

CITY OF OVERTON, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2007

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CITY OF OVERTON, TEXAS
September 30, 2007

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John A. Blakeway
CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 570 – 105 W. Mansfield Hwy.
Kennedale, Texas 76060
Phone (817) 483-4851/fax (817) 483-4898
Email: blakewaym@sbcglobal.net

**Independent Auditor's Report on Financial Statements
and Supplemental Data**

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

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

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Overton, Texas as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report on Financial Statements
and Supplemental Data - Continued

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

John A. Blakeway

John A. Blakeway, CPA

Fort Worth, Texas
June 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF OVERTON
September 30, 2007

This section of City of Overton, Texas' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2007. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

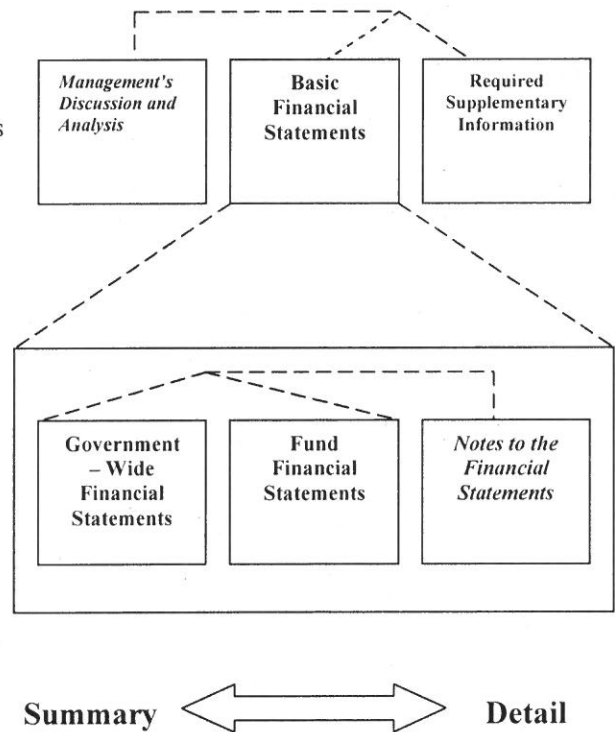
- The City's total combined net assets were \$100,345 at September 30, 2007.
- During the year, the City's expenses were \$47,038 more than the \$2,005,507 generated in taxes, charges for service and other revenues for governmental and business-type activities.
- The general fund reported a fund balance this year of \$19,658.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses.
- Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
CITY OF OVERTON
September 30, 2007

Government-wide 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 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 most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-wide Financial Statements are designed to distinguish functions of the City that are principally supported by taxes, intergovernmental revenues, fees, and fines (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, public works, social services and recreation, and debt service. The business-type activities of the City are comprised of a water and sewer utility fund.

The Government-wide Financial Statements include not only the City itself (known as the primary government) but also a legally separate economic development corporation and a municipal development district for which the City is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

The Government-wide Financial Statements can be found on pages 15-16 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- Governmental funds—Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

The City maintains seven (7) individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Debt Service Fund and the Construction Fund, each of which is considered to be a major fund. A budgetary comparison schedule has been provided for the General Fund on page 46 to demonstrate compliance with the annual appropriated budget. Data from the other four (4) governmental funds are combined into a single, aggregated presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
CITY OF OVERTON
September 30, 2007

The basic Governmental Fund Financial Statements can be found on pages 17-20 of this report.

- Proprietary funds — Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

The City uses an enterprise fund to account for its Water and Sewer utility.

Proprietary Funds provide the same type of information as the Government-wide Financial Statements, only in more detail.

The basic Proprietary Fund Financial Statements can be found on pages 21-23 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 can be found on pages 24-44 of this report.

Single Audit

The City expended less than \$500,000 in federal financial assistance during the year ended September 30, 2007. As a result, a single audit in accordance with Office of Management and Budget (OMB) Circular A-133 was not required.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, Net Assets may serve over time as a useful indicator of the City's financial position. In the case of the City, assets exceeded liabilities by \$100,345 at the close of the most recent fiscal year.

A portion the City's Net Assets reflects its investment in capital assets for the General Fund and the Water & Sewer Enterprise Fund (e.g., Land, Machinery and Equipment, and its Water and Wastewater Distribution System), less the related debt to acquire those assets that is 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 investment in 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.

Restricted net assets totaling \$298,787 are restricted for capital projects (\$287,684) and for debt service (\$11,103).

Unrestricted net assets were \$99,053. This amount represents resources available to fund programs of the City for the next year.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
CITY OF OVERTON
September 30, 2007

Table A-1
City of Overton, Texas
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets:						
Cash and Cash Equivalents	\$ 127,698	\$ 109,599	\$ 274,803	\$ 359,733	\$ 402,501	\$ 469,332
Taxes Receivable (Net)	126,090	137,342	2,368	1,137	128,458	138,479
Accounts Receivable (Net)	-	113,784	135,770	144,896	135,770	258,680
Internal Balances	39,843	42,154	-	(42,154)	39,843	-
Inventory	-	-	14,097	19,078	14,097	19,078
Total Current Assets	<u>293,631</u>	<u>402,879</u>	<u>427,038</u>	<u>482,690</u>	<u>720,669</u>	<u>885,569</u>
Noncurrent Assets:						
Capitalized Bond Issue Cost	13,403	14,297	109,077	122,032	122,480	136,329
Capital Assets	5,679,479	-	5,718,662	5,718,662	11,398,141	5,718,662
Accumulated Depreciation	(4,488,354)	-	(3,393,309)	(3,232,210)	(7,881,663)	(3,232,210)
Total Noncurrent Assets	<u>1,204,528</u>	<u>14,297</u>	<u>2,434,430</u>	<u>2,608,484</u>	<u>3,638,958</u>	<u>2,622,781</u>
Total Assets	<u>\$ 1,498,159</u>	<u>\$ 417,176</u>	<u>\$ 2,861,468</u>	<u>\$ 3,091,174</u>	<u>\$ 4,359,627</u>	<u>\$ 3,508,350</u>
Current Liabilities:						
Accounts Payable & Accrued Expense	\$ 46,513	\$ 43,308	\$ 108,488	\$ 92,947	\$ 155,001	\$ 136,255
Due to Component Unit	-	38,206	39,843	-	39,843	38,206
Unearned Revenue	13,397	13,396	-	-	13,397	13,396
Customer Deposits	-	-	100,620	99,270	100,620	99,270
Due within one year	51,707	50,612	193,403	171,933	245,110	222,545
Total Current Liabilities	<u>111,617</u>	<u>145,522</u>	<u>442,354</u>	<u>364,150</u>	<u>553,971</u>	<u>509,672</u>
Noncurrent Liabilities:						
Due in more than one year	<u>1,522,495</u>	<u>1,573,628</u>	<u>2,182,817</u>	<u>2,363,858</u>	<u>3,705,312</u>	<u>3,937,486</u>
Total Noncurrent Liabilities	<u>1,522,495</u>	<u>1,573,628</u>	<u>2,182,817</u>	<u>2,363,858</u>	<u>3,705,312</u>	<u>3,937,486</u>
Total Liabilities	<u>1,634,112</u>	<u>1,719,150</u>	<u>2,625,171</u>	<u>2,728,008</u>	<u>4,259,283</u>	<u>4,447,158</u>
Net Assets:						
Invested in Capital Assets	(369,674)	(1,593,250)	72,179	75,101	(297,495)	(1,518,149)
Restricted	128,903	124,750	169,884	238,970	298,787	363,720
Unrestricted	104,818	166,526	(5,765)	49,095	99,053	215,621
Total Net Assets	<u>\$ (135,953)</u>	<u>\$ (1,301,974)</u>	<u>\$ 236,298</u>	<u>\$ 363,166</u>	<u>\$ 100,345</u>	<u>\$ (938,808)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
CITY OF OVERTON
September 30, 2007

