</u>	<u>116,375</u>	<u>116,375</u>	<u>116,375</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 100)</u>	<u>( 100)</u>	<u>( 270)</u>	<u>( 270)</u>	<u>( 170)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>144,737</u>	<u>144,737</u>	<u>144,737</u>	<u>144,737</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 144,637</u>	<u>\$ 144,637</u>	<u>\$ 144,467</u>	<u>\$ 144,467</u>	<u>\$ ( 170)</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**CERTIFICATE FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 329,600	\$ 329,600	\$ 330,079	\$ 330,079	\$ 479
Investment income	400	400	515	515	115
Total revenues	<u>330,000</u>	<u>330,000</u>	<u>330,594</u>	<u>330,594</u>	<u>594</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	178,333	178,333	178,333	178,333	-
Interest	137,056	137,056	132,114	132,114	4,942
Bond issuance costs and agent fees	<u>500</u>	<u>500</u>	<u>200</u>	<u>200</u>	<u>300</u>
Total expenditures	<u>315,889</u>	<u>315,889</u>	<u>310,647</u>	<u>310,647</u>	<u>5,242</u>
<b>NET CHANGE IN FUND BALANCE</b>	14,111	14,111	19,947	19,947	5,836
<b>FUND BALANCE, BEGINNING</b>	<u>170,294</u>	<u>170,294</u>	<u>170,294</u>	<u>170,294</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 184,405</u>	<u>\$ 184,405</u>	<u>\$ 190,241</u>	<u>\$ 190,241</u>	<u>\$ 5,836</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**TIF #2 DEBT SERVICE FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 49,800	\$ 49,800	\$ 59,880	\$ 59,880	\$ 10,080
Total revenues	<u>49,800</u>	<u>49,800</u>	<u>59,880</u>	<u>59,880</u>	<u>10,080</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	21,667	21,667	21,667	21,667	-
Interest	<u>-</u>	<u>-</u>	<u>16,136</u>	<u>16,136</u>	<u>( 16,136)</u>
Total expenditures	<u>21,667</u>	<u>21,667</u>	<u>37,803</u>	<u>37,803</u>	<u>( 16,136)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>28,133</u>	<u>28,133</u>	<u>22,077</u>	<u>22,077</u>	<u>( 6,056)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	( 10,000)	( 10,000)	( 10,000)	( 10,000)	-
Total other financing sources (uses)	<u>( 10,000)</u>	<u>( 10,000)</u>	<u>( 10,000)</u>	<u>( 10,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	18,133	18,133	12,077	12,077	( 6,056)
<b>FUND BALANCE, BEGINNING</b>	<u>3,253</u>	<u>3,253</u>	<u>3,253</u>	<u>3,253</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 21,386</u>	<u>\$ 21,386</u>	<u>\$ 15,330</u>	<u>\$ 15,330</u>	<u>\$ ( 6,056)</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**TIF #3 DEBT SERVICE FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Property taxes	\$ 58,800	\$ 58,800	\$ -	\$ -	\$( 58,800)
Investment income	200	200	-	-	( 200)
Total revenues	<u>59,000</u>	<u>59,000</u>	<u>-</u>	<u>-</u>	<u>( 59,000)</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>59,000</u>	<u>59,000</u>	<u>-</u>	<u>-</u>	<u>59,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers out	( 225,000)	( 225,000)	( 174,919)	( 174,919)	50,081
Total other financing sources (uses)	<u>( 225,000)</u>	<u>( 225,000)</u>	<u>( 174,919)</u>	<u>( 174,919)</u>	<u>( 50,081)</u>
<b>NET CHANGE IN FUND BALANCE</b>	( 166,000)	( 166,000)	( 174,919)	( 174,919)	( 8,919)
<b>FUND BALANCE, BEGINNING</b>	<u>174,919</u>	<u>174,919</u>	<u>174,919</u>	<u>174,919</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 8,919</u>	<u>\$ 8,919</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$( 8,919)</u>



**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**2008 CERTIFICATE OF OBLIGATION DEBT SERVICE FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>					
Debt service:					
Principal	185,500	185,500	185,000	185,000	500
Interest	171,317	171,317	171,316	171,316	1
Total expenditures	<u>356,817</u>	<u>356,817</u>	<u>356,316</u>	<u>356,316</u>	<u>501</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 356,817)</u>	<u>( 356,817)</u>	<u>( 356,316)</u>	<u>( 356,316)</u>	<u>501</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	-
Total other financing sources (uses)	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 181,817)</u>	<u>( 181,817)</u>	<u>( 181,316)</u>	<u>( 181,316)</u>	<u>501</u>
<b>FUND BALANCE, BEGINNING</b>	<u>195,179</u>	<u>195,179</u>	<u>195,179</u>	<u>195,179</u>	-
<b>FUND BALANCE, ENDING</b>	<u>\$ 13,362</u>	<u>\$ 13,362</u>	<u>\$ 13,863</u>	<u>\$ 13,863</u>	<u>\$ 501</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**2009 TAX NOTES DEBT SERVICE FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Sales taxes	\$ 520,000	\$ 520,000	\$ 438,197	\$ 438,197	\$ ( 81,803)
Investment income	100	100	1,564	1,564	1,464
Total revenues	<u>520,100</u>	<u>520,100</u>	<u>439,761</u>	<u>439,761</u>	<u>( 80,339)</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	745,000	745,000	745,000	745,000	-
Interest	25,585	25,585	25,584	25,584	1
Bond issuance costs and agent fees	500	500	500	500	-
Total expenditures	<u>771,085</u>	<u>771,085</u>	<u>771,084</u>	<u>771,084</u>	<u>1</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 250,985)	( 250,985)	( 331,323)	( 331,323)	( 80,338)
<b>FUND BALANCE, BEGINNING</b>	<u>535,878</u>	<u>535,878</u>	<u>535,878</u>	<u>535,878</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 284,893</u>	<u>\$ 284,893</u>	<u>\$ 204,555</u>	<u>\$ 204,555</u>	<u>\$ ( 80,338)</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**2009 CO BOND DEBT SERVICE FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>					
Debt service:					
Principal	140,000	140,000	140,000	140,000	-
Interest	136,941	136,941	136,941	136,941	-
Bond issuance costs and agent fees	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Total expenditures	<u>277,441</u>	<u>277,441</u>	<u>277,441</u>	<u>277,441</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 277,441)</u>	<u>( 277,441)</u>	<u>( 277,441)</u>	<u>( 277,441)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>-</u>
Total other financing sources (uses)	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>285,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	7,559	7,559	7,559	7,559	-
<b>FUND BALANCE, BEGINNING</b>	<u>7,212</u>	<u>7,212</u>	<u>7,212</u>	<u>7,212</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 14,771</u>	<u>\$ 14,771</u>	<u>\$ 14,771</u>	<u>\$ 14,771</u>	<u>\$ -</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**2009A CO BOND DEBT SERVICE FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>					
Debt service:					
Principal	115,000	115,000	115,000	115,000	-
Interest	124,463	124,463	124,463	124,463	-
Bond issuance costs and agent fees	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	-
Total expenditures	<u>239,963</u>	<u>239,963</u>	<u>239,963</u>	<u>239,963</u>	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 239,963)</u>	<u>( 239,963)</u>	<u>( 239,963)</u>	<u>( 239,963)</u>	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	-
Total other financing sources (uses)	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	<u>240,000</u>	-
<b>NET CHANGE IN FUND BALANCE</b>	37	37	37	37	-
<b>FUND BALANCE, BEGINNING</b>	<u>12,795</u>	<u>12,795</u>	<u>12,795</u>	<u>12,795</u>	-
<b>FUND BALANCE, ENDING</b>	<u>\$ 12,832</u>	<u>\$ 12,832</u>	<u>\$ 12,832</u>	<u>\$ 12,832</u>	<u>\$ -</u>