Table A-2
City of Overton, Texas
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Charges for Services	\$ 82,547	\$ 135,481	\$ 1,085,483	\$ 991,811	\$ 1,168,030	\$ 1,127,292
Operating Grants & Contributions	126,749	20,826	-	-	126,749	20,826
Capital Grants & Contributions	-	-	-	16,130	-	16,130
General Revenues:						
Property Taxes	382,879	350,579	-	-	382,879	350,579
Sales & Franchise Taxes	250,051	252,815	-	-	250,051	252,815
Other	75,108	74,813	2,690	2,697	77,798	77,510
Total Revenues	<u>917,334</u>	<u>834,514</u>	<u>1,088,173</u>	<u>1,010,638</u>	<u>2,005,507</u>	<u>1,845,152</u>
Functions/Programs:						
General Government	360,421	295,966	-	-	360,421	295,966
Public Safety	345,639	380,366	-	-	345,639	380,366
Streets	133,542	73,324	-	-	133,542	73,324
Public Works	136,860	108,554	-	-	136,860	108,554
Social Services	16,734	16,639	-	-	16,734	16,639
Interests on Long-Term Debt	75,907	97,462	109,339	-	185,246	97,462
Water & Sewer	-	-	874,103	933,045	874,103	933,045
Total Expenses	<u>1,069,103</u>	<u>972,311</u>	<u>983,442</u>	<u>933,045</u>	<u>2,052,545</u>	<u>1,905,356</u>
Increase in Net Assets Before Transfers	-	(137,797)	-	77,593	-	(60,204)
Transfers	<u>231,600</u>	<u>202,048</u>	<u>(231,600)</u>	<u>(202,048)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>79,831</u>	<u>64,251</u>	<u>(126,869)</u>	<u>(124,455)</u>	<u>(47,038)</u>	<u>(60,204)</u>
Net Assets, Beginning	(1,301,974)	(1,421,318)	363,167	524,125	(938,807)	(897,193)
Prior Period Adjustments	<u>1,086,190</u>	<u>55,093</u>	<u>-</u>	<u>(36,504)</u>	<u>1,086,190</u>	<u>18,589</u>
Net Assets, Beginning (Restated)	<u>(215,784)</u>	<u>(1,366,225)</u>	<u>363,167</u>	<u>487,621</u>	<u>147,383</u>	<u>(878,604)</u>
Net Assets, Ending	<u>\$ (135,953)</u>	<u>\$ (1,301,974)</u>	<u>\$ 236,298</u>	<u>\$ 363,166</u>	<u>\$ 100,345</u>	<u>\$ (938,808)</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
CITY OF OVERTON
September 30, 2007

Chart A-1
City of Overton, Texas
Revenues for the Year Ended September 30, 2007

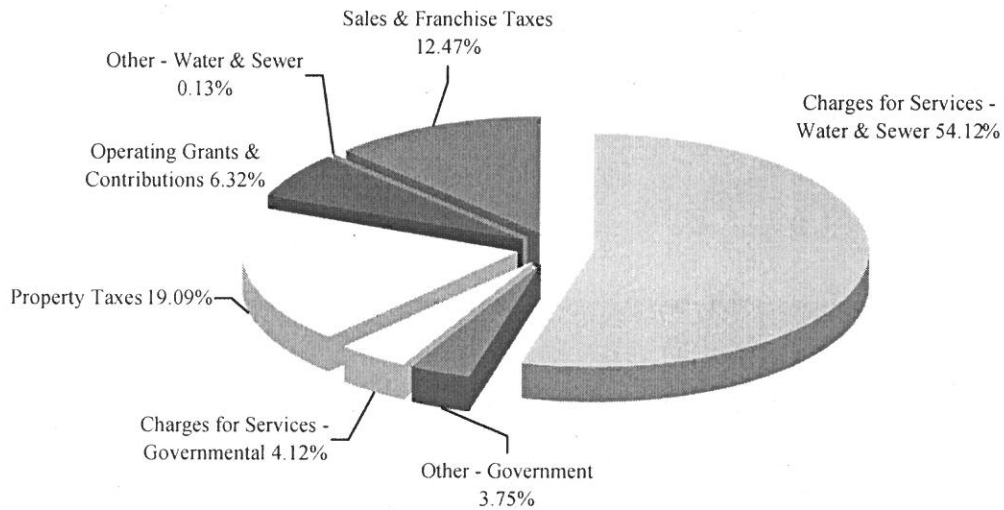
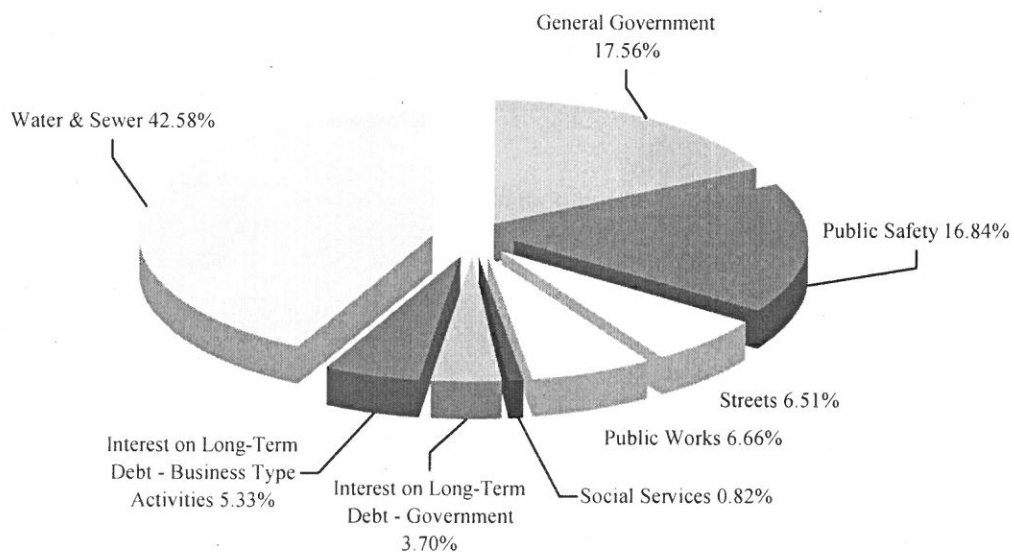


Chart A-1
City of Overton, Texas
Expenses for the Year Ended September 30, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
CITY OF OVERTON
September 30, 2007

Governmental Activities

Governmental activities increased the City's net assets by \$79,831 before prior year adjustments. Key elements in this increase are as follows:

- Property tax revenue decreased \$32,300, or 9.2% as a result in the increase in the City's tax base.
- Sales and franchise tax revenues decreased \$2,764, or .79%. This decrease was the result of the slow local economy.

Business-Type Activities

Business-type activities decreased the City's net assets by \$126,869. The key element in this decrease is:

- A transfer to the General Fund to provide funding for debt payments.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's Governmental Funds reported combined ending Fund Balances of \$149,289, an increase of \$27,021 in comparison with the prior year. The City's unreserved Fund Balance was \$20,386. The remainder of Fund Balance is reserved to indicate that it is not available for new spending because it has already been committed for capital projects (\$128,903).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, Unreserved Fund Balance of the General Fund was \$19,658.

The Fund Balance of the City's General Fund increased by \$23,405 during the current fiscal year. The key factor in this increase was:

- *An increase in revenues which was greater than the increase in expenditures..*

The Construction Fund has a remaining fund balance of \$128,903 from the proceeds of the 2002 Street Certificates of Obligation.

The Debt Service Fund has no fund balance. The City annually transfers property taxes sufficient to pay the annual debt payments.

Proprietary Funds. The City's Proprietary Funds provide the same type of information as the Government-wide Financial Statements, only in more detail.

Unrestricted net assets of the Water & Sewer Enterprise Fund at the end of the year were a negative \$5,765. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities above.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
CITY OF OVERTON
September 30, 2007

General Fund Budgetary Highlights

The City budgets on a departmental basis, without regard to whether expenditures are current, capital, debt service, or a transfer to another fund. Refer to Note II to the financial statements for further information regarding the City's General Fund budgeting practices.

Significant differences between the budget and actual General Fund expenditures are as follows:

- \$33,131 in negative budget variances in General Government expenses.
- \$124,542 in negative budget variances in Street and Drainage due to street repairs that were offset by grant proceeds.
- \$28,999 in negative variances in Public Works.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the City's investment in capital assets for its governmental and business-type activities amounts to \$3,516,478 (net of accumulated depreciation). This investment in capital assets includes land, machinery and equipment, water and wastewater distribution system, and construction in progress. More detailed information about the City's capital assets is presented in Note III to the financial statements.

Table A-3
City of Overton, Texas
Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 312,230	\$ -	\$ 50,201	\$ 50,201	\$ 362,431	\$ 50,201
Infrastructure	3,475,000	-	-	-	3,475,000	-
Buildings	1,361,900	-	-	-	1,361,900	-
Machinery & Equipment	530,349	-	407,591	407,591	937,940	407,591
Water & Wastewater	-	-	-	-	-	-
Distribution	-	-	5,226,685	5,226,685	5,226,685	5,226,685
Construction in Progress	-	-	34,185	34,185	34,185	34,185
Total Capital Assets	\$ 5,679,479	\$ -	\$ 5,718,662	\$ 5,718,662	\$ 11,398,141	\$ 5,718,662
Less: Accumulated Depreciation	(4,488,354)	-	(3,393,309)	(3,232,210)	(7,881,663)	(3,232,210)
Net Capital Assets	<u>\$ 1,191,125</u>	<u>\$ -</u>	<u>\$ 2,325,353</u>	<u>\$ 2,486,452</u>	<u>\$ 3,516,478</u>	<u>\$ 2,486,452</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
CITY OF OVERTON
September 30, 2007

Long Term Debt

At year-end, the City had \$3,757,017 in certificates of obligation, loans, and capital leases outstanding as shown in Table A-4. More detailed information about the City's debt is presented in Note III to the financial statements.

Table A-4
City of Overton, Texas
Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Certificates of Obligation	1,454,676	1,477,703	2,314,991	2,479,190	3,769,667	3,956,893
Loans Payable	\$ 35,133	\$ 39,501	\$ 47,260	\$ 54,193	\$ 82,393	\$ 93,694
Compensated Absences	17,267	16,693	1,499	2,408	18,766	19,101
Capital Leases	67,124	90,343	-	-	67,124	90,343
Total	<u>\$ 1,574,200</u>	<u>\$ 1,624,240</u>	<u>\$ 2,363,750</u>	<u>\$ 2,535,791</u>	<u>\$ 3,937,950</u>	<u>\$ 4,160,031</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Economic factors and next year's budgets and rates:

- Appraisal value used for the 2008 budget preparation is 66,768,536 with a rate of \$0.38092 per \$100 valuation for general operations and a debt service rate of \$0.1750 per \$100 valuation for a total tax rate of \$0.5559 per \$100 valuation.
- Sales tax revenues in the 2008 budget are projected to be consistent with actual amounts in the 2007 fiscal year.
- Water and sewer revenues are expected to be increased as follows:

Residential water - \$4.00 increase to base rate / \$0.50 increase to usage rate
Commercial water - \$4.00 increase to base rate / \$0.50 increase to usage rate
Prison Water - \$2,252.00 increase to base rate / \$1.75 increase to usage rate