**CITY OF SHERMAN, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**CEMETERY FUND**

**YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts		Actual GAAP Basis	Actual Budget Basis	Final Budget Variance
	Original	Final			
<b>REVENUES</b>					
Investment income	\$ 12,000	\$ 12,000	\$( 23,376)	\$( 23,376)	\$( 35,376)
Perpetual care contracts	7,000	7,000	7,400	7,400	400
Total revenues	<u>19,000</u>	<u>19,000</u>	<u>( 15,976)</u>	<u>( 15,976)</u>	<u>( 34,976)</u>
<b>EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	19,000	19,000	( 15,976)	( 15,976)	( 34,976)
<b>FUND BALANCE, BEGINNING</b>	<u>1,204,143</u>	<u>1,204,143</u>	<u>1,204,143</u>	<u>1,204,143</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,223,143</u>	<u>\$ 1,223,143</u>	<u>\$ 1,188,167</u>	<u>\$ 1,188,167</u>	<u>\$( 34,976)</u>

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## **INTERNAL SERVICE FUNDS**

*Internal Service Funds* are used to account for the financing of goods or services provided by one department to other departments within the City on a cost-reimbursement basis.

*Equipment Services Fund* – This fund is used to account for fleet maintenance and maintains an inventory of parts for the City-owned vehicles.

*Computer Services Fund* – This fund is used to account for the operations of the City's centralized computer system by providing data processing to all City functions.

*Insurance Fund* – This fund accounts for a partially self-funded program of employees' health and dental insurance. A professional insurance administration firm was retained to process employee claims and to provide reinsurance of excess individual and group claims. This fund is funded by charges to other funds, as well as charges to employees for extended benefits at their option.

*Fleet Replacement Fund* – This fund is used to accumulate funds for the cost of replacing large fleet items in General, Water and Sewer and Solid Waste Fund.

**CITY OF SHERMAN, TEXAS**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**SEPTEMBER 30, 2011**

	<u>Equipment Services</u>	<u>Computer Services</u>	<u>Insurance</u>	<u>Fleet Replacement</u>	<u>Total Governmental</u>
<b>ASSETS</b>					
Current:					
Cash	\$ 107,621	\$ 87,965	\$ 502,011	\$ 171,029	\$ 868,626
Pooled and temporary investments	-	30,651	-	-	30,651
Receivables (net of allowances for uncollectibles):					
Intergovernmental	-	-	-	14,000	14,000
Accounts	-	-	50,529	-	50,529
Inventories	<u>89,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,361</u>
Total assets	<u>196,982</u>	<u>118,616</u>	<u>552,540</u>	<u>185,029</u>	<u>1,053,167</u>
Capital assets:					
Land	55,250	-	-	-	55,250
Buildings	124,974	-	-	-	124,974
Improvements other than buildings	970	-	-	-	970
Machinery and equipment	<u>184,059</u>	<u>557,851</u>	<u>-</u>	<u>2,410,350</u>	<u>3,152,260</u>
Total capital assets	<u>365,253</u>	<u>557,851</u>	<u>-</u>	<u>2,410,350</u>	<u>3,333,454</u>
Accumulated depreciation	( 281,349)	(482,815)	-	( 494,932)	( 1,259,096)
Capital assets, net	<u>83,904</u>	<u>75,036</u>	<u>-</u>	<u>1,915,418</u>	<u>2,074,358</u>
Total assets	<u>280,886</u>	<u>193,652</u>	<u>552,540</u>	<u>2,100,447</u>	<u>3,127,525</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	94,696	8,745	43,320	-	146,761
Accrued wages	10,005	3,261	-	-	13,266
Claims payable	-	-	535,669	-	535,669
Current portion of long-term liabilities:					
Capital lease obligations	-	46,939	-	183,512	230,451
Accrued compensated absences	25,873	14,056	-	-	39,929
Long-term liabilities (net of current portion):					
Capital lease obligations	-	-	-	962,197	962,197
Net pension obligation	26,986	10,505	-	-	37,491
Net OPEB obligation	<u>24,483</u>	<u>9,458</u>	<u>-</u>	<u>-</u>	<u>33,941</u>
Total liabilities	<u>182,043</u>	<u>92,964</u>	<u>578,989</u>	<u>1,145,709</u>	<u>1,999,705</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	83,904	28,097	-	769,709	881,710
Unrestricted	<u>14,939</u>	<u>72,591</u>	<u>( 26,449)</u>	<u>185,029</u>	<u>246,110</u>
Total net assets	<u>\$ 98,843</u>	<u>\$ 100,688</u>	<u>\$( 26,449)</u>	<u>\$ 954,738</u>	<u>\$ 1,127,820</u>



**CITY OF SHERMAN, TEXAS**

**COMBINING STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET ASSETS**

**INTERNAL SERVICE FUNDS**

**YEAR ENDED SEPTEMBER 30, 2011**

	<u>Equipment Services</u>	<u>Computer Services</u>	<u>Insurance</u>	<u>Fleet Replacement</u>	<u>Total Governmental</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 2,314,314	\$ 694,753	\$ 4,073,010	\$ -	\$ 7,082,077
Miscellaneous revenue	<u>-</u>	<u>690</u>	<u>-</u>	<u>-</u>	<u>690</u>
Total operating revenues	<u>2,314,314</u>	<u>695,443</u>	<u>4,073,010</u>	<u>-</u>	<u>7,082,767</u>
<b>OPERATING EXPENSES</b>					
Personnel services	738,377	281,084	-	-	1,019,461
Contractual services	165,620	81,490	4,898,491	-	5,145,601
Supplies	912,119	33,235	-	-	945,354
Maintenance and repair	506,103	176,506	-	139,667	822,276
Depreciation	<u>5,953</u>	<u>66,845</u>	<u>-</u>	<u>268,037</u>	<u>340,835</u>
Total operating expenses	<u>2,328,172</u>	<u>639,160</u>	<u>4,898,491</u>	<u>407,704</u>	<u>8,273,527</u>
<b>OPERATING INCOME (LOSS)</b>	<u>( 13,858)</u>	<u>56,283</u>	<u>( 825,481)</u>	<u>( 407,704)</u>	<u>( 1,190,760)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment income	-	77	7,534	2,961	10,572
Interest expense	<u>-</u>	<u>( 4,002)</u>	<u>-</u>	<u>( 42,724)</u>	<u>( 46,726)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>( 3,925)</u>	<u>7,534</u>	<u>( 39,763)</u>	<u>( 36,154)</u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>					
<b>CONTRIBUTIONS AND TRANSFERS</b>	<u>( 13,858)</u>	<u>52,358</u>	<u>( 817,947)</u>	<u>( 447,467)</u>	<u>( 1,226,914)</u>
<b>CONTRIBUTIONS AND TRANSFERS</b>					
Capital contributions	-	-	-	14,000	14,000
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,111</u>	<u>215,111</u>
Total contributions and transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,111</u>	<u>229,111</u>
<b>CHANGE IN NET ASSETS</b>	<u>( 13,858)</u>	<u>52,358</u>	<u>( 817,947)</u>	<u>( 218,356)</u>	<u>( 997,803)</u>
<b>NET ASSETS, BEGINNING</b>	<u>112,701</u>	<u>48,330</u>	<u>791,498</u>	<u>1,173,094</u>	<u>2,125,623</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 98,843</u>	<u>\$ 100,688</u>	<u>\$ ( 26,449)</u>	<u>\$ 954,738</u>	<u>\$ 1,127,820</u>