CONTACTING THE CITY'S FINANCIAL MANAGEMENT STAFF

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances. In addition, it provides evidence of accountability for funds the City receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Overton, Texas, Drawer D, Overton, Texas 75684.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
CITY OF OVERTON
September 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation	Municipal Development District
ASSETS					
Cash and investments	\$ 127,698	\$ (1,049)	\$ 126,649	\$ 514,175	\$ 96,339
Receivables (net allowance uncollectibles):					
Taxes	126,090	2,368	128,458	15,924	10,046
Accounts	-	135,770	135,770	-	-
Due from other governments	-	-	-	-	-
Other	-	-	-	232	-
Internal balances	39,843	(39,843)	-	-	-
Restricted cash and investments	-	275,852	275,852	-	-
Inventory	-	14,097	14,097	-	-
Bond issuance costs	13,403	109,077	122,480	-	-
Capital assets:					
Land	312,230	50,201	362,431	-	-
Infrastructure	3,475,000	-	3,475,000	-	-
Buildings	1,361,900	-	1,361,900	-	-
Machinery and equipment	530,349	407,591	937,940	-	-
Water and wastewater distribution	-	5,260,870	5,260,870	-	-
Less: accumulated depreciation	(4,488,354)	(3,393,309)	(7,881,663)	-	-
Total capital assets	<u>1,191,125</u>	<u>2,325,353</u>	<u>3,516,478</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 1,498,159</u>	<u>\$ 2,821,625</u>	<u>\$ 4,319,784</u>	<u>\$ 530,331</u>	<u>\$ 106,385</u>
LIABILITIES					
Accounts payable	\$ 19,910	\$ 108,488	\$ 128,398	\$ -	\$ -
Accrued liabilities	17,493	-	17,493	-	-
Accrued interest payable	9,110	12,470	21,580	-	-
Due to component unit	-	-	-	-	-
Unearned revenue	13,397	-	13,397	-	-
Customer deposits	-	100,620	100,620	-	-
Noncurrent liabilities:					
Due within one year	51,707	180,933	232,640	-	-
Due in more than one year	<u>1,522,495</u>	<u>2,182,817</u>	<u>3,705,312</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,634,112</u>	<u>2,585,328</u>	<u>4,219,440</u>	<u>-</u>	<u>-</u>
NET ASSETS					
Invested in capital assets, net of related debt	(369,674)	72,179	(297,495)	-	-
Restricted:					
Debt Services	-	11,103	11,103	-	-
Capital Projects	128,903	158,781	287,684	-	-
Unrestricted	<u>104,818</u>	<u>(5,765)</u>	<u>99,053</u>	<u>530,331</u>	<u>106,385</u>
Total net assets	<u>\$ (135,953)</u>	<u>\$ 236,298</u>	<u>\$ 100,345</u>	<u>\$ 530,331</u>	<u>\$ 106,385</u>

See Notes to Financial Statements.

STATEMENT OF ACTIVITIES
CITY OF OVERTON
September 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets				
		Charges for Services	Operating Grants and Contributions	Primary Government			Component Units	
				Governmental Activities	Business-Type Activities	Total	Economic Development Corporation	Municipal Development District
Primary Government:								
Governmental Activities:								
General Government	\$ 360,421	22,793	-	337,628	-	337,628	-	-
Public Safety	345,639	59,754	-	285,885	-	285,885	-	-
Streets	133,542	-	126,749	6,793	-	6,793	-	-
Public Works	136,860	-	-	136,860	-	136,860	-	-
Social Services	16,734	-	-	16,734	-	16,734	-	-
Interest on Long-Term Debt	75,907	-	-	75,907	-	75,907	-	-
Total Governmental Activities	1,069,103	82,547	126,749	859,807	-	859,807	-	-
Business-Type Activities:								
Water & Sewer	983,442	1,085,483	-	-	(102,041)	(102,041)	-	-
Total Primary Government	2,052,545	1,168,030	126,749	859,807	(102,041)	757,766	-	-
Component Units:								
Economic Development Corp.	61	-	-	-	-	-	61	-
Municipal Development District	19,429	-	-	-	-	-	-	19,429
General Revenues:								
Taxes:								
Property Taxes				382,879	-	382,879	-	-
Sales Taxes				166,905	-	166,905	83,449	58,614
Franchise Taxes				83,146	-	83,146	-	-
Investment Earnings				5,776	2,690	8,466	16,785	245
Miscellaneous				69,332	-	69,332	-	-
Transfers				231,600	(231,600)	-	-	-
Total General Revenues and Transfers				939,638	(228,910)	710,728	100,234	58,859
Change in Net Assets				79,831	(126,869)	(47,038)	100,173	39,430
Net Assets - Beginning (As Restated)				(215,784)	363,167	147,383	430,158	66,955
Net Assets - Ending				(135,953)	236,298	100,345	530,331	106,385

See Notes to Financial Statements.

BALANCE SHEET – GOVERNMENTAL FUNDS
CITY OF OVERTON
September 30, 2007

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 14,729	\$ -	\$ 112,241	\$ 728	\$ 127,698
Receivables (net of allowance (for uncollectibles):					
Taxes:					
Sales	31,853	-	-	-	31,853
Property	62,361	31,181	-	-	93,542
Franchise	695	-	-	-	695
Accounts receivable:					
Citations	-	-	-	-	-
Other receivables	-	-	-	-	-
Due from other funds	39,843	-	-	-	39,843
Advances to other funds	-	-	16,662	-	16,662
Total Assets	<u>\$ 149,481</u>	<u>\$ 31,181</u>	<u>\$ 128,903</u>	<u>\$ 728</u>	<u>\$ 310,293</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 19,910	\$ -	\$ -	\$ -	\$ 19,910
Accrued liabilities	17,493	-	-	-	17,493
Due to component unit	-	-	-	-	-
Unearned revenue	75,758	31,181	-	-	106,939
Advances from other funds	16,662	-	-	-	16,662
Total Liabilities	<u>129,823</u>	<u>31,181</u>	<u>-</u>	<u>-</u>	<u>161,004</u>
Fund balances:					
Reserved for:					
Capital projects	-	-	128,903	-	128,903
Unreserved reported in:					
General fund	19,658	-	-	-	19,658
Special revenue funds	-	-	-	728	728
Component unit	-	-	-	-	-
Total fund balances	<u>19,658</u>	<u>-</u>	<u>128,903</u>	<u>728</u>	<u>149,289</u>
Total Liabilities and Fund Balances	<u>\$ 149,481</u>	<u>\$ 31,181</u>	<u>\$ 128,903</u>	<u>\$ 728</u>	<u>\$ 310,293</u>

See Notes to Financial Statements.

CITY OF OVERTON
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
September 30, 2007

Total fund balances-governmental funds balance sheet	\$	149,289
Property taxes receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		93,542
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$5,613,631 and accumulated depreciation was \$4,413,658. The effect of including the beginning balances for capital assets in the governmental activities is to increase net assets.		1,199,973
Current year capital outlays are expenditures in the fund financial statements, but should be shown as increases in capital assets in the governmental activities.		65,848
Current year depreciation expense increases accumulated depreciation. The effect of the current year's depreciation is to decrease net assets.		(74,696)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Certificates of Obligation		(1,454,676)
Capital leases		(67,124)
Notes payable		(35,135)
Compensated absences		(17,267)
Accrued interest payable		(9,110)
Unamortized bond issue costs		13,403
		<u>(1,569,909)</u>
Net Assets of Governmental Activities	\$	<u><u>(135,953)</u></u>

See Notes to Financial Statements.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS
CITY OF OVERTON
September 30, 2007**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes:					
Property	\$ 272,325	\$ 101,502	\$ -	\$ -	\$ 373,827
Sales	166,905	-	-	-	166,905
Franchise	83,146	-	-	-	83,146
Charges for services	21,986	-	-	-	21,986
Fines	59,754	-	-	-	59,754
Intergovernmental	126,749	-	-	-	126,749
Licenses and permits	806	-	-	-	806
Investment earnings	1,624	-	4,152	-	5,776
Miscellaneous:					
Sales of assets	13,555	-	-	-	13,555
Other	32,387	-	-	23,390	55,777
Total revenues	<u>779,238</u>	<u>101,502</u>	<u>4,152</u>	<u>23,390</u>	<u>908,282</u>
EXPENDITURES					
Current:					
General government:					
Administration	297,064	-	-	-	297,064
Judicial	39,835	-	-	-	39,835
Public safety:					
Police	296,451	-	-	-	296,451
Fire	30,867	-	-	-	30,867
Animal Control	3,115	-	-	-	3,115
Streets	133,542	-	-	-	133,542
Public Works	104,144	-	-	23,926	128,070
Social Services	16,567	-	-	-	16,567
Capital outlay	65,848	-	-	-	65,848
Debt service:					
Principal	-	23,027	-	-	23,027
Interest and other charges	-	78,475	-	-	78,475
Total expenditures	<u>987,433</u>	<u>101,502</u>	<u>-</u>	<u>23,926</u>	<u>1,112,861</u>
Excess (deficiency) of revenues over expenditures	<u>(208,195)</u>	<u>-</u>	<u>4,152</u>	<u>(536)</u>	<u>(204,579)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	231,600	-	-	-	231,600
Transfers out	-	-	-	-	-
Capital Leases	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>231,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,600</u>
Net change in fund balances	23,405	-	4,152	(536)	27,021
Fund balances - beginning	(3,747)	-	124,751	1,264	122,268
Fund balances - ending	<u>\$ 19,658</u>	<u>\$ -</u>	<u>\$ 128,903</u>	<u>\$ 728</u>	<u>\$ 149,289</u>

See Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
CITY OF OVERTON**

For the Year Ended September 30, 2007

Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:

Net Change in Fund Balances-Total Governmental Funds	\$	27,021
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Increase in property taxes receivable		9,052
Current capital outlays are expenditures in the fund financial statements, but should be shown as increases in capital assets for governmental activities.		65,848
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of current year depreciation is to decrease net assets.		(74,696)
The issuance of long-term debt (e.g., bonds, leases) 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:		
Principal payments on certificates of obligation		23,538
Principal payments on capital leases		22,708
Principal payments on notes payable		4,366
(Increase) decrease in accrued compensated absences		(574)
		<u>50,038</u>
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
(Increase) decrease in accrued interest payable		3,462
Increase (decrease) in bond issue costs		(894)
		<u>2,568</u>
Changes in Net Assets of Governmental Activities	\$	<u>79,831</u>

See Notes to Financial Statements.

STATEMENT OF NET ASSETS – PROPRIETARY FUND
CITY OF OVERTON
September 30, 2007

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets:	
Cash and investments	\$ (1,049)
Restricted cash and investments:	
Customer deposits	105,968
Debt Service fund	11,103
Construction fund	158,781
Accounts receivable-net of allowance for uncollectibles	135,770
Franchise tax receivable	2,368
Inventory	14,097
Total Current Assets	<u>427,038</u>
Noncurrent assets:	
Bond issuance costs	109,077
Capital assets:	
Land	50,201
Equipment	407,591
Water and wastewater distribution	5,226,685
Construction in progress	34,185
Less: accumulated depreciation	<u>(3,393,309)</u>
Total capital assets	<u>2,325,353</u>
Total noncurrent assets	<u>2,434,430</u>
Total assets	<u>\$ 2,861,468</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 108,488
Customer deposits	100,620
Accrued interest	12,470
Notes payable	5,933
Certificates of Obligation payable	175,000
Due to other funds	39,843
Total current liabilities	<u>442,353</u>
Noncurrent liabilities:	
Notes payable	41,327
Certificates of Obligation payable	2,139,991
Compensated absences payable	1,499
Total noncurrent liabilities	<u>2,182,817</u>
Total liabilities	<u>2,625,170</u>
NET ASSETS	
Invested in capital assets, net of related debt	72,179
Restricted for debt service and bond reserve	11,103
Restricted for capital projects	158,781
Unrestricted	<u>(5,765)</u>
Total net assets	<u>236,298</u>
Total liabilities and net assets	<u>\$ 2,861,468</u>

See Notes to Financial Statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
- PROPRIETARY FUND
CITY OF OVERTON
For the Year Ended September 30, 2007

	<u>Water and Sewer Fund</u>
Operating revenues:	
Charges for services	\$ 1,085,483
Total operating revenues	<u>1,085,483</u>
Operating expenses:	
Cost of sale and services	699,248
Depreciation and amortization	<u>174,855</u>
Total operating expenses	<u>874,103</u>
Operating income (loss)	211,380
Nonoperating revenues (expenses):	
Investment earnings	2,690
Grant revenue	-
Interest and fiscal charges on debt	<u>(109,339)</u>
Total nonoperating revenue (expenses)	<u>(106,649)</u>
Income (loss) before Contributions and Transfers	104,731
Contributions and transfers	
Capital contributions - grants	-
Transfer in (out)	<u>(231,600)</u>
	(231,600)
Change in net assets	(126,869)
Total net assets -- beginning	<u>363,167</u>
Total net assets -- ending	<u>\$ 236,298</u>

See Notes to Financial Statements.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND
CITY OF OVERTON**

For the Year Ended September 30, 2007

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,093,378
Cash payments to suppliers and employees	(665,960)
Cash provided (used) by operating activities	<u>427,418</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Increase/(decrease) in due to/due from other funds	(2,311)
Increase in customer deposits	1,350
Transfers to other funds	(231,600)
Cash provided (used) by noncapital financing activities	<u>(232,561)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal repayments on bonds and debt	(171,933)
Interest and fiscal charges on debt	(110,544)
Cash provided (used) by capital and related financing activities	<u>(282,477)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	2,690
Cash provided (used) by investing activities	<u>2,690</u>
Net Increase in Cash and Cash Equivalents	(84,930)
Cash and Cash Equivalents, Beginning	359,733
Cash and Cash Equivalents, Ending	<u><u>\$ 274,803</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 211,380
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	161,099
Amortization	13,756
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable	7,895
Decrease (increase) in inventory	4,981
Increase (decrease) in accounts payable	29,216
Increase (decrease) in compensated absences	(909)
Total adjustments	<u>216,038</u>
Net cash provided (used) by operating activities	<u><u>\$ 427,418</u></u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
CITY OF OVERTON, TEXAS
September 30, 2007

I. Summary of Significant Accounting Policies

The financial statements of the City of Overton, Texas ("City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City is a Type A general law city and operates under a council-manager form of government and provides the following services: public safety (police), streets, social services, public works, water and sewer, and general administrative services.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Based upon the application of these criteria, the following entities are component units of the City:

Overton Economic Development Corporation (OEDC)

Overton Economic Development Corporation (OEDC) is a nonprofit corporation organized to promote and develop new or expanding employment roles within the City of Overton or adjacent areas of Rusk County. The economic benefits provided by the corporation will benefit the City by stimulating the need for housing, retail sales, entertainment, etc. within the City. The Directors of the corporation are appointed by the City Council. Its budget must also be approved by the City Council. The 1/2 percent sales tax that funds OEDC is received by the City from the State and is passed to OEDC.