**CITY OF SHERMAN, TEXAS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2011**

	<u>Equipment Services</u>	<u>Computer Services</u>	<u>Insurance</u>	<u>Fleet Replacement</u>	<u>Total Governmental</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from other funds	\$ 2,314,314	\$ 695,443	\$ 4,036,541	\$ -	\$ 7,046,298
Cash paid for supplies and materials	( 1,585,247)	( 286,794)	-	( 153,552)	( 2,025,593)
Cash paid for premiums, claims and administrative	-	-	( 4,644,994)	-	( 4,644,994)
Cash paid for personnel services	( 751,728)	( 283,501)	-	-	( 1,035,229)
Net cash provided (used) by operating activities	<u>( 22,661)</u>	<u>125,148</u>	<u>( 608,453)</u>	<u>( 153,552)</u>	<u>( 659,518)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	-	-	215,111	215,111
Net cash provided from noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,111</u>	<u>215,111</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital contributions	-	-	-	14,000	14,000
Payments on capital leases	-	( 91,229)	-	( 177,505)	( 268,734)
Interest paid on capital debt	-	( 4,002)	-	( 42,724)	( 46,726)
Purchases of capital assets	-	( 22,140)	-	( 25,910)	( 48,050)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>( 117,371)</u>	<u>-</u>	<u>( 232,139)</u>	<u>( 349,510)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment income received	-	77	7,534	2,961	10,572
Proceeds from sale of investments	-	39,349	-	-	39,349
Net cash provided (used) by investing activities	<u>-</u>	<u>39,426</u>	<u>7,534</u>	<u>2,961</u>	<u>49,921</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	( 22,661)	47,203	( 600,919)	( 167,619)	( 743,996)
<b>CASH, BEGINNING</b>	<u>130,282</u>	<u>40,762</u>	<u>1,102,930</u>	<u>338,648</u>	<u>1,612,622</u>
<b>CASH, ENDING</b>	<u>\$ 107,621</u>	<u>\$ 87,965</u>	<u>\$ 502,011</u>	<u>\$ 171,029</u>	<u>\$ 868,626</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$( 13,858)	\$ 56,283	\$( 825,481)	\$( 407,704)	\$( 1,190,760)
Depreciation	5,953	66,845	-	268,037	340,835
(Increase) decrease in operating assets:					
Accounts receivable (net)	-	-	( 36,469)	( 13,885)	( 50,354)
Inventories	( 6,018)	-	-	-	( 6,018)
Increase (decrease) in operating liabilities:					
Accounts payable	4,613	4,437	41,272	-	50,322
Due to other funds	-	-	-	-	-
Accrued wages payable	( 19,874)	( 4,668)	-	-	( 24,542)
Estimated liability for claims	-	-	212,225	-	212,225
Net pension obligation	6,977	3,251	-	-	10,228
Net OPEB obligation	929	1,012	-	-	1,941
Accrued compensated absences	( 1,383)	( 2,012)	-	-	( 3,395)
Net cash provided (used) by operating activities	<u>\$( 22,661)</u>	<u>\$ 125,148</u>	<u>\$( 608,453)</u>	<u>\$( 153,552)</u>	<u>\$( 659,518)</u>

# STATISTICAL SECTION

This part of the City of Sherman, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	105
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue sources, property tax and water and sewer revenue.	113
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	120
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	123
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	127

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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**CITY OF SHERMAN, TEXAS**

**NET ASSETS BY COMPONENT**

*(Accrual Basis of Accounting)*

(amounts expressed in thousands)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities:</b>									
Invested in capital assets, net of related debt	\$ 20,698	\$ 20,124	\$ 66,188	\$ 62,998	\$ 59,730	\$ 59,772	\$ 61,173	\$ 55,807	\$ 51,954
Restricted	-	-	1,235	1,690	2,064	2,064	2,320	2,358	2,392
Unrestricted	<u>11,773</u>	<u>14,139</u>	<u>14,354</u>	<u>13,104</u>	<u>12,774</u>	<u>9,820</u>	<u>4,080</u>	<u>5,583</u>	<u>6,108</u>
Total governmental activities net assets	<u>\$ 32,471</u>	<u>\$ 34,263</u>	<u>\$ 81,777</u>	<u>\$ 77,792</u>	<u>\$ 74,568</u>	<u>\$ 71,656</u>	<u>\$ 67,573</u>	<u>\$ 63,748</u>	<u>\$ 60,454</u>
<b>Business-type activities:</b>									
Invested in capital assets, net of related debt	\$ 21,350	\$ 23,470	\$ 33,990	\$ 33,530	\$ 36,196	\$ 37,169	\$ 39,818	\$ 38,347	\$ 36,727
Restricted	312	2,121	312	318	161	-	-	-	-
Unrestricted	<u>15,935</u>	<u>13,615</u>	<u>15,390</u>	<u>18,662</u>	<u>16,558</u>	<u>14,281</u>	<u>10,683</u>	<u>10,678</u>	<u>12,392</u>
Total business-type activities net assets	<u>\$ 37,597</u>	<u>\$ 39,206</u>	<u>\$ 49,692</u>	<u>\$ 52,510</u>	<u>\$ 52,915</u>	<u>\$ 51,450</u>	<u>\$ 50,501</u>	<u>\$ 49,025</u>	<u>\$ 49,119</u>
<b>Primary government:</b>									
Invested in capital assets, net of related debt	\$ 42,048	\$ 43,594	\$ 100,178	\$ 96,528	\$ 95,926	\$ 96,941	\$ 100,991	\$ 94,154	\$ 88,681
Restricted	312	2,121	1,547	2,008	2,225	2,064	2,320	2,358	2,392
Unrestricted	<u>27,708</u>	<u>27,754</u>	<u>29,744</u>	<u>31,766</u>	<u>29,332</u>	<u>24,101</u>	<u>14,763</u>	<u>16,261</u>	<u>18,500</u>
Total primary government net assets	<u>\$ 70,068</u>	<u>\$ 73,469</u>	<u>\$ 131,469</u>	<u>\$ 130,302</u>	<u>\$ 127,483</u>	<u>\$ 123,106</u>	<u>\$ 118,074</u>	<u>\$ 112,773</u>	<u>\$ 109,573</u>

Notes: Ending Net Assets were restated to include infrastructure purchased in prior years which had not been capitalized.  
 The City implemented GASB 34 reporting in 2003; therefore 2002 and prior information on Net Assets is not available.

# CITY OF SHERMAN, TEXAS

## CHANGES IN NET ASSETS

*(Accrual Basis of Accounting)*

(amounts expressed in thousands)

	Fiscal Year			
	2003	2004	2005	2006
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 5,050	\$ 4,179	\$ 4,055	\$ 4,397
Public safety	11,717	12,515	13,448	15,098
Streets	2,411	2,257	2,359	4,833
Sanitation	662	765	753	799
Community services	4,101	4,297	4,417	4,828
Community development	438	432	385	380
Capital projects construction contracts, engineering and other	101	66	38	-
Interest on long-term debt	97	163	220	206
Total governmental activities expenses	24,577	24,674	25,675	30,541
Business-type activities:				
Water and sewer services	14,475	13,730	14,801	16,019
Solid waste services	2,166	2,565	3,964	3,724
Interest	131	-	-	-
Total business-type activities expenses	16,772	16,295	18,765	19,743
Total primary government program expenses	\$ 41,349	\$ 40,969	\$ 44,440	\$ 50,284
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charges for services:				
General government	\$ 721	\$ 369	\$ 493	\$ 235
Public safety	2,279	2,218	3,535	3,071
Streets	5	47	6	5
Sanitation	140	130	119	149
Community services	276	575	652	681
Operating grants and contributions	732	671	620	437
Capital grants and contributions	28	1,557	1,760	221
Total governmental activities program revenues	4,181	5,567	7,185	4,799
Business-type activities:				
Charges for services:				
Water and sewer service	15,094	15,221	15,937	18,445
Solid waste service	2,373	2,552	4,672	5,239
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	1,265	1,150	-
Total business-type activities program revenues	17,467	19,038	21,759	23,684
Total primary government program revenues	\$ 21,648	\$ 24,605	\$ 28,944	\$ 28,483

**TABLE 2**

Fiscal Year					
2007	2008	2009	2010	2011	
\$ 5,300	\$ 6,237	\$ 5,683	\$ 6,309	\$ 5,932	
15,267	16,909	17,873	17,958	18,072	
4,711	5,005	5,308	4,935	6,916	
798	590	639	615	631	
4,952	5,382	4,833	4,965	5,228	
347	346	320	353	348	
-	-	-	-	-	
<u>218</u>	<u>325</u>	<u>563</u>	<u>760</u>	<u>720</u>	
<u>31,593</u>	<u>34,794</u>	<u>35,219</u>	<u>35,895</u>	<u>37,847</u>	
16,101	17,840	18,156	18,366	19,364	
4,229	4,363	4,274	4,253	4,331	
-	-	-	-	-	
<u>20,330</u>	<u>22,203</u>	<u>22,430</u>	<u>22,619</u>	<u>23,695</u>	
<u>\$ 51,923</u>	<u>\$ 56,997</u>	<u>\$ 57,649</u>	<u>\$ 58,514</u>	<u>\$ 61,542</u>	
\$ 32	\$ 84	\$ 99	\$ 122	\$ 205	
3,333	2,855	2,985	2,915	3,556	
4	9	1	97	103	
161	162	142	138	127	
936	938	792	866	944	
416	561	226	254	1,661	
<u>223</u>	<u>368</u>	<u>568</u>	<u>450</u>	<u>1,202</u>	
<u>5,105</u>	<u>4,977</u>	<u>4,813</u>	<u>4,842</u>	<u>7,798</u>	
17,630	17,927	18,114	18,720	20,494	
4,949	4,909	4,776	5,583	5,697	
-	-	-	-	-	
<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>	
<u>22,579</u>	<u>22,836</u>	<u>22,890</u>	<u>24,306</u>	<u>26,191</u>	
<u>\$ 27,684</u>	<u>\$ 27,813</u>	<u>\$ 27,703</u>	<u>\$ 29,148</u>	<u>\$ 33,989</u>	

(continued)

## CITY OF SHERMAN, TEXAS

### CHANGES IN NET ASSETS (Continued) (Accrual Basis of Accounting) (amounts expressed in thousands)

	Fiscal Year			
	2003	2004	2005	2006
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	\$( 20,396)	\$( 19,107)	\$( 18,490)	\$( 25,742)
Business-type activities	<u>695</u>	<u>2,743</u>	<u>2,994</u>	<u>3,941</u>
Total primary government net expense	<u>( 19,701)</u>	<u>( 16,364)</u>	<u>( 15,496)</u>	<u>( 21,801)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Governmental activities:				
Taxes				
Property	6,192	6,192	6,521	7,146
Sales	8,652	8,652	9,133	10,707
Franchise and nonproperty	3,786	3,786	3,684	2,927
Investment earnings	158	158	346	756
Grants, donations, and miscellaneous	815	815	204	( 1,453)
Gain (loss) on sale of capital assets	-	-	-	-
Transfers	<u>1,297</u>	<u>1,297</u>	<u>1,655</u>	<u>1,675</u>
Total governmental activities	<u>20,900</u>	<u>20,900</u>	<u>21,543</u>	<u>21,758</u>
Business-type activities:				
Investment earnings	163	163	220	551
Grants, donations, and special items	-	-	-	3
Transfers	<u>( 1,297)</u>	<u>( 1,297)</u>	<u>( 1,655)</u>	<u>( 1,675)</u>
Total business-type activities	<u>( 1,134)</u>	<u>( 1,134)</u>	<u>( 1,435)</u>	<u>( 1,121)</u>
Total primary government	<u>19,766</u>	<u>19,766</u>	<u>20,108</u>	<u>20,637</u>
<b>CHANGE IN NET ASSETS</b>				
Governmental activities	504	1,793	3,053	( 3,984)
Business-type activities	<u>( 439)</u>	<u>1,609</u>	<u>1,559</u>	<u>2,820</u>
Total primary government	<u>\$ 65</u>	<u>\$ 3,402</u>	<u>\$ 4,612</u>	<u>\$( 1,164)</u>

The City implemented GASB 34 reporting in 2003; therefore 2002 and prior information on Net Assets is not available.



**TABLE 2**

Fiscal Year				
2007	2008	2009	2010	2011
\$( 26,488)	\$( 29,817)	\$( 30,406)	\$( 31,053)	\$( 30,049)
<u>2,249</u>	<u>633</u>	<u>460</u>	<u>1,687</u>	<u>2,496</u>
( 24,239)	( 29,184)	( 29,946)	( 29,366)	( 27,553)
7,564	8,000	6,683	7,050	7,110
10,797	11,232	12,545	12,264	12,868
3,858	4,380	4,257	3,928	4,021
968	443	311	186	73
486	243	( 177)	557	148
-	8	( 42)	-	-
<u>2,594</u>	<u>2,607</u>	<u>2,746</u>	<u>3,244</u>	<u>2,535</u>
<u>26,267</u>	<u>26,913</u>	<u>26,323</u>	<u>27,229</u>	<u>26,755</u>
714	495	143	49	50
36	14	1,195	31	82
( 2,594)	( 2,607)	( 2,746)	( 3,244)	( 2,535)
( 1,844)	( 2,098)	( 1,408)	( 3,164)	( 2,403)
<u>24,423</u>	<u>24,815</u>	<u>24,915</u>	<u>24,065</u>	<u>24,352</u>
( 221)	( 2,912)	( 4,083)	( 3,824)	( 3,294)
<u>405</u>	<u>( 1,465)</u>	<u>( 948)</u>	<u>( 1,477)</u>	<u>94</u>
<u>\$ 184</u>	<u>\$( 4,377)</u>	<u>\$( 5,031)</u>	<u>\$( 5,301)</u>	<u>\$( 3,200)</u>