OEDC is reflected in these financial statements as a discretely presented component unit. Separate financial statements are not prepared by OEDC.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

Overton Municipal Development District (OMDD)

Cities are authorized under Chapter 377 of the Local Government Code to hold an election, in all or part of a City, including the extra territorial jurisdiction, to create a Municipal Development District and adopt a sales tax to fund the District. The District may undertake a variety of projects authorized under Chapter 377 of the Local Government Code. The City held a special election in November 2004 to adopt a 1/2 per cent sales tax to be used for projects in the portion of Rusk County within the City's jurisdiction. The boundaries of the District are the portion of the City located within Rusk County and does not include any portion of the City located within Smith County.

OMDD is reflected in these financial statements as a discretely presented component unit. Separate financial statements are not prepared by OMDD.

B. Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

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

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

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 60 days of the end of the fiscal year, with the exception of property taxes, which are recognized as revenue when received. 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.

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

The City reports the following major Governmental funds:

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

The *Debt Service Fund* is used to account for revenues collected to pay principal, interest, and related costs to retire general long-term debt.

The *Construction Fund* is a capital projects fund used to account for financial resources to be used for the renovation of streets from the proceeds of the 2002 certificates of obligation.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

The City reports the following major proprietary fund:

The *Water and Sewer Fund* is used to account for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for loans and certificates of obligation when due throughout the year. All costs are financed through user charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Fund.

Additionally, the City reports the following fund types:

Special Revenue Funds are used to account for revenue sources that are restricted to expenditures for specific purposes.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services between the City's General Fund and the Water and Sewer Fund.

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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

Cash includes not only currency on hand but also demand deposits with banks or other financial institutions. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

State statutes authorize the City to invest in U.S. Government obligations, certificates of deposit, money market mutual funds, and public funds investment pools.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "Due to/from Other Funds" (i.e., the current portion of interfund loans) or "Advances to/from Other Funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." All trade receivables are shown net of an allowance for uncollectibles.

3. Inventories

The City records inventory of chemicals, pipe and material in the Water & Sewer Enterprise Fund. The inventory is valued at the lower of cost or market.

4. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The City has entered into an agreement with the Rusk County, Texas Tax Assessor-Collector for billing and collection of its property taxes. In the government-wide financial statements, City property tax revenue is recognized when levied, and in the fund financial statements, City property tax revenue is recognized when collected. An allowance is established for delinquent taxes to the extent that their collectability is improbable.

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessment ratio of the City is 100 percent of market value.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

5. Capital Assets

The City has elected not to report governmental capital assets, which include property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items) in the governmental activities column in the government-wide financial statements.

Business-type capital assets, which include property, plant, equipment, and water and wastewater distribution system are reported in the business-type activities column in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. Property, plant, and equipment is depreciated using the straight line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Machinery and Equipment	5-10
Water and Wastewater System	30

6. Compensated Absences

Regular full-time employees earn personal time off (PTO) at the rate of 4.62 hours for every two weeks of service for a total of 15 days PTO per year for up to 5 years of service. After 5 years, employees earn at the rate of 5.39 hours for every 2 weeks of service for a total of 17.5 days per year. After 10 years, PTO is earned at a rate of 6.16 hours for every 2 weeks of service for a total of 20 days per year. No employee may accrue more than 25 days of PTO.

Employees receive payment for remaining PTO upon separation of employment if they have been employed 6 months or more and give proper written notice. Accumulated unpaid PTO amounts are accrued as a current liability in the period they are earned in proprietary funds (using the accrual basis of accounting) and the government-wide financial statements. In governmental funds, the cost of PTO is recognized when payments are due. The General Fund and the Water and Sewer Enterprise Fund are used to liquidate the accrued compensated absences liability.

7. Long-term Obligations

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

9. 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 legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

10. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the proprietary fund considers all cash, certificates of deposit, and restricted cash and certificates of deposit to be cash equivalents.

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund and the Water and Sewer Fund. Encumbrance accounting is not employed. All annual appropriations lapse at fiscal year end.

The City budgets on a departmental basis, without regard to whether expenditures are current, capital, debt service, or a transfer to another fund. Additionally, transfers from other funds and carryovers from prior years are budgeted as revenue.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

Total appropriations for all departments of the City may not exceed the reasonable and anticipated revenues of the City in excess of fixed charges for the year. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, and Special Revenue Funds, as well as the Water & Sewer Enterprise Fund.

For the year ended September 30, 2007, General Fund expenditures exceeded appropriations in the Administration, Public Safety, Streets and Public Works Departments. These over expenditures were funded by the proceeds from a capital lease and a larger transfer from the Water and Sewer Fund.

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits

At September 30, 2007, City bank balances were fully covered by federal depository insurance or collateral held by the pledging financial institution's agent in the City's name.

The Overton Economic Development Corporation had certificates of deposit in the amount of \$441,187 of which \$100,000 was secured by FDIC insurance. The remainder of \$331,187 was not collateralized.

The City does not have an executed depository contract in accordance with the Local Government Code, Chapter 105.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that the City has not adopted an investment policy.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

During the year ended September 30, 2007, the City invested only in certificates of deposit with a local bank.

The City's discretely presented component units' funds are all placed in demand deposit accounts or certificates of deposit with a local bank.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

• Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City's investments are only certificates of deposit with a local bank. The City was not exposed to credit risk.

The City's discretely presented component units were not exposed to credit risk.

• Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

One of the City's discretely presented component units (Overton Economic Development Corporation) had deposits of \$341,187 which were not collateralized.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

CITY OF OVERTON, TEXAS

September 30, 2007

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name. The City was not exposed to custodial credit risk.

The City's discretely presented component units were not exposed to custodial credit risk.

• Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As discussed above, the City only investments are certificates of deposit with a local bank. The City was not exposed to concentration of credit risk.

The City's discretely presented component units were not exposed to concentration of credit risk.

• Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The City was not exposed to interest rate risk.

The City's discretely presented component units were not exposed to interest rate risk.

• Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. The City does not engage in foreign currency transactions. The City was not exposed to foreign currency risk.

The City's discretely presented component units were not exposed to foreign currency risk.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

B. Receivables

Receivables as of year-end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Water & Sewer Enterprise	Total
Receivables:				
Taxes	\$ 105,332	\$ 36,392	\$ 2,368	\$ 144,092
Accounts	-	-	137,797	\$ 137,797
Gross Receivables	105,332	36,392	140,165	281,889
Less: Allowance of Uncollectibles	(10,423)	(5,211)	(2,027)	\$ (17,661)
Net Total Receivables	<u>\$ 94,909</u>	<u>\$ 31,181</u>	<u>\$ 138,138</u>	<u>\$ 264,228</u>

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:

	Unavailable	Unearned	Total
General Fund:			
Delinquent property taxes receivable	\$ 62,361	\$ -	\$ 62,361
Others	-	13,396	\$ 13,396
Debt Service Fund:			
Delinquent property taxes receivable	31,181	-	\$ 31,181
Total Governmental Funds	<u>\$ 93,542</u>	<u>\$ 13,396</u>	<u>\$ 106,938</u>

Receivables as of year-end for the City's discretely presented component units are as follows:

	OEDC	OMDD
Taxes	\$ 15,924	\$ 10,046
Other	232	-
Total Receivables	<u>\$ 16,156</u>	<u>\$ 10,046</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 312,230	\$ -	\$ -	\$ 312,230
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>312,230</u>	<u>-</u>	<u>-</u>	<u>312,230</u>
Capital assets being depreciated:				
Buildings	1,361,900	-	-	1,361,900
Equipment	388,855	65,848	-	454,703
Vehicles	75,646	-	-	75,646
Infrastructure	3,475,000	-	-	3,475,000
Total Capital assets being depreciated	<u>5,301,401</u>	<u>65,848</u>	<u>-</u>	<u>5,367,249</u>
Less accumulated depreciation:				
Buildings	614,788	47,540	-	662,328
Equipment	282,224	19,156	-	301,380
Vehicles	41,646	8,000	-	49,646
Infrastructure	3,475,000	-	-	3,475,000
Total accumulated depreciation	<u>4,413,658</u>	<u>74,696</u>	<u>-</u>	<u>4,488,354</u>
 Total capital assets being depreciated, net	 <u>887,743</u>			 <u>878,895</u>
 Government Activities capital assets, net	 <u>\$ 1,199,973</u>			 <u>\$ 1,191,125</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 50,201	\$ -	\$ -	\$ 50,201
Construction in progress	34,185	-	-	34,185
Total capital assets not being depreciated	<u>84,386</u>	<u>-</u>	<u>-</u>	<u>84,386</u>
Capital assets being depreciated:				
Equipment	407,591	-	-	407,591
Water and Wastewater Distribution	5,226,685	-	-	5,226,685
Total Capital assets being depreciated	<u>5,634,276</u>	<u>-</u>	<u>-</u>	<u>5,634,276</u>
Less accumulated depreciation:				
Equipment	355,587	5,724	-	361,311
Water and Wastewater Distribution	2,876,623	155,375	-	3,031,998
Total accumulated depreciation	<u>3,232,210</u>	<u>161,099</u>	<u>-</u>	<u>3,393,309</u>
 Total capital assets being depreciated, net	 <u>2,402,066</u>			 <u>2,240,967</u>
 Business-type Activities capital assets, net	 <u>\$ 2,486,452</u>			 <u>\$ 2,325,353</u>

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

Governmental Activities:	
Administration	\$ 28,055
Police	8,000
Fire	29,851
Public Works	8,790
	<u>\$ 74,696</u>
 Business-type Activities:	
Water and Sewer	\$ 161,099
Total Depreciation expense-business-type activities	<u>\$ 161,099</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of September 30, 2007, is as follows:

Receivable Fund	Payable Fund	Amount
General	Water and Sewer	\$ 39,843
Construction	General	\$ 16,662
Total		<u>\$ 56,505</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers:

	Transfers In		Total
	General	Other Governmental	
Transfers Out:			
General	\$ -	\$ -	\$ -
Water and Sewer	231,600	-	231,600
Total Transfers	<u>\$ 231,600</u>	<u>\$ -</u>	<u>\$ 231,600</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts for debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenues collected in one fund to finance various programs accounted for in other funds.

E. Leases

Capital Leases

The City has acquired certain capital assets for governmental activities through the use of lease purchase agreements. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Interest rates on capital leases range from 5.5944%-6.87%. The assets acquired through capital leases are as follows:

Governmental Activities	
Fire truck	\$ 98,442
Police Cars (2)	47,591
Total	<u>\$ 146,033</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007 were as follows:

Year Ending	Governmental Activities
2008	\$ 23,803
2009	25,298
2010	18,025
Total minimum lease payments	67,126
Less: amount representing interest	(7,928)
Present value of minimum lease payments	<u>\$ 59,198</u>

F. Long-Term Debt

General Obligation Bonds and Certificates of Obligation

The City may issue general obligation bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for both governmental and business-type activities. These debt obligations are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenue. The original amount of certificates of obligation issued in prior years was \$4,515,000.

General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the City. General long-term debt currently outstanding is as follows:

Purpose	Interest Rates	Original Issue Amount
Governmental Activities:		
1994 Certificates of Obligation	6.1875%	\$ 165,000
2002 Tax and Utility System Surplus Revenue Certificates of Obligation	5.30%	1,450,000
Business-type Activities:		
2003 Tax and Utility System Surplus Revenue Certificates of Obligation	4.30%	400,000
2003 General Obligation Refunding bonds	4.30%	2,500,000
Total Certificates of Obligation		<u>\$ 4,515,000</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

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

Year Ending September 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 23,538	\$ 77,169	\$ 100,706	\$ 175,000	\$ 99,760	\$ 274,760
2009	24,081	75,830	\$ 99,911	180,000	92,235	\$ 272,235
2010	29,659	74,325	\$ 103,984	185,000	84,495	\$ 269,495
2011	30,274	72,650	\$ 102,924	210,000	76,540	\$ 286,540
2012	30,928	70,936	\$ 101,864	220,000	67,510	\$ 287,510
2013-2017	516,195	299,281	\$ 815,476	965,000	199,735	\$ 1,164,735
2018-2022	800,000	106,000	\$ 906,000	385,000	25,155	\$ 410,155
2023-2027	-	-	\$ -	-	-	\$ -
Total	<u>\$ 1,454,676</u>	<u>\$ 776,190</u>	<u>\$ 2,230,866</u>	<u>\$ 2,320,000</u>	<u>\$ 645,430</u>	<u>\$ 2,965,430</u>

Notes Payable

The City obtained a loan in September of 2000 to refinance the purchase of general government and water and sewer equipment. Interest rate on the loan is 7.01% and the payments are due quarterly.