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CITY OF SHERMAN, TEXAS

FUND BALANCES  
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
*(Modified Accrual Basis of Accounting)*  
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General fund										
Reserved	\$ 171	\$ 237	\$ 183	\$ 166	\$ 355	\$ 294	\$ 270	\$ 106	\$ 39	\$ -
Unreserved	4,809	4,614	5,204	6,910	7,874	10,555	9,475	7,359	6,949	8,271
Restricted	-	-	-	-	-	-	-	-	-	52
Total general fund	<u>\$ 4,980</u>	<u>\$ 4,851</u>	<u>\$ 5,387</u>	<u>\$ 7,076</u>	<u>\$ 8,229</u>	<u>\$ 10,849</u>	<u>\$ 9,745</u>	<u>\$ 7,465</u>	<u>\$ 6,988</u>	<u>\$ 8,323</u>
All other governmental funds										
Reserved	\$ 713	\$ 1,366	\$ 1,612	\$ 1,517	\$ 1,749	\$ 2,006	\$ 7,730	\$ 2,629	\$ 3,027	\$ -
Unreserved, reported in:										
Special revenue funds	544	659	850	725	863	991	1,577	1,675	1,134	-
Capital projects funds	2,074	607	3,255	4,319	4,560	1,848	2,178	9,304	5,132	-
Undesignated	-	1,328	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	483
Restricted	-	-	-	-	-	-	-	-	-	3,718
Assigned	-	-	-	-	-	-	-	-	-	1,037
Total all other governmental funds	<u>\$ 3,331</u>	<u>\$ 3,960</u>	<u>\$ 5,717</u>	<u>\$ 6,561</u>	<u>\$ 7,172</u>	<u>\$ 4,845</u>	<u>\$ 11,485</u>	<u>\$ 13,608</u>	<u>\$ 9,293</u>	<u>\$ 5,238</u>

Notes:

Beginning in 2011, fund balances are reported based on GASB 54. Prior years have not been restated.

Ending fund balances for the General Fund and the Hotel-Motel Tax Fund were restated for the impact of GASB Statement No. 33, previously applied at the government-wide level.

**CITY OF SHERMAN, TEXAS**

**CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*  
(amounts expressed in thousands)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>REVENUES</b>										
Taxes	\$ 17,447	\$ 17,747	\$ 18,560	\$ 19,205	\$ 22,014	\$ 22,146	\$ 23,374	\$ 23,350	\$ 23,016	\$ 23,800
Licenses and permits	308	383	347	380	455	433	420	346	294	223
Intergovernmental	727	727	802	1,349	611	616	889	745	683	2,323
Charges for services	3,269	3,083	2,168	2,429	2,903	3,503	2,913	2,771	2,909	3,120
Fines	374	558	678	552	783	763	897	751	835	1,180
Investment earnings	555	213	142	308	663	847	389	309	186	61
Donations	102	38	41	37	47	37	34	48	50	61
Miscellaneous	25	171	2,653	393	310	449	201	266	567	169
Total revenues	22,807	22,920	25,391	24,653	27,786	28,794	29,117	28,586	28,540	30,937
<b>EXPENDITURES</b>										
General government	4,558	5,180	4,056	4,066	4,257	4,265	4,372	4,342	4,567	4,588
Public safety	11,739	11,804	12,314	14,289	14,797	15,771	16,047	16,550	16,948	17,253
Highways and streets	1,909	2,216	1,933	2,163	2,033	1,893	2,111	5,353	2,201	3,750
Sanitation	736	866	731	722	755	762	566	602	578	600
Community services	3,837	3,921	3,783	4,024	4,291	4,585	4,777	4,134	4,063	4,224
Community development	486	438	432	385	380	347	346	320	353	348
Capital outlay	3,348	1,027	3,803	632	1,286	4,398	2,574	7,308	4,466	3,035
Debt service:										
Principal	-	25	25	30	55	280	366	1,101	1,581	1,501
Interest	124	97	163	220	279	218	240	616	798	678
Total expenditures	26,737	25,574	27,240	26,531	28,133	32,519	31,399	40,326	35,555	35,977

(continued)

**CITY OF SHERMAN, TEXAS**

**CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
(Continued)  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)  
(amounts expressed in thousands)**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ ( 3,930)</u>	<u>\$ ( 2,654)</u>	<u>\$ ( 1,849)</u>	<u>\$ ( 1,878)</u>	<u>\$ ( 347)</u>	<u>\$ ( 3,725)</u>	<u>\$ ( 2,282)</u>	<u>\$ ( 11,740)</u>	<u>\$ ( 7,015)</u>	<u>\$ ( 5,040)</u>
<b>OTHER FINANCING SOURCES (USES)</b>										
Proceeds of long-term debt	-	271	2,840	-	363	356	5,000	11,500	-	-
Discount on bond issuance	-	-	-	-	( 15)	-	-	-	-	-
Proceeds from refunding debt	-	-	-	-	1,605	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-	-	22	29	45	-
Paid to refunding bond agent	-	-	-	-	( 1,517)	-	-	-	-	-
Transfers in	1,520	1,871	1,701	3,122	3,218	3,721	4,821	3,516	3,942	4,794
Transfers out	<u>( 669)</u>	<u>( 129)</u>	<u>( 404)</u>	<u>( 1,459)</u>	<u>( 1,543)</u>	<u>( 1,127)</u>	<u>( 2,025)</u>	<u>( 3,030)</u>	<u>( 1,764)</u>	<u>( 2,474)</u>
Total other financing sources (uses)	<u>851</u>	<u>2,013</u>	<u>4,137</u>	<u>1,663</u>	<u>2,111</u>	<u>2,950</u>	<u>7,818</u>	<u>12,015</u>	<u>2,223</u>	<u>2,320</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ ( 3,079)</u>	<u>\$ ( 641)</u>	<u>\$ 2,288</u>	<u>\$ ( 215)</u>	<u>\$ 1,764</u>	<u>\$ ( 775)</u>	<u>\$ 5,536</u>	<u>\$ 275</u>	<u>\$ ( 4,792)</u>	<u>\$ ( 2,720)</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	<u>0.5%</u>	<u>0.5%</u>	<u>0.8%</u>	<u>1.0%</u>	<u>1.2%</u>	<u>1.8%</u>	<u>2.1%</u>	<u>5.8%</u>	<u>7.7%</u>	<u>6.6%</u>

Note: Capital Outlay does not include contributed capital assets received from developers.

TABLE 5

## CITY OF SHERMAN, TEXAS

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

## LAST TEN FISCAL YEARS

Fiscal Year	In Thousands				Total Assessed Value	Less Exemptions and Deductions	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Real Property		Nonreal Property							
	Residential	Commercial	Personal	Other						
2002	\$ 459,121	\$ 736,109	\$ 561,864	\$ 62,835	\$ 1,819,930	\$ 426,527	\$ 1,393,403	\$ 0.400	\$ 1,393,403	130.61%
2003	509,791	755,622	524,042	65,335	1,854,790	340,439	1,514,351	0.400	1,514,351	122.48%
2004	577.841	883.601	447.078	65.997	1,974.517	460.261	1,514.256	0.400	1,514.256	130.40%
2005	633.829	877.276	413.443	68.974	1,993.523	436.295	1,557.228	0.400	1,557.228	128.02%
2006	702.143	964.206	454.305	67.249	2,187.903	420.668	1,767.235	0.400	1,767.235	123.80%
2007	767,492	1,034,799	510,728	24,386	2,337,405	442,446	1,894,959	0.400	1,894,959	123.35%
2008	804,035	1,162,314	570,125	22,359	2,558,833	536,981	2,021,852	0.400	2,021,852	126.56%
2009	846,053	1,170,387	574,370	26,421	2,617,231	538,242	2,078,989	0.320	2,078,989	125.89%
2010	865,479	1,231,308	661,433	25,216	2,783,435	586,492	2,196,943	0.320	2,196,943	126.70%
2011	859,869	1,278,466	594,241	30,151	2,762,727	540,540	2,222,187	0.320	2,222,187	124.32%

Source: Grayson County Central Appraisal District

Note: Assessed values are determined as of January 1, and relate to taxes levied on the first day of the following fiscal year. Assessed value is equal to 100% of estimated value. All property is assessed the same rate regardless of real or personal property, commercial, residential, or industrial.

**TABLE 6**

**CITY OF SHERMAN, TEXAS**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**LAST TEN FISCAL YEARS**

Fiscal Year	City of Sherman Rates			Overlapping Rates									Total Direct and Overlapping Rates
				Grayson County			SISD			GCCC			
	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	
2002	\$ 0.400	\$ -	\$ 0.400	\$ 0.465	\$ 0.004	\$ 0.469	\$ 1.500	\$ 0.190	\$ 1.690	\$ 0.103	\$ -	\$ 0.103	\$ 2.662
2003	0.400	-	0.400	0.489	0.002	0.491	1.500	0.190	1.690	0.120	-	0.120	2.701
2004	0.400	-	0.400	0.487	0.004	0.491	1.500	0.190	1.690	0.126	-	0.126	2.707
2005	0.400	-	0.400	0.488	0.002	0.490	1.500	0.180	1.680	0.134	-	0.134	2.704
2006	0.400	-	0.400	0.516	0.002	0.518	1.370	0.260	1.630	0.147	-	0.147	2.695
2007	0.400	-	0.400	0.489	0.002	0.491	1.370	0.260	1.630	0.148	-	0.148	2.669
2008	0.400	-	0.400	0.489	0.002	0.491	1.370	0.070	1.440	0.184	-	0.184	2.515
2009	0.301	0.019	0.320	0.484	0.006	0.490	1.040	0.400	1.440	0.133	0.051	0.184	2.434
2010	0.301	0.019	0.320	0.520	0.006	0.526	1.040	0.400	1.440	0.133	0.051	0.184	2.470
2011	0.301	0.019	0.320	0.537	0.006	0.543	1.040	0.400	1.440	0.133	0.048	0.181	2.484

Source: Grayson County Appraisal District

Notes: Overlapping rates are those of local and county governments that apply to property owners within the City of Sherman. Not all overlapping rates apply to all City of Sherman property owners (e.g., the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

TABLE 7

**CITY OF SHERMAN, TEXAS**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**  
(amounts expressed in thousands)

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Town North Center	\$ 44,295	1	2.13%	\$ -		- %
Sherman Grayson Hospital, LLC	42,333	2	2.04%	-		- %
Texas Instruments	27,332	3	1.31%	44,562	2	3.24%
ONCOR Electric Delivery	20,442	4	0.98%	18,690	4	1.36%
MEMC Southwest, Inc.	20,108	5	0.97%	-		- %
First Union Trust	17,893	6	0.86%	16,500	6	1.20%
Sherman Commons, LP	17,492	8	0.84%	-		- %
Sherman/Grayson Hospital, LLC	16,792	7	0.81%	-		- %
Inland American Sherman Town Center	14,896	9	0.72%	-		- %
Progress Rail Service	14,551	10	0.70%	-		- %
Johnson & Johnson	-		- %	49,552	1	3.61%
Folgers Coffee Co.	-		- %	31,792	3	2.31%
Sherman Mall Association	-		- %	16,994	5	1.24%
GTE Southwest INC	-		- %	16,427	7	1.20%
Pilkington North America	-		- %	14,406	8	1.05%
Wal-Mart	-		- %	10,983	9	0.80%
Kaiser Aluminum & Chem Corp	-		- %	10,715	10	0.78%
Total	\$ <u>236,134</u>		<u>11.36%</u>	\$ <u>230,621</u>		<u>16.79%</u>

Source: Grayson County Appraisal District



## CITY OF SHERMAN, TEXAS

## PROPERTY TAX LEVIES AND COLLECTIONS

## LAST TEN FISCAL YEARS

(amounts expressed in thousands)

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 5,574	\$ 5,474	98.3%	\$ 75	\$ 5,549	99.55%
2003	5,896	5,846	98.8%	15	5,861	99.40%
2004	6,057	5,921	99.2%	108	6,029	99.54%
2005	6,510	6,258	96.1%	97	6,355	97.61%
2006	7,069	6,802	96.2%	142	6,944	98.23%
2007	7,580	7,422	97.9%	74	7,496	98.89%
2008	8,087	7,759	95.9%	-	7,759	95.94%
2009	6,717	6,490	96.6%	-	6,697	99.70%
2010	7,094	6,538	92.2%	94	6,978	98.36%
2011	7,135	6,553	91.8%	96	7,005	98.18%

Source: Grayson County Tax Assessor Collector

**CITY OF SHERMAN, TEXAS**  
**WATER SOLD BY TYPE OF CUSTOMER**  
**LAST SIX FISCAL YEARS**

Type of Customer	2006		2007		2008		2009		2010		2011	
	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*	Thousands of Gallons	Revenues*
Residential	1,333.2	\$ -	1,049.3	\$ -	1,134.2	\$ 5,470	1,099.3	\$ 5,649	1,081.4	\$ 5,813	1,235.1	\$ 6,460
Commercial	1,542.9	-	1,410.5	-	1,428.0	4,581	1,324.9	4,528	1,382.6	4,810	1,405.0	5,112
Other water providers	50.0	-	61.3	-	59.6	121	59.1	122	72.5	149	71.0	149
Outside City limits	22.5	-	18.2	-	17.2	128	17.4	130	20.6	141	23.0	159
Government	22.3	-	19.0	-	23.6	*	23.6	*	24.6	*	38.2	*
Fire hydrants	17.0	-	9.3	-	14.4	784	27.9	130	13.1	63	7.1	49
<b>Total</b>	<u>2,987.9</u>	<u>\$ -</u>	<u>2,567.6</u>	<u>\$ -</u>	<u>2,677.0</u>	<u>\$ 11,084</u>	<u>2,552.2</u>	<u>\$ 10,559</u>	<u>2,594.8</u>	<u>\$ 10,976</u>	<u>2,779.4</u>	<u>\$ 11,929</u>

The City began reporting Water Sold by Type of Customer in 2007. Prior to 2006, this data is unavailable.

\*Note: Revenues breakdown not available.