Annual debt service requirements to maturity for the City's notes payable are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 4,366	\$ 2,411	\$ 5,933	\$ 3,276
2009	4,366	2,094	5,933	2,845
2010	4,366	1,784	5,933	2,424
2011	4,366	1,473	5,933	2,002
2012	4,366	1,167	5,933	1,585
2013-2015	13,303	1,627	17,596	2,211
Total	<u>\$ 35,133</u>	<u>\$ 10,557</u>	<u>\$ 47,260</u>	<u>\$ 14,344</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of Obligation	\$ 1,477,703	\$ -	\$ 23,027	\$ 1,454,676	\$ 23,538
Capital Leases	90,343	-	23,219	\$ 67,124	23,803
Notes Payable	39,501	-	4,366	\$ 35,135	4,366
Compensated Absences	16,693	574	-	\$ 17,267	-
Governmental Activity Long Term Liabilities	<u>\$ 1,624,240</u>	<u>\$ 574</u>	<u>\$ 50,612</u>	<u>\$ 1,574,202</u>	<u>\$ 51,707</u>
Business-type Activities					
Certificate of obligation	\$ 2,485,000	\$ -	\$ 165,000	\$ 2,320,000	\$ 175,000
Less: Unamortized Bond Discount	(5,810)	0	(801)	\$ (5,009)	0
Capital Leases	0	0	0	\$ -	0
Notes payable	54,193	0	6,933	\$ 47,260	5,933
Compensated absences	2,408	0	909	\$ 1,499	0
Business-type activities Long-term liabilities	<u>\$ 2,535,791</u>	<u>\$ -</u>	<u>\$ 172,041</u>	<u>\$ 2,363,750</u>	<u>\$ 180,933</u>

G. Restatement/Prior Period Adjustment

Net Assets were restated due to corrections to prior year balances. Below is a detail of the restatements.

	Government-Wide Governmental Activities
Balance - September 30, 2006 (as previously reported)	\$ (1,301,974)
Accounts Receivable - Citations	(113,783)
Capital Assets	1,199,973
Balance - September 30, 2006 (as restated)	<u>\$ (215,784)</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

IV. Other Information

A. Risk Management

The City of Overton, Texas 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 for which the City carries commercial insurance. There have been no significant reductions in insurance coverages during the year ended September 30, 2007. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Also, the City of Overton, Texas is a member of the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, and real and personal property coverages.

During the year ended September 30, 2007, employees of the City were covered by a health insurance plan (the Plan). The City contributes 100% of the cost for employee coverage to the Plan, and employees electing dependent coverage authorize payroll withholdings to pay the contributions for their dependents. All contributions were paid to the TML Intergovernmental Risk Pool.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

No reportable litigation was pending against the City as of September 30, 2007.

No reportable litigation was pending against the City's discretely presented component units as of September 30, 2007.

C. Pension Plan

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 currently administered by TMRS, an agent multiple-employer public employee retirement system.

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of April 19, 2006):

Deposit Rate:	5%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibilities for the City are:
5 yrs/age 60, 25 yrs/any age

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. 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 (i.e. December 31, 2006 valuation is effective for rates beginning January 2008).

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

Schedule of Funding Progress

Actual Valuation Date	12/31/2006	12/31/2005	12/31/2004
Actuarial value of assets	\$ 633,789	\$ 618,172	\$ 574,951
Actuarial accrued liability	\$ 467,064	\$ 502,727	\$ 480,087
Unfunded (overfunded) actuarial accrued liability (UAAL)	\$ (166,725)	\$ (115,445)	\$ (94,864)
Percent funded	135.7%	123.0%	119.8%
Annual covered payroll	\$ 335,052	\$ 358,229	\$ 390,612
UAAL as a percentage of covered payroll	-49.8%	-32.2%	-24.3%
Net pension obligation (NPO) at the beginning of period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 15,232	\$ 16,337	\$ 17,644
Contribution made	\$ 15,232	\$ 16,337	\$ 17,644
Increase in NPO	\$ -	\$ -	\$ -
NPO at the end of the period	\$ -	\$ -	\$ -

Actuarial Assumptions

Actuarial Cost Method	-	Unit Credit
Amortization Method	-	Level Percent of Payroll
Remaining Amortization Period	-	25 Years – Open Period
Asset Valuation Method	-	Amortized Cost (to accurately reflect the requirements of GASB Statement No. 25, paragraph 36e and 138)
Investment Rate of Return	-	7%
Projected Salary Increases	-	None
Includes Inflation at	-	3.50%
Cost-of-living Adjustments	-	None

Trend Information for the Retirement Plan for Employees of the City of Overton, Texas

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2005	\$ 17,644	100%	\$ -
9/30/2006	\$ 16,337	100%	\$ -
9/30/2007	\$ 15,232	100%	\$ -

NOTES TO FINANCIAL STATEMENTS - CONTINUED
CITY OF OVERTON, TEXAS
September 30, 2007

The City is one of 821 municipalities having the benefit plan administered by TMRS. Each of the 811 municipalities has an annual, individual actuarial valuation performed. All assumptions for the December 31, 2006 calculations are contained in the 2006 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
CITY OF OVERTON, TEXAS
For the Year Ended September 30, 2007

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original/Final	Actual	
REVENUES			
Taxes			
Ad valorem	\$ 346,124	\$ 373,827	\$ 27,703
Sales	173,000	166,905	(6,095)
Franchise	80,000	83,146	3,146
Charges for services	36,750	22,793	(13,957)
Fines and forfeitures	45,700	59,754	14,054
Interest income	-	1,624	1,624
Grants	-	126,749	126,749
Miscellaneous	22,400	45,942	23,542
Total revenues	<u>703,974</u>	<u>880,740</u>	<u>176,766</u>
EXPENDITURES			
Current			
General government	263,933	297,064	(33,131)
Social services	16,462	16,567	(105)
Traffic and law	314,474	296,451	18,023
Municipal court	38,372	39,835	(1,463)
Fire	40,488	30,867	9,621
Street and drainage	9,000	133,542	(124,542)
Public works	75,145	104,144	(28,999)
Animal control	2,500	3,115	(615)
Capital Outlay	-	65,848	(65,848)
Debt service	118,600	101,502	17,098
Total expenditures	<u>878,974</u>	<u>1,088,935</u>	<u>(209,961)</u>
Excess (deficiency) of revenues over (under) expenditures	(175,000)	(208,195)	(33,195)
Transfers from Water & Sewer Fund	<u>175,000</u>	<u>231,600</u>	<u>56,600</u>
Excess (deficiency) of revenues over (under) expenditures after transfers	<u>\$ -</u>	<u>\$ 23,405</u>	<u>\$ 23,405</u>