## CITY OF SHERMAN, TEXAS

## WATER AND SEWER RATES

## LAST SIX FISCAL YEARS

Fiscal Year	Water		Sewer	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
2006	\$ 17.19	\$ 2.49	\$ 6.22	\$ 2.64
2007	17.46	2.49	6.28	2.68
2008	18.21	2.60	6.53	2.79
2009	18.48	2.64	6.63	2.83
2010	19.59	2.80	7.03	3.00
2011	19.59	2.80	7.03	3.00

**Note:** The City began reporting Water and Sewer Rates in 2007. Prior to 2006, this data is unavailable.

TABLE 11

## CITY OF SHERMAN, TEXAS

## TOP TEN WATER CUSTOMERS

AS OF SEPTEMBER 30, 2011

Customer	Consumption <i>(In Millions of Gallons)</i>	Revenues <i>(In Thousands)</i>	Rank	% of Total Water Revenues
TI	239.0	\$ 753.3	1	7.13%
MEMC	236.0	698.0	2	6.61%
IBP	153.0	452.0	3	4.28%
Globitech	139.0	412.1	5	3.90%
Folger Coffee Co	59.3	180.0	4	1.70%
Austin College	52.1	226.0	7	2.14%
Sunny Delight Beverages	46.0	147.4	6	1.40%
Marilee Special Water District	42.3	126.0	8	1.19%
THPN-WNJ	37.0	142.0	9	1.34%
Sherman ISD	37.0	168.0	10	1.59%
Total	1,040.7	\$ 3,304.8		31.28%

Note: Total water revenues from October 1, 2008 through September 30, 2011 was \$11,929,398.

**CITY OF SHERMAN, TEXAS**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**

(amounts expressed in thousands)

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Water and Sewer Bonds	Capital Leases	Other			
2002	\$ 1,675	\$ 432	\$ 815	\$ -	\$ -	\$ 2,922	0.45%	\$ 83
2003	1,650	634	700	812	-	3,796	0.58%	108
2004	4,465	515	575	4,533	1,484	11,572	1.76%	330
2005	4,435	400	445	3,957	820	10,057	1.53%	287
2006	4,555	608	305	3,694	3,637	12,799	1.95%	365
2007	4,440	1,192	150	2,968	3,659	12,409	1.89%	354
2008	9,270	909	-	2,335	3,380	15,894	2.42%	453
2009	17,595	659	-	1,750	3,320	23,324	3.55%	665
2010	16,990	1,653	-	1,225	3,256	23,124	3.01%	618
2011	16,295	1,323	-	871	3,179	21,668	2.70%	562

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Demographic and Economic Statistics for personal income and population data.

## CITY OF SHERMAN, TEXAS

## RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS  
(amounts expressed in thousands)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2002	\$ 1,675	0.12%	\$ 48
2003	1,650	0.11%	47
2004	4,465	0.29%	127
2005	4,435	0.28%	126
2006	4,555	0.26%	130
2007	4,440	0.23%	127
2008	9,270	0.46%	264
2009	17,595	0.85%	502
2010	16,990	0.77%	454
2011	16,295	0.73%	423

## Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

Population data can be found in the Schedule of Demographic and Economic Statistics.

## CITY OF SHERMAN, TEXAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2011  
(amounts expressed in thousands)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
City of Sherman direct debt	\$ 16,990	100.000%	\$ 16,990
Grayson County	5,917	32.639%	1,931
Grayson County Community College	56	32.683%	18
Sherman Independent School District	120	94.197%	<u>113</u>
Total direct and overlapping debt			<u>\$ 19,053</u>

Sources: Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the county.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Sherman. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the government's boundaries and dividing it by the county's total taxable assessed value.

CITY OF SHERMAN, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

(amounts expressed in thousands)

		Legal Debt Margin Calculation for Fiscal Year 2011											
		Assessed value										\$	2,222,187
		Add back: exemptions and deductions											<u>540,540</u>
		Total assessed value											2,762,727
		Debt limit (1% of total assessed value)											27,627
		Debt applicable to limit:											
		General obligation bonds											<u>16,295</u>
		Legal debt margin										\$	<u><u>11,332</u></u>
		Fiscal Year											
		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011		
Debt limit	\$	18,199	\$ 18,548	\$ 19,745	\$ 19,915	\$ 21,879	\$ 18,934	\$ 16,318	\$ 26,172	\$ 27,834	\$ 27,627		
Total net debt applicable to limit		<u>1,675</u>	<u>1,650</u>	<u>4,465</u>	<u>4,435</u>	<u>4,555</u>	<u>4,440</u>	<u>9,270</u>	<u>17,595</u>	<u>16,990</u>	<u>16,295</u>		
Legal debt margin	\$	<u><u>16,524</u></u>	<u><u>16,898</u></u>	<u><u>15,280</u></u>	<u><u>15,480</u></u>	<u><u>17,324</u></u>	<u><u>14,494</u></u>	<u><u>7,048</u></u>	<u><u>8,577</u></u>	<u><u>10,844</u></u>	<u><u>11,332</u></u>		
Total net debt applicable to the limit as a percentage of debt limit.		9.20%	8.90%	22.61%	22.27%	20.82%	23.45%	56.81%	67.23%	61.04%	58.98%		

Note:

The City of Sherman's outstanding general obligation debt is not limited in relation to the total assessed property value, but other debt is not to exceed 1% of valuation. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.



## CITY OF SHERMAN, TEXAS

## PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS  
(amounts expressed in thousands)

Fiscal Year	Water Revenue Bonds						Coverage
	Water and Sewer Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2002	\$ 14,825	\$ 11,589	\$ 3,236	\$ 115	\$ 42	\$ 21	
2003	15,269	13,363	1,906	125	36	12	
2004	15,299	12,308	2,991	130	29	19	
2005	16,088	13,271	2,817	140	42	16	
2006	18,652	13,996	4,656	150	14	28	
2007	18,205	14,354	3,851	155	6	24	
2008	18,205	15,995	2,210	-	-	-	
2009	18,104	16,222	1,882	-	-	-	
2010	18,544	15,425	3,119	-	-	-	
2011	20,389	16,732	3,657	-	-	-	

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

## CITY OF SHERMAN, TEXAS

## DEMOGRAPHIC AND ECONOMIC STATISTICS

## LAST TEN FISCAL YEARS

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level in Years of Formal Schooling</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2002	35,082	\$ 656,630	\$ 18,717	34.0	78.5%	6,173	5.3%
2003	35,082	656,630	18,717	34.0	78.5%	6,244	5.3%
2004	35,082	656,630	18,717	34.0	78.5%	6,363	5.3%
2005	35,082	656,630	18,717	34.0	78.5%	6,380	5.3%
2006	35,082	656,630	18,717	34.0	87.0%	6,400	4.7%
2007	35,082	656,630	18,717	34.0	80.2%	6,572	4.6%
2008	35,082	656,630	18,717	34.0	79.0%	6,568	5.7%
2009	35,082	656,630	18,717	34.0	79.0%	6,714	7.1%
2010	37,422	768,461	20,535	34.0	82.3%	7,369	8.1%
2011	38,521	768,461	20,850	34.0	82.6%	6,924	6.0%

Sources: U. S. Census, Sherman ISD, Texas Workforce Commission

TABLE 18

## CITY OF SHERMAN, TEXAS

## PRINCIPAL EMPLOYERS

## CURRENT YEAR AND SEVEN YEARS AGO

Taxpayer	2011			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment*
Tyson Fresh Meats	1,500	1	8.22%	1,600	1	9.74%
Sherman ISD	1,080	3	5.92%	1,000	5	6.09%
Texas Health Presbyterian Hosp	900	2	4.93%	940	6	5.72%
Texas Instruments	900	4	4.93%	1,000	4	6.09%
Grayson County	465	5	2.55%	475	8	2.89%
City of Sherman	470	6	2.19%	-		- %
Fisher Controls (Emerson Proc	320	9	1.75%	380	10	2.31%
Austin College	300	7	1.64%	-		- %
Cooper B Line	300	7	1.64%	-		- %
West Asset Mgmt. Call Center	275	10	1.51%	-		- %
Johnson & Johnson	-		- %	-		- %
Community Medical Center	-		- %	-		- %
Proctor & Gamble	-		- %	-		- %
Presco Products	-		- %	-		- %
Cigna	-		- %	1,350	2	8.22%
Texoma Regional Health Care	-		- %	1,250	3	7.61%
MEMC Southwest	-		- %	511	7	3.11%
Wal-Mart	-		- %	400	9	2.44%
Total	6,510		35.28%	8,906		54.22%

Source: Sherman Economic Development Corporation

\* Information was not available for years 2001-2004

**CITY OF SHERMAN, TEXAS**  
**FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES**  
**BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fulltime Equivalent Employees as of September 30,			
	2002	2003	2004	2005
General government				
Management services	4	4	4	4
Public records	2	2	2	2
Legal services	2	2	2	2
Financial services	4	5	5	5
Human resources	3	3	3	3
Procurement services	2	-	-	-
Development/engineering	7	7	7	6
Law enforcement	60	60	60	68
Fire and ambulance	75	75	75	758
Animal control	6	7	7	7
Public safety support	24	24	24	24
Building and zoning/code	9	9	9	9
Street maintenance	27	27	27	27
Stormwater services	1	1	1	1
Alley and right-of-way	5	4	4	4
Building maintenance	8	9	9	9
Cemetery services	5	5	5	5
Parks and recreation	4	4	4	4
Grounds maintenance	13	13	13	13
Glennie O. Ham Center	2	2	2	2
Library services	11	11	11	11
General administration	1	1	1	-
Community development	-	-	-	-
Day care center	13	13	13	13
Senior citizens center	2	2	2	2
Utility Fund				
Utility administration	-	-	-	2
Utility billing/customer service	15	9	9	9
Production services	18	18	18	18
Pump maintenance	4	4	4	4
Collection and distribution	18	18	17	17
Infiltration	1	-	-	-
Treatment services	12	12	12	12
Laboratory	8	8	9	9
Industrial pretreatment	-	-	-	-
Solid waste fund				
Residential	19	13	13	13
Commercial	-	3	11	13
Recycling	-	3	3	3
Other				
Main Street Program	-	-	-	-
Airport	1.0	-	-	-
Workers' compensation	-	-	-	-
Computer services	4	3	3	3
Equipment services	14	14	14	14
<b>Total</b>	<b>404</b>	<b>395</b>	<b>403</b>	<b>1,096</b>

Source: City of Sherman Human Resources Office

**TABLE 19**

Fulltime Equivalent Employees as of September 30,						
2006	2007	2008	2009	2010	2011	
4	4	4	4	4	4	3
2	2	2	2	2	2	2
2	2	2	2	2	2	2
6	6	6	6	6	6	6
3	3	3	3	3	3	3
-	-	-	-	-	-	-
6	6	6	6	6	8	8
68	68	68	68	68	68	68
75	75	75	75	75	78	78
7	7	7	7	7	7	7
24	24	24	24	24	25	25
8	9	9	9	9	8	6
27	23	23	23	23	25	25
1	-	-	-	-	1	-
4	2	-	-	-	-	2
9	9	9	9	9	9	9
5	5	5	5	5	4	4
5	5	5	5	5	5	5
13	13	13	11	11	15	15
2	2	2	2	2	2	2
11	12	12	11	11	11	11
-	-	-	-	-	-	-
-	-	2	1	1	1	1
13	13	13	-	-	-	-
2	2	2	2	2	2	1
2	2	2	2	2	1	1
9	9	11	11	11	11	11
18	18	18	18	18	18	18
4	4	4	4	4	4	4
17	17	17	17	17	16	16
-	1	1	1	1	1	1
12	12	12	12	12	12	12
9	9	9	9	9	6	6
-	-	-	-	-	4	4
13	13	14	14	14	14	15
13	13	13	13	13	13	12
3	3	3	3	3	3	3
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	4	4	4	4
3	4	4	14	14	14	14
14	14	14	1	1	1	1
<u>414</u>	<u>411</u>	<u>414</u>	<u>398</u>	<u>408</u>	<u>405</u>	

TABLE 20

**CITY OF SHERMAN, TEXAS**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Police</b>										
Physical arrests	2,714	2,254	2,060	1,223	1,485	1,750	1,787	1,781	1,946	2,864
Calls for service	3,351	3,397	2,050	1,223	2,242	2,523	2,652	1,584	19,126	19,040
Traffic violations	4,193	6,902	8,822	4,082	6,379	5,920	6,856	5,154	8,677	6,253
<b>Fire</b>										
Number of calls answered	-	5,607	5,368	5,940	6,730	6,769	6,140	5,661	5,682	6,063
Inspections	-	2,241	2,339	1,834	1,750	2,110	1,623	145	1,844	3,027
<b>Highways and streets</b>										
Street resurfacing (miles)	-	60	69	54	62	65	78	47	18	25
Potholes repaired	-	13,420	16,509	14,008	3,900	400	350	1,425	2,420	1,400
<b>Sanitation</b>										
Refuse collected (tons/day)	-	-	-	137	188	138	181	150	159	112
Recyclables collected (tons/day)	-	-	6	7	7	7	10	11	10	8
<b>Culture and recreation</b>										
Athletic field permits issued	539	556	570	589	627	650 *	721	1,248	3,845	3,503
Community center admissions	-	3,337	3,726	4,599	5,634	5,697 *	6,284	6,156	9,592	5,932
<b>Water</b>										
New connections	2,535	2,665	2,703	2,698	2,852	2,851	2,800	2,572	2,514	2,572
Water mains breaks	181	206	185	311	354	202	206	138	161	280
Average daily consumption (thousands of gallons)	8	8	7	8	9	7	9	8.7	8.3	10.0
<b>Wastewater</b>										
Average daily sewage treatment (thousands of gallons)	7,930	6,990	8,160	8,150	7,630	8,890	7,790	8,460	8,530	7,200

Source: Various City departments

\* Estimates used; actual number not available.

**TABLE 21**

**CITY OF SHERMAN, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	15	15	15	17	17	17	17	17
Fire stations	5	5	5	5	5	5	5	5	5	5
Sanitation										
Collection trucks	22	24	28	32	38	39	-	39	40	37
Highways and streets										
Streets (miles)	208	210	210	210	210	213	215	215	212	212
Streetlights	-	-	2,935	2,935	2,935	2,966	2,966	3,019	3,049	3,049
Traffic signals	-	-	-	82	82	84	84	84	84	84
Culture and recreation										
Parks acreage	471	471	440	414	414	414	414	424	424	414
Swimming pools	2	2	1	1	1	1	1	1	1	1
Tennis courts	-	-	4	4	4	4	4	4	4	4
Community centers	-	-	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	-	-	219	220	220	220	226	269	269	270
Fire hydrants	1,920	1,917	1,945	1,945	1,970	1,970	1,995	2,023	2,208	1,775
Maximum daily capacity (thousands of gallons)	25,600	25,600	27,500	27,500	23,800	23,673	23,500	28,766	23,000	23,000
Sewer										
Sanitary sewers (miles)	216	216	218	218	219	219	221	238	238	238
Storm sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-	-
Maximum daily capacity (thousands of gallons)	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000

Source: Various City departments

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